

Are Your Clients Saving Enough for Retirement?

You have clients who are well on their way to a comfortable retirement, with plenty of savings to last them through their lifetime and enough remaining to leave behind a lasting legacy. Then there are those clients who do not have enough saved—or worry that they may be one major expense away from financial hardship in their retirement.

Assets earmarked for use during retirement can sometimes be vulnerable to lawsuits, medical bills, and other creditor claims that can drain decades of careful savings in a heartbeat. Rising inflation, skyrocketing healthcare costs, and longer lifespans also mean that even disciplined savers may find that their money does not stretch as far as they had planned.

Many Americans have little or no retirement savings and are worried about whether they can ever afford to stop working, let alone provide for others after they pass. Advisors can help ease retirement fears by viewing savings, asset protection, and legacy gifting as part of a holistic financial planning strategy.

How Much Is Needed for Retirement?

According to a 2025 Northwestern Mutual study, Americans believe they will need \$1.26 million to retire comfortably.¹ That same study exposes a stark reality, though; this “magic number” is far beyond what many have actually saved for retirement.² More than half of Americans say that outliving their life savings is a real possibility, and the vast majority are living with financial anxiety.³

An analysis of eight surveys on how Americans feel about their retirement prospects reveals that their anxiety ranges from a low of 32 percent to a high of 71 percent.⁴

These fears are well founded. A 2024 AARP report found that 20 percent of adults aged 50 and older have no retirement savings,⁵ while an Allianz Life 2024 survey found that fewer than half of Americans have a financial plan in place for their retirement.⁶

How much someone needs for retirement depends on their lifestyle, location, life expectancy, and the age at which they want to retire. The commonly used 80 percent rule suggests replacing 80 percent of preretirement income annually. Fidelity’s guideline is to save at least 1 times the person’s income by age 30, 3 times by age 40, 6 times by age 50, 8 times by age 60,

¹ *Americans Believe They Will Need \$1.26 Million to Retire Comfortably According to Northwest Mutual 2025 Planning & Progress Study*, Northwestern Mut. (Apr. 15, 2025), <https://news.northwesternmutual.com/2025-04-14-Americans-Believe-They-Will-Need-1-26-Million-to-Retire-Comfortably-According-to-Northwestern-Mutual-2025-Planning-Progress-Study>.

² *Id.*

³ *Id.*

⁴ Teresa Ghilarducci, Karthik Manickam, *How Americans Feel About Their Retirement Prospects: Surveying the Surveys* (Jul. 3, 2025), <https://www.economicpolicyresearch.org/resource-library/how-americans-feel-about-their-retirement-prospects-surveying-the-surveys>.

⁵ *New AARP Survey: 1 in 5 Americans Ages 50+ Have No Retirement Savings and Over Half Worry They Will Not Have Enough to Last in Retirement*, AARP (Apr. 24, 2024), <https://press.aarp.org/2024-4-24-New-AARP-Survey-1-in-5-Americans-Ages-50-Have-No-Retirement-Savings>.

⁶ *Americans Lack Plans for Retirement Income*, Allianz (Oct. 29, 2024), <https://www.allianzlife.com/about/newsroom/2024-Press-Releases/Americans-Lack-Plans-for-Retirement-Income>.

and 10 times by age 67 (the Social Security Administration's full retirement age for those born in or after 1960).⁷

Risks to Retirement Savings and How to Protect Retirement Assets

It is one thing to have enough savings to maintain a high standard of living during post-working years. It is another to preserve—or even build—wealth during those years, ensuring that there is enough left to support your legacy goals, such as providing for children or making charitable gifts. However, if your clients have high exposure to professional liability (doctors, lawyers, business owners, etc.), they may be concerned that everything they have worked for might be taken away.

Advisors can help address clients' concerns by discussing retirement asset protection strategies. Some protections are automatic. For instance:

- 401(k)s and other ERISA (Employee Retirement Income Security Act)-qualified plans, such as 403(b)s and defined benefit pensions, are fully protected from creditors in bankruptcy under federal law. Outside of bankruptcy, these plans are generally shielded from creditors as well, although exceptions (such as Internal Revenue Service tax levies, qualified domestic relations orders (QDROs), or criminal penalties) may permit access. After funds have been distributed, they lose ERISA protection unless they are rolled over into another qualified account, such as an individual retirement account (IRA).
- Many states also offer automatic creditor protection for IRAs and other retirement accounts, but the protected amount and the strength of these protections vary widely by state.
- While federal bankruptcy law does not protect inherited IRAs, some states do provide creditor protection for inherited retirement accounts, either through state exemption statutes or bankruptcy-specific rules.

Protecting Retirement Savings Now and Beneficiary Inheritance Later

For clients who are thinking beyond their own retirement and who have clear legacy goals in mind, it is important to consider how to protect retirement assets after they pass to beneficiaries. A well-crafted financial plan should incorporate asset protection strategies for inherited retirement accounts, helping to reduce possible financial risk and stress that beneficiaries may face.

Inherited retirement account protections are significantly weaker than protections for the original account holder, especially after the SECURE Act, which largely eliminated the “stretch IRA” for most nonspouse beneficiaries and mandated withdrawal within five or 10 years, was passed. The Supreme Court case *Clark v. Rameker* further clarified that inherited IRAs do not receive the same federal bankruptcy protection because they are not considered “retirement funds” in the hands of the beneficiary. Here are some points to remember when discussing inherited IRA creditor risk and protection with clients:

⁷ *How much do I need to retire?*, Fidelity (Feb. 14, 2025), <https://www.fidelity.com/viewpoints/retirement/how-much-do-i-need-to-retire>.

- 401(k) plans and other ERISA-qualified plans are fully protected from creditors under federal law, but this protection generally ends when the account is inherited, **unless the spouse rolls it into their own account** (i.e., elects to make a spousal rollover).
- States such as Florida offer strong protection for inherited IRAs while others, such as California, do not. It is important to understand what state law applies and the level of asset protection it provides for inherited IRAs.
- Naming a trust (specifically one designed as a see-through trust) as the beneficiary of a retirement account can increase protections afforded to inherited accounts from the beneficiary's creditors, divorce settlements, or mismanagement. A see-through trust allows compliance with SECURE Act withdrawal rules while controlling distributions.
- Regularly updating beneficiary designation forms for retirement accounts ensures that assets are transferred to the intended recipients, bypassing probate and aligning with estate plans, while also protecting the assets from unintended creditors or legal disputes arising from outdated or ambiguous designations.

With more Americans than ever before reaching retirement age and retirement fears running high across working demographics, clients may be more open to discussions about achieving long-term financial security, for both themselves and their beneficiaries. If you would like us to be part of the conversation about actionable estate planning strategies and how they fit into the bigger financial picture, schedule a time to talk.