



# Calculating How Much Money You May Need for Retirement

A Supplement That Helps Determine an Accurate Personal Retirement Goal

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Recently, [an insurance company survey](#) said the **average** American believes they need \$4.3 million to retire. A [survey](#) from a different insurance company stated the number is \$1.27 million. So, which one is right? The answer is... NEITHER. The problem with both surveys is that they are exactly that...surveys. So, here is a simple 6-step process to help clear up the confusion:

1	Start with the median income (US Census Bureau, 2021):	\$70,784
2	Apply a "wage replacement" percentage for retirement (DFA, 2023):	73%
3	Multiply 1 times 2 to get a "target income" at retirement:	\$51,380
4	Approximate the amount Social Security would provide at 67 (DOL, 2023):	\$22,656
5	Subtract 4 from 3 for the additional income needed:	\$28,724
6	Dollars needed at 67 to buy an inflation-adjusted annuity for 5 (Market Rates):	\$473,287

"The only way to help an employee determine how much money they will need at retirement is quite simple. You need to help them envision their own Personal Retirement Goal."

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But what if you are not the median participant? Well, the table below provides the same calculation for the various households in the USA using the mid-point of the amounts in the first row:

Pre-Retirement Income	<\$25,000	\$25,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000 to \$149,999	\$150,000 to \$199,999	>\$200,000
Percent of Households	17.4%	18.7%	16.2%	11.9%	15.9%	8.3%	11.6%
Retirement Savings Needed at Age 67	\$153,798	\$251,516	\$432,190	\$568,981	\$706,754	\$959,701	\$1,284,039

## A few important points to note about the table above and a Personal Retirement Goal (PRG):

### RETIREMENT AGE

74% of retirees retire at age 64 or earlier. Retiring years BEFORE age 67 will greatly INCREASE the amounts shown in blue above.

### WAGE REPLACEMENT

Two people with the exact same salary could have very different income-in-retirement needs due to lifestyles that could increase/decrease the amounts in blue.

### SOCIAL SECURITY

The exact benefit you will receive is always available from the Social Security Administration and that benefit could also increase/decrease the amounts in blue.

### MONEY NEEDED AT AGE 67

Due to people changing jobs, it is critical that any Personal Retirement Goal capture and reflect all assets outside of your 401(k) plan, including those of spouses/partners. Also, we are not saying you should buy an annuity with your entire 401(k) account balance. BUT, if you wanted a paycheck for life that worked just like Social Security, that is the amount you would need at 67 to "buy" that paycheck.

### PRG

Finally, remember there is no such thing as a median/average participant. The only way to help an employee determine how much money they will need at retirement is quite simple. You need to help them envision their own Personal Retirement Goal. You should expect your service providers to build programs that measure this important metric on an ongoing basis.

## We Can Help

Please share this Personal Retirement Goal (PRG) calculations supplement with plan sponsors, plan advisors and others to encourage them to help retirement plan participants establish their PRG. Download [here](#).

Click [here](#) for the entire article, "How Do You Determine an Accurate Personal Retirement Goal?"

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