

Tough Times # 3

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FINANCIAL CRISIS EFFECTS SAVINGS PLANS

With the current financial crisis, people note that this is having a significant effect on retirement planning. A recent survey by the International Foundation of Employee Benefits Plans found that a number of respondents plan on retiring at a later date. 30% of the respondents report that they have decreased their retirement contributions. 34% reported that they reduced their exposure in equities to less risky investments.

I recently read an article that stated that more individuals are working until after age 65 than at any period of time in our nation's history. This report would also confirm this. Social Security benefits are not received in full until after age 65 now. I would anticipate that this will only increase in time.

The Consumer Federation of America states that most low and moderate income households have significant unmet emergency savings needs. Research shows that most households lack adequate financial resources to pay for unexpected expenditures such as car repairs, or emergency dental treatment. Low income households report that they need around \$1,500 in emergency savings. However, less than one third of these households have a savings account, less than 30 percent say they have emergency savings of at least \$500.00. The median savings/checking account are only \$600.00.

For those in the moderate income level, \$3,000.00 is needed for emergency savings funds, but less than half have a savings account, less than half say they have an emergency savings of at least \$500.00. The median saving/ checking is only \$1,500.00.

The suggested amount of savings account should be equal to 3-6 months of salary. You can build this emergency account by using a tax refund, extra employment, putting a small monthly amount into savings each month. If the 3-6 month figure is more than you can set aside try putting the amount it would take to pay your highest occasional expense during the year into an account to decrease your temptation to use credit. Also by putting your pay raises into your savings, this could increase your emergency account.

References: Family Economics News- Dec/ January 2009

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