

f

X

Envelope icon

investments. It tells you where we think the stock market is headed and why.

nuveen

A TIAA Company



Want to broaden your investment universe?

$\pi = \text{solving for } [\text{income}]$

U.S. markets closed

S&P 500

4,299.71

+25.20 (+0.59%)



Dow 30

33,666.34

+116.07 (+0.35%)



Nasdaq

13,201.28

+108.43 (+0.83%)



Russell 2000

1,792.57

+13.67 (+0.77%)



Crude Oil

91.77

-1.91 (-2.0389%)



Gold

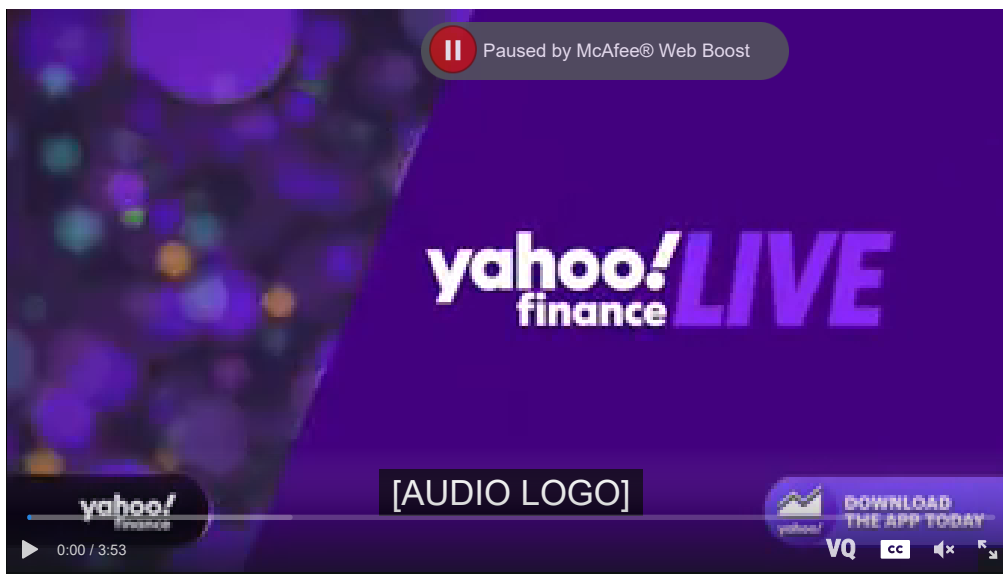
1,883.60

-7.30 (-0.3861%)



yahoo!finance

Gen Z is expecting a 40-year retirement. Good luck, experts say.



Dylan Croll

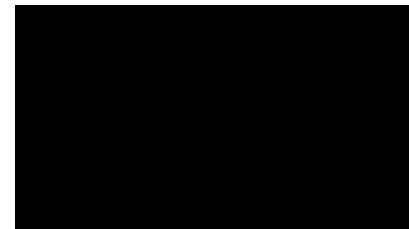
June 25, 2023 · 5 min read

Generation Z displays striking confidence when it comes to their retirement, according to a recent survey.

Not only do Zoomers think they'll retire at 60 on average, according to the [survey from Northwestern Mutual](#), but 2 in 5 of them also expect to live to 100. They also expect to need just \$1.2 million to fund that 40-year retirement, the lowest nest egg estimate among the four adult generations in the survey.

[Read more: Top savings tools: 4 alternatives to savings accounts](#)

The research underscores a striking discrepancy between Gen Z's expectations versus the reality of their retirement, and financial advisors say those who don't



Quote Lookup



TRENDING

1. UPDATE 1-UAW makes new counter proposal to Chrysler parent Stellantis - union
2. Mexico Keeps 11.25% Rate With Inflation Threats, Fast Growth
3. Nvidia Linked to Dawn Raid by French Competition Regulators
4. Workday, Chico's FAS: Trending Tickers
5. National Security Agency is starting an artificial intelligence security center



American Private Wealth, said to Yahoo Finance. "I am pessimistic."

But Zoomers are not.



In fact, while they have saved so far on average \$35,800 for retirement, almost two-thirds of Gen Z "expect to be financially prepared for retirement." Only 52% of unretired baby boomers, 45% of Gen X, and 54% of millennials were as optimistic.



HOW PREPARED AMERICANS ARE FOR RETIREMENT

BY GENERATION

EXPECT TO BE FINANCIALLY PREPARED FOR RETIREMENT
DO NOT EXPECT TO BE FINANCIALLY PREPARED FOR RETIREMENT

GEN Z



MILLENNIALS



GEN X



BOOMERS+ (NOT YET RETIRED)



SOURCE: 2023 NORTHWESTERN MUTUAL PLANNING & PROGRESS STUDY CONDUCTED BY THE HARRIS POLL • SURVEY WAS CONDUCTED FEBRUARY 13 -MARCH 2, 2023 WITH 2,740 U.S. ADULTS AGED 18 OR OLDER.



And Gen Z is not counting on Social Security, either, to make their retirement dreams happen.

The survey found that the generation expects the entitlement program to deliver just 15% of their retirement income. By comparison, Boomers expect it to cover nearly 40% of their retirement funds, according to the report.

The point that bothers experts is the total amount that Gen Z thinks they need to [save](#) — \$1.2 million. For comparison's sake, Americans in their 30s estimated they needed \$1.44 million for retirement, while those in their 50s forecast \$1.56 million. (Folks in their 40s seem to be more optimistic with an estimate of \$1.28 million, per the report).

"Yes, you can survive on \$1.2 million, but what sort of lifestyle are you willing to agree to?" Ahmed said, noting that few Americans manage to raise that much in the first place. "Not a comfortable one."



BY AGE GROUP

AMOUNT EXPECTED TO NEED FOR RETIREMENT AMOUNT SAVED FOR RETIREMENT CURRENTLY

ALL

\$1,270,000

\$89,300

20-29

\$1,200,000

\$35,800

30-39

\$1,440,000

\$67,400

40-49

\$1,280,000

\$77,400

50-59

\$1,560,000

\$110,900

60-69

\$968,000

\$112,500

70-79

\$936,000

\$113,900

SOURCE: 2023 NORTHWESTERN MUTUAL PLANNING & PROGRESS STUDY CONDUCTED BY THE HARRIS POLL • SURVEY WAS CONDUCTED FEBRUARY 13 -MARCH 2, 2023 WITH 2,740 U.S. ADULTS AGED 18 OR OLDER.



Asim Hafeez, who achieved financial independence, or job-optional status, in his 20s, said living on \$1.2 million over the course of four decades was unrealistic. For instance, Hafeez pointed out that such a figure doesn't seem to account for costs like medical expenses, which inevitably increase with age.

"It seems wildly miscalculated. There's no way that's enough," he said. "You're at an older age, you're probably gonna have more expensive medical expenses alone because your body breaks down a little bit. You may need some extra care at some point."

[A recent analysis found](#) that half of the 35 million people with traditional Medicare spent at least 16% of their income on out-of-pocket healthcare costs. Annually, they spent an average of \$6,663 on insurance premiums and medical services. And Medicare doesn't cover long-term care, which can be very expensive.

So, how much money would someone might need to live comfortably in retirement for 40 years?

Linda Farinola, founder of Princeton Financial Group, broke it down.

If someone wanted to live off \$4,000 a month after taxes for 40 years — taking into account 3% inflation and a return on invested retirement funds of 6% — they would need somewhere closer to \$4 million, she said.



(Photo: Getty Creative)

Younger generations may often fail to appreciate the expenses of day-to-day living, Jen Grant from Perryman Financial Advisory, said. [Many may still rely on their parents to cover expenses](#) like phone bills and aren't aware of other costs that emerge as people age.

"I think there's that cusp where they're on the edge of adulthood and they're starting to make money...but I don't think they've kind of been fully immersed in some of the adult minutiae of life," she said. "If you think all I have to pay for is rent and utilities and food, that's a different life than the rest of us that are thinking, 'I've got property taxes to the county' and the older you get, the more nuanced finances become."

Still, there's no need to fully burst Gen Z's retirement bubble, these experts said. If they really want to retire at 60 and plan for 40 golden years to follow, they just need to be realistic about achieving their retirement goals.

For instance, Gen Zers should meet with a financial advisor and come up with a plan tailored to their individual needs, said Aditi Javeri Gokhale, chief strategy officer, head of institutional investments, and president of retail investments at Northwestern Mutual.



(Photo: Getty Creative)

The Northwestern Mutual study found that "people who identify as disciplined financial planners knock two years off their retirement age," while "non-planners add two years."

Gokhale asserted that a planner could help Gen Zers navigate goals like getting married and starting a family, putting their kids through school, and in the long term, retirement.

"So it's about five years, 10 years, 20 years, and then retirement. So to think about that then you have got to start doing goal-setting and goal-planning," she said. "And that's how you start to have a conversation about both near-term and retirement goals."

Beyond saving in a traditional or Roth IRA and a 401(k), Hafeez recommended that Gen Z consider other investments like real estate that provide cash flow.

"The holy grail of retirement is to focus on monthly cash flow that can also be inflation-adjusted as time passes," he said.

Ahmed, meanwhile, emphasized that there is no way around hard work, diligent saving, and proactive planning for an optimal retirement.

"I always tell my own children to look at the squirrels during late summer and early fall. They're busy as mad grabbing all the nuts and whatever that they're going to put away," he said. "Because they know the winter is coming...Winter is your retirement and you have to save for it now."

Editor's note: This article corrects a previous version, which included a graphic with inaccurate retirement preparedness percentages for each generation.

Dylan Croll is a Yahoo Finance reporter.

[Click here for the latest personal finance news to help you with investing, paying off debt, buying a home, retirement, and more](#)

[Read the latest financial and business news from Yahoo Finance](#)
READ MORE