

Episode #337 – Financial Challenges of Gen X in Retirement

Thank you for attending today's episode of Money Script Monday. My name is Sara Sullivan, and I am the Licensing & Contracting Manager here at LifePro Financial Services. I have been with the company for over 21 years so whether you've been with us for a while or are a brand-new advisor, hopefully, I can bring some of my knowledge and experience to you in a clear and concise manner.

So much attention has been focused on Boomers and Millennials, but Gen X offers a significant opportunity for financial advisors. LIMRA Secure Retirement Institute estimates that Gen X households have an average net worth of around \$450,000 and have the time to grow that wealth over the next 10-20 years as their earnings peak. They are also expected to inherit a significant portion of the \$52 trillion in financial and non-financial assets currently held by Americans over the age of 60.

Sadly, Gen X has become known as America's "forgotten middle child" as they face a unique set of economic challenges, including the aftermath of student loans, the financial strains of recession, and caring for young children as well as aging parents. With that said, I thought it more than relevant for today's session that we go over the profile of a Gen X-er, what their top concerns are as well as hurdles that they face in retirement, and as your client's trusted advisor, why and how to let them know that reassuring and professional support is on the way.

As is with pretty much everything we do at LifePro our entire function is to do the legwork for you and bring the latest industry trends, environments, and ideas to you. Hopefully, the findings I've collected will free up a bit of your time to do what you do best, and that is sell. As a Gen X-er myself, I'm not much into monkey business and tomfoolery so let's get right down to brass tacks and begin.

But before we start getting into more of the nitty gritty, let's review the profile of a Gen X-er. One thing I've come to find is that there is no real

set age range. It's loosely defined as the generation of people born between the mid-1960s and early 1980s.

Gen X parents have had varying family sizes. On average, Gen X women have given birth to 2.07 children. Gen X-ers are typically described as being resourceful and independent, traits partly stemming from their latchkey childhoods. They're adept and keen on maintaining a work-life balance, perhaps due to witnessing the demands of their parents' work and subsequent absence from family life at times, so they tend to value self-reliance.

Growing up during the rise of technology, Gen X-ers tend to be tech-savvy. They bridge the gap between the analog and digital worlds. While Gen X-ers have followed a diverse range of career paths and can fit into various job profiles, they are often drawn to fields like computers, management, construction, and transportation.

Since Gen X-ers deal with aging parents' financial needs while raising their own families, they have come to be known as "The Sandwich Generation." Balancing these responsibilities can strain their finances, especially during peak wealth-building years. According to Pew Research, Generation X ages 39 to 54 numbered 65.2 million and is projected to pass the Boomers in population by 2028. This creates an incredible opportunity for you, the advisor, to provide the invaluable service of financial protection.

So now that you are more acquainted with today's Gen X-er, if you weren't before, let's go over some of the most common concerns and hurdles facing this group in the immediate future.

First up is inadequate retirement savings which many Gen X-ers have. The reliance on 401(k) plans has left Gen X-ers with the significant responsibility of managing their retirement savings independently. This "do-it-yourself" approach to retirement savings has resulted in a lack of preparedness among many in this generation. On average, Gen X households have saved about \$150,000 for retirement, significantly short of the \$1.5 million that many Americans believe is necessary for a comfortable retirement.

In my research, I came across an MSN article posted a week ago featuring a Corebridge study which stated that the [median reported level of savings in Gen X-ers accounts is just \\$47,950](#). Which, in the increasingly treacherous economic environment we're in, won't be nearly enough to sustain them.

The next item is the lack of pension income. In a recent Prudential study, it was found that [only 21% of 55-year-old Gen X respondents expect to collect defined benefit pension income](#). This highlights the need for alternative income sources beyond Social Security.

The third common hurdle to conquer is Unrealistic Expectations. Gen X-ers often hold impractical assumptions for high investment returns. [A lack of understanding of investment basics compounds their retirement challenges](#). This never means a person is unintelligent, bad, or wrong, it just means they need help from you as an educated advisor, and LifePro is here to help you strategize.

Despite these concerns, many Gen X-ers, like most people roaming Earth if we are being frank, still dream of retiring early around the age of 60, with expectations of their retirement lasting approximately 20 years—shorter than actual retiree experiences. However, their financial strategies may be overly optimistic, with expectations of annual investment returns of 13.1% above inflation, far exceeding typical market performance.

The fourth and last prevalent barricade is one that surprised me, and that is that digital currency know-how is a top concern. In fact, it tied for 2nd place with "Savings" in a [2022 Investopedia Financial Literacy study](#) I perused. So, evidently understanding cryptocurrencies and other emerging financial technologies is of significant priority for their financial future.

You, as a financial advisor, know best that clients planning ahead, seeking professional advice, and exploring diverse income sources can help Gen X-ers navigate all of the aforementioned challenges and secure a comfortable retirement. Thanks to you, help is on the way for this unique group.

LIMRA research has found that consumers who worked with an advisor were more likely to contribute to a retirement plan than those who didn't at a rate of 78 percent vs. 43 percent. They're also more likely to save

at a higher rate (61 percent vs. 38 percent) and feel more confident about their retirement prospects by a percent of 71 versus 43. LIMRA's study found that Gen X and Y consumers who worked with a financial professional had a significantly higher tolerance for investment risk as well, which is fantastic because this is the time when they should be more aggressive about their portfolio to achieve the growth needed to reach their long-term financial goal.

What an incredible opportunity to illustrate to a Gen X client that an annuity is one of the most reliable strategies to create a "personal pension" that can provide protected income for as long as that person lives. Many of today's annuities offer valuable benefits specifically designed to help people grow their future income—and then generate guaranteed lifetime income when they're ready to retire, and there's much more to annuities than protected lifetime income, even though that benefit is incredibly valuable.

Retirement may be more than two decades away for Gen X so even a small course correction today can result in a big impact when they're ready to retire. The role of financial advisors has become so necessary in breaking the cycle of financial traumas like recessions and bubble bursts.

If you haven't already, please allow our seasoned experts at LifePro and LifePro Asset Management the opportunity to provide you with a plethora of tools such as illustrations, marketing programs, ongoing training, advanced case design, ReProject, and the list goes on. There's a Gen X-er in need right around the corner and it's up to you, and us, to assist them effectively in achieving their financial dreams.

That's all for today, I hope that you were able to take away some worthwhile tidbits from this session and as always, if I can be of assistance with anything that you have questions about, please email me at ssullivan@lifepro.com or extension 3265. I encourage you to lean on us, as that's what we're here for and what we love doing. Have a great day and thank you for your business!