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Practicality Marks Clients' Attitude About Retirement

By Donna Mitchell

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Americans say that despite daunting circumstances, they have developed a more practical attitude toward money and retirement since last year, according to a study by San Francisco-based Age Wave. And that's good news for financial planners, says Ken Dychtwald, CEO of Age Wave, because Americans know they need planners' help.

In a new study, Age Wave, a research firm, found that only 4% of respondents strongly agree that Americans behave in a financially responsible manner. An overwhelming 95% of respondents said financial management should be a standard part of high school curricula. Eighty-one percent said that to live within ones means was the most important financial advice that parents could pass on to their children. That figure jumped from 69% a year ago, when the survey was last conducted.

All of these responses underscore the need for guidance and education among financial services clients, and financial planners are positioned to provide those services, said industry professionals. "There has not been a moment in history when more people need to be coached, guided and educated about how to create a long-term plan," Dychtwald said. "What you've got is a population of people who have been spooked. They don't know who to trust, who's lying, or what people's intentions are."

The study, called "Retirement at the Tipping Point: The Year that Changed Everything," gathered opinions from more than 2,000 Americans from four generations. The study was conducted with Harris Interactive.

Nearly 60% of Americans lost money in mutual funds, 401(k) plans or the stock market. Respondents believe that it will take about seven years, on average, to recover losses. Among respondents 55 and older, 46% say that medical expenses not covered by insurance is a top financial worry for their retirement phase. Four out of ten respondents said they believe they will have to help support their parents, in-laws or siblings eventually. In light of their financial situations, respondents believe, they might need to postpone retirement by 4.2 years, on average.

Clients might find that they have other reasons for optimism, especially when it comes to the timeline for earning back financial losses. Financial markets typically recover very quickly from recessions, so the U.S. would have to be in a prolonged recession for recovery to

take as long as seven years, said Russell Diachok, president and chief executive officer of Centennial, Colo.–based Geneos Wealth Management, Inc., an independent broker dealer.

“Personally, I think it would be a shorter recovery time, more like three to five years,” Diachok said. Of course, he acknowledged, “that is a significant amount of time if you were planning to retire in two years.”

In the survey, some Americans did express optimistic attitudes about retirement, and even saw working during their retirement years in a positive way. Sixty percent of Americans say that they view retirement as “a new, exciting chapter in life.” That is an increase from the 52% who felt that last year, according to the study. Seventy percent say that working in retirement is a way to remain stimulated and pay bills.



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