'What I Wish I'd Known at 45'

Lessons today's retirees learned about investing, saving and spending

BY DONNA FUSCALDO

ANNETTE KRUZYNSKI, A 79-YEAR-OLD retiree from West Hempstead, N.Y., used to think her 401(k) survived the dot-com bust, the Great Recession and the Covid pandemic because she moved all her money to cash. She proudly told anyone that being in CDs, bonds and money market accounts saved her from the massive sell-offs in the stock market. But in hindsight, she knows she was wrong. "I wish I didn't keep everything safe," says the retiree and grandmother of five. "I think if I had invested, I would have had much more money saved."

Kruzynski can't change the past, but she and other retirees can help future generations avoid similar mistakes, particularly their millennial children, the oldest of whom are turning 45 this year.

It's a prime age to take your finances seriously and, more importantly, hear some sage advice. At this point, you're typically in the peak earning years (or about to enter them) and still have time to build a nest egg. You're also likely juggling multiple expenses, making it difficult to save.

"In your 40s is where everything starts to become a priority, and those priorities for spending are competing with each other," says Pam Krueger, founder and CEO of Wealthramp, a free service that matches consumers with fee-only fiduciary financial advisors. "This is where money decisions start to have bigger consequences."

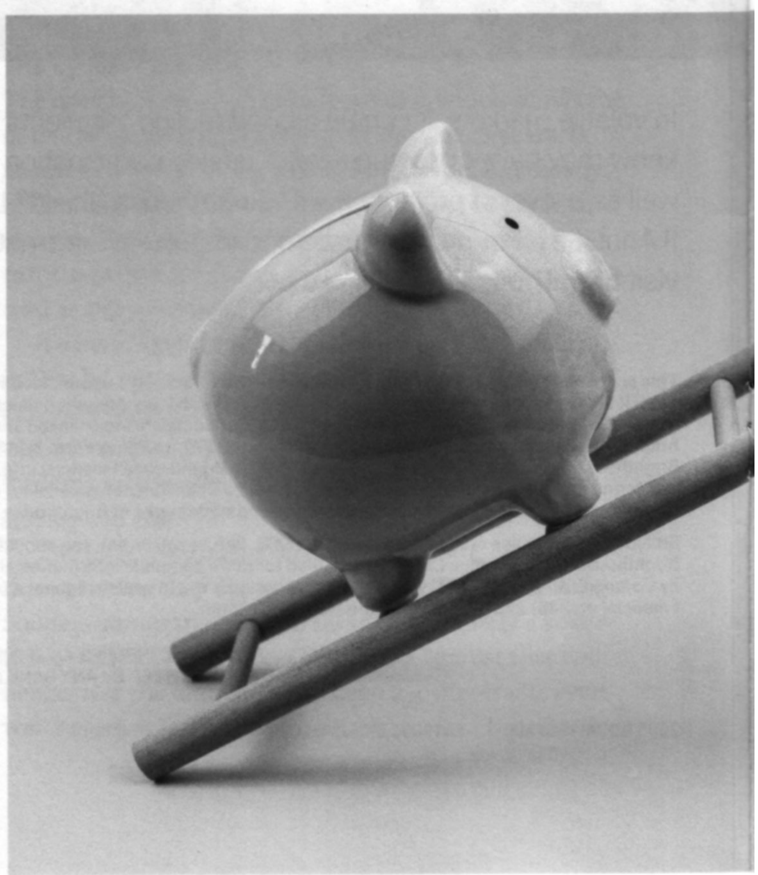
Today's 45-year-olds may think they have it all figured out, but the retirees who have come before them know better. Having learned the hard way, these older adults want to spare the younger generation the pain, knowing that preserving family wealth starts with avoiding costly mistakes. Whether it's investing, saving, or spending, here are the crucial, hard-earned lessons retirees and financial professionals say 45-year-olds need to know.

INVESTING: SILOED ACCOUNTS AND TOO MUCH RISK

Even if 45-year-olds have figured it out by now and are contributing to their 401(k)s and IRAs, financial pros say some common mistakes still linger, including these:

Viewing your retirement accounts in silos. Treating your and your spouse's different retirement accounts as separate, standalone investments rather than a unified portfolio could result in additional fees or overexposure to a single market segment. "You might not have diversification, you might pay three times in fees or your returns may be beaten down because you didn't coordinate," says Krueger. "It's important to clean up, organize and have a clear view of the accounts consolidated in one place."

Taking on too much risk or being too conservative. This might be the age of the buy-and-hold Millennial, but there are plenty of 45-year-olds investing in crypto, meme stocks or other speculative investments. "People buying the next hot, shiny thing and taking unnecessary risk is the worst action I see, especially with retirement money," says Derrick Longo, a financial adviser at Savant Wealth Management in Huntersville, N.C. "A lot of people will hear something on social media or from a friend, and they let that influence their investment strategy. They might get a short bump, but in the long



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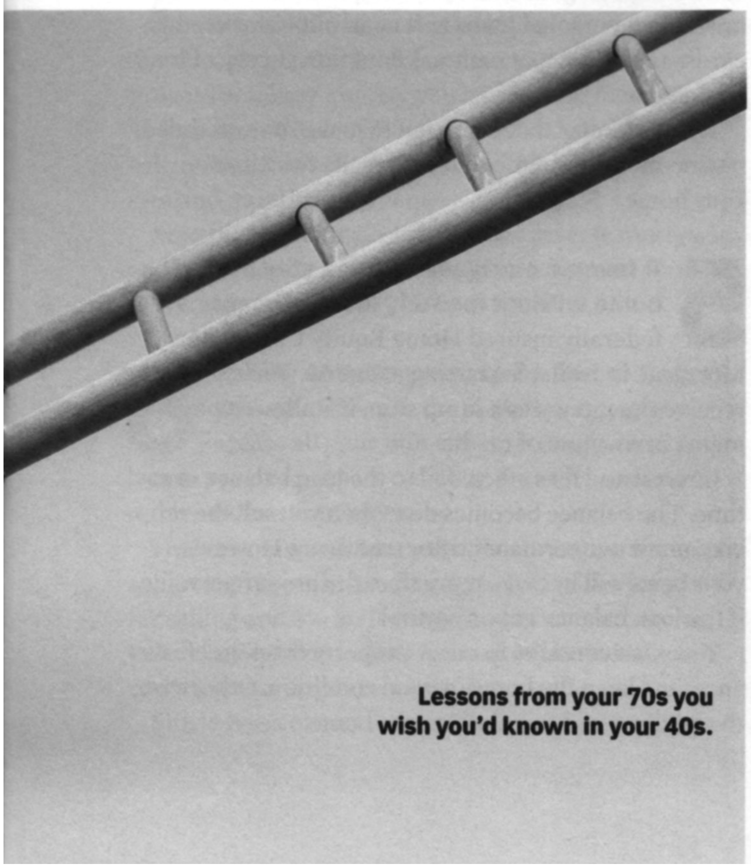
term, it doesn't keep up with market returns."

If you want to make speculative investments, Longo says, do it with money you can afford to lose. On the flip side, taking too little risk can also be detrimental to a 45-year old's investment portfolio. With 20-plus years left in the workforce, a 45-year-old can afford to have more growth—and more risk—in their 401(k) than a 55- or 60-year-old.

Having been a little too conservative is one thing Sharon and Roger Gibbs wish they could change. The married retirees worked for the state of California for over 30 years and retired in their mid-50s. "Thinking back to age 45, we probably should have been more of a risk taker, but we're pretty conservative. We regret not renting out a cabin vs selling it at one point," says Sharon, 73, who lives with Roger in Watersound, Fla. "But, for us, our jobs were our investment for our future. We were told by so many people, 'If you can retire early, do it; you never know what tomorrow brings.' "

SAVING: STANDING STILL ON CONTRIBUTIONS, MATCHES

In the age of the automatic 401(k) enrollment, many 45-year-olds don't have a choice when it comes to saving for retirement, granted they work for a company that offers one. But that doesn't mean they don't make costly mistakes. One is not contributing enough to get the company's 401(k) match. That's free money they're leaving on the table.



Lessons from your 70s you wish you'd known in your 40s.

Another mistake is leaving their contribution rate steady instead of automatically increasing it. Most plans offer the ability to automatically increase your savings rate by 1% each year. You can also have your plan increase contributions when you receive raises and bonuses.

Failing to save more aggressively is one of Kruzynski's primary regrets. In addition to being too conservative, she wishes she had contributed more to her 401(k). She worked for over 30 years, and while she has enough money to live comfortably in retirement, she could have had more cash to travel and to leave to her heirs. "Not adding more money to my 401(k) was a mistake," says Kruzynski.

SPENDING: LIVING WITH A 40-SOMETHING BUDGET

Many retirees remember all too well how managing their spending in their mid-40s is a constant exercise in discipline. Between paying down mortgages and funding children's educations, a multitude of expenses pull at the household budget all at once. When trying to manage it all, it was easy to make mistakes. A big one that throws everything else off course is winging it, says Michael Conrath, JPMorgan's chief retirement strategist. They have a vague idea of their monthly expenses and savings goals, but nothing concrete.

"On the fundamental level, they need to ask themselves, how much do I spend monthly, what are my known expenses and what do they cost me?" said Conrath. "It's important to have that foundation."

Lots of 40-somethings also live beyond their means, worrying about saving later. "They tend to believe they will keep earning the same amount they are right now and when you make that assumption, you might go for the bigger house or the bigger and better car," says Krueger. "You're living on the edge of your budget instead of putting that money to work."

THE VIEW FROM THE FINISH LINE

Making sense of money in your 40s is a balancing act with the financial realities of spending and saving pulling you in different directions. While the oldest Millennials may feel they have plenty of time to fine-tune their investing, saving, and spending strategies, retirement will arrive before they know it. That's why it's so important for them to listen to the hard-earned lessons of the retirees who came before them. After all, sharing their lessons on unified investing, disciplined spending and aggressive saving is the best way to protect everyone's wealth.