Return to the Nest

If you're an empty nester, you might not want to get *too* comfortable. These days, young (and not-so-young) adult children are moving back home at much higher rates than 50 years ago. The Great Recession spurred this shift, but it's not the only factor: Young adults also tend to be delaying marriage, and diverse cultures in the U.S. bring different traditions around multigenerational living. Here's a look at the "Boomerang Generation" and how they're affecting finances and family relationships.

By Anna Befort • Illustration by Rocco Baviera

How does it affect family relationships?
Adults ages 18-34 who live with their parents or moved back in temporarily for economic reasons:

34%: Improved their relationship with their parents

18%: Hurt their relationship

47%: No change

39%

U.S. adults ages 18-34 who reported that they live with their parents or moved back home temporarily for **economic reasons** in recent years.

$100,000 vs. $30,000:

Parents with household incomes of $100,000 are **equally as likely** to have their adult children living with them as those with household incomes of $30,000.

How do 18- to 34-year-olds living at home contribute?

96% help with chores

75% pay money for expenses, including utilities or food

35% pay rent to their parents

34%

Adults ages **18-24** who say their parents regularly help them out financially.

vs

8%

Adults ages **25-34** who say their parents regularly offer financial assistance.

Source: Pew Research Center

Why Save Now?

If you've been putting retirement savings on the back burner, consider these surprising facts you may be overlooking. *By Megan Nye*

Until you start dreaming of the day you and your co-workers share a farewell handshake, retirement planning can seem like a low priority. You think you have plenty of time to save. Or you don't have to save. Or there's no benefit to starting now.

But kick-starting your retirement savings can give you access to surprising perks now while protecting your future down the line. Here are seven compelling reasons to begin socking away money for your golden years today.

1. Retirement doesn't come cheap

"People forget how long they're living in retirement," says Scott Ferguson, a Thrivent Financial professional in Raleigh, North Carolina. According to recent data from a Gallup poll, the average person retires at age 66.[1] And it's far from unusual to live well into your 80s or even 90s and thus have decades of retirement ahead of you.

And the cost of those years can add up in ways that many people don't anticipate. Ferguson points out that you'll likely go through several cars, need a new roof or face other major expenses.

Your later years may see you incurring extra medical costs or even requiring care in or out of the home. Plus, the lifestyle you want to lead as a retiree may come with costs you're not currently facing. "If you don't save for retirement," cautions Thrivent Financial Professional Ben Laws of Stevens Point, Wisconsin, "you may find yourself with more time than money."

2. The government won't be footing the bill

Social Security, Medicare and other federal programs only will get you so far. According to the Social Security Administration 2018 Social Security Changes, payments from Social Security comprise only one-third of the average retiree's income.[2]

And, these days, your employer is increasingly likely to hand over retirement funding responsibilities to you. John Brazel, an Advanced Markets consultant at Thrivent, points to a major shift from defined-benefit plans like pensions to defined-contribution plans like a 401(k). "Pensions are becoming more and more rare," says Brazel, "and a 401(k) is only as strong as the dollars you put into it."

So, you'll almost certainly need to supply your own financial resources to live well in retirement. Laws makes a point to tell members that, while pensions and Social Security checks may cover basic expenses, you'll likely need your own savings to create a fulfilling lifestyle.

3. Having a plan brings more freedom

"While money doesn't buy you happiness," says Ferguson, "it does buy you options."

Attend a workshop

Part of preparing for your retirement is setting yourself up to maximize your resources. And that means starting the process of saving. Are you ready to kick-start your savings journey or fine-tune your strategy? Consider attending "Five Keys to Retiring Fearlessly," a free workshop led by Thrivent Financial professionals. To learn more and to request this workshop be held in your community, visit **Morethanmoneymatters.com**, look for the title and complete the workshop request form.

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It's important to know what you'd like those options to look like in your retirement years. For example, where do you see yourself living? How would you like to spend your time? Do you envision lots of traveling, or would you be content staying closer to home? Would you like to continue working part time, or would you like to spend more time volunteering? Once you create a vision, you can get closer to how much money you might want to save. Failing to save sufficiently might limit your choices.

4. Enjoy major tax savings now

Fortunately, federal and state governments want to encourage Americans to save for retirement. As a result, you're offered special incentives for contributing to your employer's 401(k) plan or your own IRA. And that enticement comes in the form of a sweet federal income tax break on your contributions.

In general, you're able to sidestep the need to pay federal income taxes on contributions both in the year you earn that money and during the years those funds are growing in your 401(k) plan or IRA. Instead, you defer taxation on those contributions—and the earnings from those contributions—until you pull money out of the account years down the road.

Brazel points out the double win of tax-deferred retirement savings: "It's not that you're just getting a deduction," he says. "You're actually reducing your taxable income."

And Ferguson notes that the taxation regulations around pre-tax retirement accounts are advantageous in another way. There may be a penalty if you take it out before age 59½, he shares. So it's that much less tempting to stick your hand in the cookie jar before you're ready to retire.

5. Or, opt for tax savings down the road

For the past two decades, savers have had the option of investing through a Roth IRA, which allows you to pay federal income taxes now on contributions while paying no taxes whatsoever on your eventual withdrawals, provided you meet certain conditions. Additionally, since 2006, some workers have been able to take advantage of the same type of potential tax savings through employer-sponsored Roth 401(k) plans.

So, if you're willing to absorb the tax bill now for Roth IRA or Roth 401(k) contributions, you needn't worry about what the federal income-tax rates will be during your retirement years. Instead, you can look forward to tax-free withdrawals of all the money in these special accounts.

The question then becomes which is better: saving on taxes now or saving later. A financial professional can help you answer that. Ferguson advises that, just as you would diversify your individual investments in a retirement portfolio, you also should consider diversifying how your investments are taxed.

6. Take advantage of free money

Saving for retirement now rather than putting it off until later puts you in a position to hopefully watch that money grow.

The first source of cash comes from your employer. The U.S. Bureau of Labor Statistics found nearly 60 percent of businesses offer a defined contribution program to full-time workers, in which the company may add money to your retirement savings whenever you yourself contribute. These companies contribute by matching a select percentage of an employee's salary to the retirement plan.

That's free money you simply can't afford to turn down. "Typically, you want to max out your match," says Ferguson.

And, of course, the earlier you start saving, the more you can enjoy the power of compound interest—another way to grow your money.

Suppose, for instance, that you save $10,000 and never another penny in a retirement account at age 35. Assuming a 6 percent annual rate of return on your investments, you'll have just over $57,400 in your account when you retire at age 65. But, if you put that same sum into a retirement account at age 25 instead, you'll have nearly $103,000 waiting in your account after your retirement party.

7. Saving for retirement is easier than you think

Saving up for your golden years can certainly seem like a daunting challenge. How do you ensure that you continue to make progress toward that massive goal? How do you even get started?

"What I tell a lot of young people," says Ferguson, "is just start saving so that your lifestyle is built on after-savings money versus trying to save whatever's left over. If you do that, you'll still feel comfortable, and it won't feel painful to you because you're not even really seeing it."

Brazel notes that tightening your belt can take you far in terms of creating a bright future. "Most people are surprised by how little effort it would take to save an extra $100 or $200 a month," he says.

Laws, meanwhile, suggests that you start with an "inspiring vision" for what your retirement will look like. Then, work on a plan that looks ahead to the future. "When you say no to something today," he says, "you say yes to something tomorrow." ■

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YOUR RETIREMENT TOOLKIT

Take advantage of these resources for maximizing your retirement savings:

401(k) plan: An employer-offered tax-deferred salary reduction retirement plan. Your contributions typically are made pre-tax and accumulate tax-deferred. Many employers match a percentage of an employee's contribution. Your contribution and earnings are subject to ordinary federal (and possibly state) income taxes upon withdrawal.

Roth 401(k): A 401(k) plan may offer Roth IRA-type accounts. Your contributions are made with after-tax dollars and grow tax-deferred. If certain requirements are met, earnings are distributed tax free.* Unlike a Roth IRA, distributions from a Roth 401(k) are subject to Required Minimum Distributions at age 70 ½.

403(b) plan: A retirement plan that permits employees of a qualifying nonprofit and/or educational organization to set aside money on a federal income tax-deferred basis.

Individual Retirement Account (IRA): A traditional individual federal (and possibly state) income tax-deferred plan to which contributions might be income tax-deductible. Several rules govern how much you can contribute, how much of your contribution is tax-deductible and how you will be taxed when withdrawing contributions and earnings. You or your spouse must have earned income to contribute to an IRA: You have to start withdrawing from it at age 70 ½.

Roth Individual Retirement Account (IRA): An individual retirement plan to which your contributions are made after-tax. Earnings grow tax-deferred; if you meet certain requirements, they are federal (and possibly state) income tax-free when withdrawn.* You or your spouse must have earned income to contribute to a Roth IRA; there are income limits that control who can open and contribute to one. You are not required to withdraw money at any time, but your beneficiaries will be subject to withdrawal requirements.

Mutual fund: An investment vehicle made up of a pool of money collected from investors. An investment manager decides how to invest the money based on the fund's investment objectives. There are many types of mutual funds, including stock, bond and money market funds, as well as asset allocation funds that invest in stocks and bonds.

Annuities: A contract sold by a life insurance company that guarantees a fixed or a variable payment to the annuitant (typically the owner of the contract) at some future time, usually after age 59 ½.

Health Savings Account (HSA): A federal income tax-favorable way for eligible individuals to set aside funds for current and future medical needs. Contributions are federal income tax-deductible, within limits, and earnings on the HSA funds are not taxed. Contributions your employer makes are not taxable to you. Distributions you take from the HSA to cover qualified medical expenses are not subject to federal (and possibly state) income taxes.

*A qualified distribution is tax-free and penalty-free provided that the five-year aging requirement has been satisfied and one of the following conditions is met: over age 59 ½, death, disability or qualified first-time home purchase ($10,000 lifetime maximum).

[1] Gallup "Snapshot: Average American Predicts Retirement Age of 66." https://news.gallup.com/poll/234302/snapshot-americans-project-average-retirement-age.aspx.

[2] "Social Security Administration 2018 Fact Sheet." www.ssa.gov/news/press/factsheets/basicfact-alt.pdf.

[3] U.S. Bureau of Labor Statistics. "What You Should Know About Your Retirement Plan." September 2017. www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/what-you-should-know-about-your-retirement-plan.pdf.

Thrivent and its financial professionals do not provide legal, accounting, or tax advice. Consult your attorney or tax professional.

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Need help identifying your target retirement savings number?
Thrivent's online retirement calculator, which offers an easy way to estimate your future retirement success, is based on 13 inputs including current age, household income, total retirement savings, annual retirement savings, planned retirement age and rate of return on investments. **Thrivent.com/retirementcalculator**

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