 Retirement Stage Quiz

Are you really ready?

So you think you’re making good choices for your future – but are you really? Use this quiz to determine what Retirement Stage you’ve achieved.

This quiz will help you see how good a job you’ve been doing in your financial preparations for retirement. It will help you flag some action items that you may have neglected or overlooked so far. And if you do have some catching up to do, this quiz provides some resources to point you in the right direction and help you get started!

Answer each question (truthfully!) and enter the points earned (indicated in parentheses) on the line provided.

1. Have you (or your spouse) personally saved any money for retirement? Do not include Social Security taxes or employer-provided plans. Savings could include any money you put into a deferred compensation plan at work, such as a Deferred Compensation Plan.

Yes (4)

No (0)

\_\_\_\_\_ points

2. Have you (or your spouse) tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement?

Yes (3)

No (0)

\_\_\_\_\_ points

3. Do you have an investing or savings program for your retirement?

Yes (2)

No (0)

\_\_\_\_\_ points

4. Have you thought about insurance coverage for long-term care or nursing home needs?

Yes (2)

No (0)

\_\_\_\_\_ points

5. How confident are you (and your spouse) about the following retirement-related issues? Would you say that you are very confident, somewhat confident, not too confident, or not at all confident…

a. …that you are doing a good job of preparing financially for your retirement?

Very confident (2)

Somewhat confident (1)

Not too/not at all confident (0)

\_\_\_\_\_ points

b. …that you will have enough money to take care of your medical expenses when you retire?

Very confident (2)

Somewhat confident (1)

Not too/not at all confident (0)

\_\_\_\_\_ points

c. …that you will have enough money to support yourself (yourselves) in retirement, no matter how long you live?

Very confident (2)

Somewhat confident (1)

Not too/not at all confident (0)

\_\_\_\_\_ points

6. How well does each of the following statements describe you? Would you say it describes you very well, well, not too well, or not at all?

a. I am disciplined at saving.

Very well (2)

Well (1)

Not too well/not at all (0)

\_\_\_\_\_ points

b. I am not willing to take any financial risks, no matter what the gain.

Very well/well (0)

Not too well (1)

Not at all (2)

\_\_\_\_\_ points

c. If I just save some money each month, I will be fine in my retirement.

Very well/well (0)

Not too well (1)

Not at all (2)

\_\_\_\_\_ points

d. I think preparing for retirement takes too much time and effort.

Very well/well (0)

Not too well (1)

Not at all (2)

\_\_\_\_\_ points

So what retirement planning stage are you in? Add up your points to see how you stack up.

Total Score: \_\_\_\_\_ points

How Did You Score? Retirement Stage Quiz Results

If you scored 0-5, you need to get started. But you are not alone; 10 percent of American workers fall into this group. What should you do? Choose to save, now! Only 1 percent of Americans in this group have begun to save for retirement, but one-half say that they could save $20 per week. That’s over $1,000 per year, which could really add up over time. Assuming a modest 5 percent rate of return, saving $20 a week would result in more than $50,000 over 25 years!

If you scored 6-10, you have work to do. Nineteen percent of American workers are in this group. There’s a 50/50 chance you have begun to save. Sixty-one percent of non-savers in this group say they could put away $20 per week. Assuming a modest 5 percent rate of return, saving $20 a week would result in more than $50,000 over 25 years! Only 13 percent of this group has tried to figure out how much they need to save. Take 10 minutes to do the Retirement-At-A-Glance Worksheet and establish a savings goal!

If you scored 11-15, you’ve taken the first big step. Now take the second! Thirty-two percent of American workers are in this group, and 87 percent of them have begun to save for their retirement. However, less than half have tried to figure out how much they need to save. Take 10 minutes to do the Retirement-At-A-Glance Worksheet and establish a savings goal!

If you scored 16-20, you’re off to a good start. Thirty-one percent of working Americans are in this group – 99 percent have begun to save, and 88 percent have tried to figure out how much they need to save. But are you on target? Seventy-six percent say they could save another $20 per week for retirement. So if you’re not on target, put a little more away. In addition, 25 percent of this group is only somewhat confident that they are investing their retirement savings wisely. If that’s you, take the time to learn some more about investing. It may help you sleep better at night.

If you scored 21-25, you’re among a select few. Only 8 percent of working Americans scored at this level. You are saving, you have tried to determine how much you need to save, and you are very or extremely confident that you are investing your retirement savings wisely. Evaluate your progress periodically to make sure you stay on track. Is there anything you might have missed? Twenty percent of this group have not thought about long-term care insurance. Have you?

The Retirement Stage Quiz has been adapted with permission from the Employee Benefit Research Institute (EBRI) and the American Savings Education Council (ASEC).

Retirement-At-A-Glance Worksheet

This worksheet is a product of the American Savings Education Council (ASEC), which is part of the Employee Benefit Research Institute Education and Research Fund, a 501(c)(3) nonprofit, educational association.

1. How much annual income will you want for retirement? Enter the amount to the right: (Figure at least 75 percent of your current annual gross income just to maintain your current standard of living. Really.)

Annual income wanted: $\_\_\_\_\_\_\_\_\_\_

2. SUBTRACT the income you expect to receive annually from: Social Security – If you are eligible to receive benefits from Social Security, you should contact the Social Security Administration at (800) 772-1213 to get your personalized statement of benefits. If you already have one, enter the appropriate dollar amount below. REMEMBER – If you are planning to retire before the age you would be eligible for “full” benefits (varies based on the year you were born), your monthly income will be reduced. If you retire before you reach the age that you can receive the reduced amount, you will need to have other retirement income to replace this amount until you are old enough to begin to receive these benefits.

If you don’t have personalized Social Security information but want to get a general idea now through the Retirement-At-A-Glance Worksheet, you can enter one of the following amounts:

• if you made under $25,000 while under covered employment, enter $8,000;

• between $25,000 and $40,000, enter $12,000;

• more than $40,000, enter $14,500.

Married couples should enter the benefit based on the earnings for the lower earning spouse, or 50% of the higher earning spouse’s benefit (using the amounts above), whichever is higher. But, keep in mind that these amounts will not reflect the actual benefit you may receive.

• If you are not eligible for Social Security, enter $0:

– $\_\_\_\_\_\_\_\_\_\_\_

Subtotal: $\_\_\_\_\_\_\_\_\_\_\_

Enter the amount you expect to receive annually from your defined benefit plan (a plan that pays a set dollar amount for life based on your salary, age, and years of service).

Your annual retirement benefits: – $\_\_\_\_\_\_\_\_\_\_\_

Subtotal: $\_\_\_\_\_\_\_\_\_\_\_

Your part-time income: – $\_\_\_\_\_\_\_\_\_\_\_

Other: – $\_\_\_\_\_\_\_\_\_\_\_

This is how much you need to make up for each retirement year. (If your result is a negative number, congratulations. You’re on the way to meeting your financial goals!)

Total to make up: $\_\_\_\_\_\_\_\_\_

Now you want a ballpark estimate of how much money you’ll need in savings on the day you retire.

3. To determine the amount you’ll need to save, MULTIPLY the amount you need to make up (results of Question 2) by the factor below.

Age you expect to retire:

Your factor is:

55 21.0

60 18.9

65 16.4

70 13.6

Total amount to save: $\_\_\_\_\_\_\_\_\_\_\_

4. If you expect to retire before age 65, MULTIPLY your Social Security benefit (amount from Question 2) by the factor below. (If you are not eligible for Social Security and entered $0, enter $0 here also.)

Age you expect to retire:

Your factor is:

55 8.8

60 4.7

Subtotal: $\_\_\_\_\_\_\_\_\_\_\_

Subtotal of Questions 3 + 4: $\_\_\_\_\_\_\_\_\_\_\_

5. MULTIPLY any savings you have to date by the factor below (include money accumulated in a 401(k), IRA, or similar plan).

You want to retire in: Your factor is:

10 years 1.3

15 years 1.6

20 years 1.8

25 years 2.1

30 years 2.4

35 years 2.8

40 years 3.3

SUBTRACT value of current savings at retirement: – $\_\_\_\_\_\_\_\_\_\_\_

Total savings needed at retirement: = $\_\_\_\_\_\_\_\_\_\_\_

Don’t panic. Here’s another formula to show you how much to save each year in order to reach your total amount needed at retirement. Factor in compounding – that’s where your money not only makes interest, your interest starts making interest.

6. To determine the ANNUAL amount you’ll need to save, MULTIPLY the TOTAL amount needed at retirement by the factor below.

You want to retire in:

Your factor is:

10 years .085

15 years .052

20 years .036

25 years .027

30 years .020

35 years .016

40 years .013

TOTAL TO SAVE EACH YEAR: $\_\_\_\_\_\_\_\_\_\_\_

SEE? It just takes planning. And the sooner you start, the better off you’ll be.

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