



The Challenge for Affluent Investors

For an affluent married couple with several children: 1) Marginal federal income tax rates were notably higher in 1980 than today; 2) The capital gains tax rate was higher in 1980; 3) Likely retirement bracket tax rates in the future will be harder to predict; and 4). Interest rates in 1980 were around 10%+ higher than today

Implications for Affluent Investors

So while the “1980 version” of the 401(k) tax deferral generated a [VERY notable premium](#) for investors (and a significant incentive to save for retirement), even without an employer match. [Today’s 401K plan benefit comes out quite a bit lower.](#)

But whether they'll be able to pull that off is another matter entirely. Even before the pandemic, numerous studies found that roughly half of workers retired earlier than planned due to ill health, family responsibilities or job loss. It will only become more challenging as clients think about career, family, and changing work conditions as COVID plays out. The retirement calculus for many of us will change and not all will realize it.



Implications for Advisors?

401K plans, especially ones with a strong employer match continue to be a strong option. But it's increasingly important for advisors to have 360-degree discussions around asset placement. MyMoneyRoadmap helps advisors quickly engage clients around their total financial lives and have them better armed for these kind

of critical discussions which showcase an advisor's expertise, independence and significant value add.

Source: <https://www.wealthmanagement.com/retirement-planning/401k-plans-no-longer-make-much-sense-savers>