

What Percentage of Retirees Have \$1.5 Million?

A million dollars simply isn't what it used to be, but it remains a wealth level that relatively few people reach. Only 4.7% of Americans have \$1 million in retirement savings and just 1.8% have \$2 million, according to the Employee Benefit Research Institute. The estimate is based on data from the Federal Reserve's Survey of Consumer Finances. This suggests that those with \$1.5 million in retirement savings are among a small, affluent segment of the population. Achieving such a substantial nest egg requires diligent planning, disciplined saving and strategic investing. And collaborating with a financial advisor can help you develop a personalized plan to reach your goals.

Average Retirement Savings

Comparing your savings to the average nest egg can help you put your goals in context.

The average retirement savings for all families is \$333,940, with balances varying by age group, according to the most recent Survey of Consumer Finances published in 2022. Specifically, households led by someone between 65 and 74 on average have \$609,230 in retirement accounts. It's important to note that these figures can vary widely based on income levels, employment history and individual saving behaviors.

While \$1.5 million is certainly above average, it's important to assess your personal retirement needs based on your individual circumstances.

Factors Influencing Retirement Savings

Several key factors affect how much you're able to save for retirement over time. Income, saving habits, and how you use retirement accounts all contribute to the total amount you can accumulate.

Earning Potential

Maximizing your earning potential throughout your career significantly impacts your ability to save. Pursuing higher education, specialized training or career advancements can lead to increased income, providing more funds to allocate toward retirement. Additionally, engaging in side businesses or freelance work can supplement earnings, accelerating savings growth. If you earn \$100,000 and save 20%, with a 7% annual return, you could reach \$1.5 million in about 27 years.

Saving Early

Saving early leverages the power of compound interest and allows investments to grow exponentially over time.

For example, saving \$1,000 per month starting at age 25, with a 7% return, you could accumulate over \$1.5 million before age 60. If you didn't start saving until age 35, the total accumulated would only be approximately \$700,000, requiring higher monthly savings to catch up.

This shows how early investing can significantly accelerate wealth building.

Maximizing Retirement Accounts

Utilizing tax-advantaged retirement accounts, such as 401(k)s and IRAs, is crucial. Contributing the maximum allowable amounts and taking advantage of employer matching programs can significantly boost retirement savings. For 2025:

- The 401(k) contribution limit is \$23,500. For those over 50, it's \$31,000. And those ages 60, 61, 62 and 63 are eligible for an even larger catch-up contribution of \$11,250, for a total of \$34,750.
- The IRA contribution limit is \$7,000 (\$8,000 for those over 50).

A high-income earner who maxes out these contributions and invests wisely could reach \$1.5 million well before retirement age. Tax strategies like Roth conversions and HSAs can also boost long-term savings.

How Long Will \$1.5 Million Last in Retirement?

The longevity of a \$1.5 million nest egg in retirement depends on various factors, including withdrawal rates, investment returns and individual spending habits.

The 4% withdrawal rule suggests that retirees can withdraw 4% from a balanced portfolio in the first year of retirement and then adjust annually for inflation. Doing so helps preserve savings for up to 30 years. Applying this rule to a \$1.5 million portfolio would get you about \$60,000 in annual withdrawals.

This strategy aims to provide a steady income stream while preserving your principal over the long term. Health, lifestyle and market conditions all affect how long \$1.5 million might last. These factors can also dictate whether a 4% withdrawal rate will meet your needs. Tailoring your withdrawal strategy to your personal needs and market conditions helps improve outcomes.

Bottom Line

While only a small percentage of retirees have \$1.5 million saved, reaching this milestone offers substantial financial security and lifestyle flexibility in retirement. Saving \$1.5 million for retirement often requires disciplined saving and informed investing. Partnering with a financial advisor can help you tailor a plan to your individual circumstances, ensuring a comfortable and sustainable retirement.

Tips on Saving for Retirement

- Consider distributing investments across accounts based on tax treatment. This strategy is known as asset location. You may choose to place tax-inefficient assets like bonds and REITs in tax-deferred accounts like a traditional IRA and hold tax-efficient assets like index funds in taxable accounts.^{1, 2, 3} This can improve after-tax returns without changing your asset allocation.⁴

1 - Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

2 - Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Bonds are subject to availability, change in price, call features and credit risk.

3 - Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.

4 - Asset allocation does not ensure a profit or protect against a loss.