EXAMPLE OF COMMON MISLEADING RETIREMENT ADVICE: USED 10% RETURN, DOESN"T ALLOW FOR INFLATION

This dangerously confused example is from a well-known financial web site. It uses 10% interest, ignores inflation, and considers a single lump sum rather than annual savings. A more correct set of numbers would use an interest rate of about 3% per annum real (above inflation) and calculate $s_{\overline{65-x}|}$. Everyone knows that we should start saving for retirement at 20-30, not at 50, But it doesn't really make you have 20 times the spending power.

""Assume for a moment that we've collected a barbershop quartet of retirees who started saving for retirement at 20, 30, 40, and 50 years old. Assume each put away $10,000 that grew at the market's average annual 10% rate of return until retirement.

Our hypothetical retirees all expected to retire at age 65.

	Retire at Age 65	***Retire at Age 62***
20-year-old lead	*$880,000*	*$665,000*
30-year-old tenor	*$326,000*	*$242,000*
40-year-old bass	*$121,000*	*$89,000*
50-year-old baritone	*$45,000*	*$33,000 ""*

sharp@utstat.utoronto.ca