Four Steps to Help You Hit Your Magic Number for Retirement

Americans feel they need $1.46 million to retire comfortably. The good news, if you're falling short, is you might not need that much to reach your individual retirement goals.

The nest egg that Americans believe they need to retire comfortably continues to rise — skyrocketing to $1.46 million, according to Northwestern Mutual's 2024 Planning & Progress Study. That number is up from $1.27 million just a year ago, and up more than 50% since 2020. Since we announced our proprietary research results in early April, the most common follow-up question I've heard is, "Why?"

Inflation certainly plays a significant role in Americans' minds. Almost across the board, we've seen costs increase — some significantly. And while the rate of inflation has slowed in the U.S., elsewhere there are few examples of expenses decreasing to the levels we knew. However, inflation is just one factor in the findings.

Many people, especially younger Americans, believe they may live longer lives. Thanks to current and anticipated improvements across health care, technology and medicine, 3 in 10 Gen Zers believe they may live until age 100. Moreover, many Millennials and Gen Zers also aim to retire earlier than previous generations — even as early as age 60. To comfortably enjoy 40 years of retirement, it will be important for these younger professionals to save more, early and often as part of an intentional comprehensive plan.

Lastly, many younger Americans are feeling wary about the future of Social Security, and for good reason. The shortfall in the nation's Social Security Trust Funds could cause leaders to delay the age when Americans can qualify for benefits, reduce their payouts or both. And while this may be difficult for savers and investors to hear, two bits of good news can give each of us hope.

First: Younger generations are saving sooner. On average, Gen Z Americans say they began saving for retirement at age 22 — 15 years earlier than their Boomer counterparts. People recognize the value of retirement planning and building wealth — and they have gotten a significant head start. Thanks to the power of compounding, their retirement savings will benefit from decades of interest earned on both the principal and accumulated interest.

Second: The "magic number" for *your* retirement depends on *you* and what you want *your* retirement to look like. Each of us has different goals — and that means each of us deserves a "magic number" that reflects our dreams.

Four considerations for financial preparedness

How does someone develop a magic number? It's not easy to DIY. After all, it's the answer to a math problem with decades of variables, twists and turns. But if you want to get started, four considerations can help you financially prepare for that exciting time.

1. Decide when and where you want to retire. I can't overstate the value of having a proactive mindset when thinking about retirement. Building a timeline between today and that goal date is critical to planning. Additionally, decide where you'll want to live. The cost of living can vary significantly across the country — or across the world. Those expenses can add up quickly, so it's important to plan ahead.

2. If you haven't already experimented with one, try a longevity calculator. You may be surprised about how long you can live, which may impact how much you need to save to fund your retirement. For example, in the U.S., a man who turns 65 today has a 50% chance of living to the age of 88. A woman has a 50% chance of living to the age of 90. And if you're married, there's a 50% chance that one of you will live beyond 94. Financial security is about having what you need to get to and through retirement.

3. Try to predict how much money you might need each year. Various factors can affect how much you may need to save — from lifestyle, housing costs, anticipated medical expenses, the impact of inflation and taxes. Build an ideal budget for your golden years and consider if your nest egg is enough. Of course, some people discover that they need to save more — but in my experience, many others find out that they're set to retire sooner than expected!

4. Determine the most efficient and strategic way to withdraw your retirement money to fund retirement. Deciding when to begin withdrawing retirement money can be complicated. You also need to decide when to take Social Security and what you should do if the markets are down — do you have to sell low to fund retirement? And how much will you need to withdraw from your 401(k) each year?

Even savvy planners could use professional help

Steps three and four can be very complex — even for the most savvy investor. That's why it's wise to consult with a financial adviser to check your assumptions, stress-test your plan and ask questions you may never have considered. Many of Northwestern Mutual's most seasoned financial experts also have personal advisers to help them address their blind spots, avoid acting emotionally and keep them on track and adjust to any life changes that may happen along the way to retirement.

Retirement readiness isn't just about the money — it's about the effort, optimism and proactive mindset you need to meet your financial goals. Your retirement is *yours*, so develop a custom-built plan for *you* and take advantage of the advice from trusted financial professionals to ensure it's everything you want it to be.

All investments involve risk, including the potential loss of principal invested.

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