

As 401 (k) millionaires reach record high, investors warned to keep saving

By **Jade Scipioni** | Published May 18, 2018 | **FOX BUSINESS** | **FOXBusiness**

While many hopeful retirees are celebrating their new status as millionaires, expecting \$1 million is a drop in the bucket compared with what they are going to need.

According to Fidelity Investments, the number of 401 (k) plans with a balance of \$1 million more jumped to a record 157,000 in the first quarter, up from 108,000 last year.

What's more, three in 10 savers have increased their contribution rate over the past year, boosting the average to 8.6%, the highest in almost 10 years.

Much of the 401 (k) balance surge is due to the "Trump bump" and market highs over the last 12 months. Rebecca Walser, tax attorney and author of "Wealth Unbroken," urges investors to keep saving and not focus solely on retirement account balances.

"Keep in mind – what goes up, must come down," Walser tells FOX Business. "Most market crashes occur within a short 2.5-month timeframe, and even Warren Buffett recently warned shareholders that a 50% loss should be expected."

"If someone is 10 years or less from retirement, they need a plan to forgo the large gains that is coming this time around – they do not have the investment horizon left to weather such a portfolio loss."

Walser cites a forecast that within 10 years, Americans will spend most or all of their Social Security to cover Medicare and out-of-pocket medical expenses. In addition, as Social Security benefits are spent, \$1 million would only provide \$40,000 per year. And that outlook is based on a projected 4% gain that may be too optimistic given recent volatility.

“That’s not much when you might have thought you had made it,” she says.

The better option, in her opinion, is for retirees to invest heavily in Roth IRAs, which allow for tax-free growth of money but can still benefit from a company match.

“But better than that is getting the employer match into your traditional 401 (k) even if only the employer contributes only to the Roth 401 (k). After that, then the Roth IRA, and for those that are income-phased-out, cash value life insurance is and has been the preferred choice for those wanting to grow wealth with lifetime benefits but have control over their assets in the face of tax changes.”

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