Guess what? America's best savers aren't wealthy

This title is very misleading, because it could be interpreted to say that wealthy people are wealthy because they aren't savers, which is obviously wrong. A correct title to this article would be, Highest Income Earners Are Not the Best Savers.

Bankrate, Inc. By **Jeanine Skowronski**
4 hours ago

Middle-class Americans may not earn the biggest paychecks, but they put more of their money in savings than any other group.

A quarter of middle-class households (those earning between $50,000 and $75,000 annually) set aside more than 15 percent of their income, according to a survey that accompanied Bankrate's March Financial Security Index. That money is rerouted from their daily expenses to fund long-term goals such as a retirement investment plan or an emergency savings account.

Only a quarter of middle income earners save 15% or more. The rest save less or none.

Fantastic!

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Comparatively, 8 percent of lower wage earners contributed this much. And only 17 percent of the highest earners in the survey (households making $75,000 and above) elected to put the same amount of their salaries away for a rainy day.

Only 17% of people who make $75,000 or more save at least 15%. Terrible! They obviously are living high on the hog and feel a little invincible.

"Middle-class Americans (have) to do the saving, because nobody is going to do it for them," says Greg McBride, CFA, Bankrate's chief financial analyst. "They don't have the six-figure income to fall back on" for expenses, including household emergencies, long-term health care, children's education or their own

That's a weird comment. Who saves for the high income and low income earners if they don't themselves? Again, the answer is no one.

Truth be known, the high income earners have credit cards "to fall back on", usually not savings.

In contrast, people between 18 and 29 years old -- the youngest group in the survey -- were the most likely to save relatively little:

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This group has been taught not to defer any gratification. So, this comes as no surprise.

37 percent said they save 5 percent or less. Another 18 percent said they save nothing at all.

"They don't see a correlation between where they are now and where they will be," independent budgeting expert Tiffany Aliche says.

They don't plan. They have been incentivised not to plan, but to "live" for today.

They also might not trust the system, after watching their parents' retirement plans drop in value during and following the Great Recession, says Kate Holmes, a CFP professional and founder of Belmore Financial.

I love how article after article, and research after research points to the fact that "retirement plans" aren't working, yet, the plan/philosophy itself is somehow never to blame.

They're discovering the real reason why employers have "retirement plans" - it's a hiring tool - PERIOD.

"Seeing that loyalty doesn't work ... that that kind of job security doesn't work" has led many young people to question whether they should invest heavily in a traditional retirement account, like a 401(k), and instead, redirect funds toward a "side hustle" that bolsters their short-term and long-term coffers, she says.

"Side hustle" doesn't sound like a very nice term for investing outside of their employer sponsored plan. I wonder why the writer of this article would give it such a bad name? Could they really just be working for Wall Street? Yep.

For example, "you can invest in real estate, so that provides you the cash flow and more income later," Holmes says.

Sounds like a great plan to me! Much better than the no cash flow now and less income later plan that is predominantly being taught.

The big picture

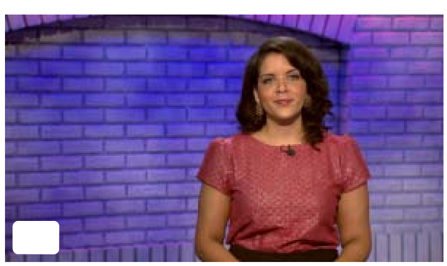
Bankrate's latest survey was conducted March 5-8 by Princeton Survey Research Associates International and included answers from 1,000 adults in the continental U.S. The survey also found:

- Low-income consumers are, perhaps unsurprisingly, the worst at putting money away. Thirty-one percent of households making under $30,000 annually are saving none of the money they bring in, the highest percentage, by far, among income brackets.
- Retirees (ages 65 and over) are all over the map when it comes to saving. They're the demographic most likely to save none of their annual income, while also being most apt to put away more than 15 percent of it.
- Thirty percent of college graduates are saving 6 to 10 percent of their annual income, compared with 16 percent of those who never attended college.

Very interesting. I'd like to know more about this. Why the supposed "uneducated" save more than the "educated". This should be the next research project.

Overall, the results represent a bit of a mixed bag regarding the Americans' overall financial preparedness.

"Some people are doing a really great job at saving," McBride says. "A lot of people are not."



But other research indicates that many Americans under-save. Last month's Financial Security Index, for instance, found that nearly one-quarter of consumers (24 percent) owe more money on their credit cards

One reason is because the money they could be putting in savings is going into their untouchable/locked up retirement plans. Then, when life happens, they have to borrow, instead of using money they would have had in savings.

Hmm...Are you sure there isn't anything wrong with the philosophy being taught?

"There are a lot of people now reaching their early 60s realizing they don't have near enough money to get them through the next decades," Holmes says.

Looking ahead

To summarize, just keep doing retirement plans. Do more of them in fact. Don't forget the "free match" from your employer, because we all know that "free" exists, right? Oh yeah, and diversify. That makes sense right, just keep doing the same thing and expect something different. Ignore that we just said that "many" (which sounds like a lot of people to me) don't have enough money to really retire when they are in their 60's. Just keep throwing money to the Wall Street Casino, where the average investor always wins, right?

To avoid suffering a similar fate, it helps to start saving early, though there's no hard and fast rule as to when you should open a retirement account.

"It's not about the age," says Kristen Robinson, senior vice president at Fidelity Investments. "It's about where you are" in life. For instance, a recent graduate carrying a lot of student loan debt may not be able to redirect as much of their paycheck into an employer-funded 401(k) account as someone who went to school on a full scholarship.

How much you should contribute to a retirement fund varies. As a general rule of thumb, Fidelity suggests banking at least eight times your ending salary before you retire.

At the very least, "you need to meet your employer match," Robinson says. "You are leaving money on the table if you don't."

Remember to slowly increase your contributions -- even only by 1 percent -- as you pay down existing debts and earn more income. This strategy is also useful when it comes to building emergency savings.

Bump up what you are automatically transferring into a savings account "every six months," Holmes says. "Over time, those small increases are going to make a huge difference, and you're not really going to notice them."

Cut out Wall Street. That's the best idea. Then, you'll have plenty to buy clothes and groceries with.

Other ways to bolster your savings include tracking spending for a month to see what items you can cut out of your budget, creating a weekly dinner menu and renegotiating household bills, like insurance payments and utilities.

The one piece of sound advice in this entire article, besides "save more".

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