

How the Pandemic is Affecting Retirement Planning

It's been over a year since the World Health Organization officially declared the Covid 19 pandemic on March 11, 2020. The world has been through a heartbreaking year; the pandemic has been impacting the lives of hundreds of millions of people across the globe since January of last year through illness, loss of life, loss of income and unemployment. Stress levels have been elevated seeing Covid statistics and market volatility. While relief is on the way through vaccine rollouts and legislative financial packages, the unemployment rate was still elevated at 6.1% in April 2021¹ (compared to 3.5% in February 2020), and governments are trying to balance people's safety with making a living.



As many workers were faced with lowered income during this time from reduced hours or layoffs and have been trying to get by day-to-day, it is clear the pandemic has been a set-back for their retirement readiness. Forty nine percent of the 1,000+ individuals age 25+ surveyed by the Allianz Life 2021 Retirement Risk Readiness Study² admit they can't even think about saving for retirement now.

Employees not only couldn't afford to continue saving for retirement, some had to take advantage of certain provisions of the CARES Act that allowed them to use their long-term retirement savings to solve short-term financial difficulties. Employees need to be mindful that while available as back-stop measures, provisions like expanded loan options, loan repayment suspensions, or Covid-Relief distributions from 401k/403b/IRA plans that are exempt from penalties, may have reversed years of retirement savings progress.

Earlier-than-expected retirement was a reality for 68% of the respondents in the survey – for reasons outside of their control like decline of health and unexpected job loss – is up from 50% in 2019.³

The US stock market experienced a month-long crash that lasted from February 19th through March 23rd of 2020. Stocks have been on a wild and unpredictable ride - the meltdown was followed quickly by a strong

bull run. Unfortunately, the wild swings in the stock market that month, coupled with the uncertainty of a vaccine for the fast-spreading virus caused many investors to grapple with panic, especially the ones on the verge of retirement. People who let fear and emotions control their investment decisions and got out of the market at its deepest levels, not only crystalized their losses by selling their investments, but also missed out on the sharp recovery that started several days later, fueled by technology stocks, anticipation of recovery, and the Federal Reserve's interventions.

The silver lining for retirement planning is that the pandemic has motivated many employees to pay more attention to what they are saving and spending (65% of all surveyed), while 58% said they have cut back in spending.

MMBB's financial planners can help members better balance competing priorities during this time of financial vulnerability. They can work with you in determining savings goals, prioritizing, or tracking progress towards saving for retirement, for college education for their children, or for an emergency fund, reducing debt, and managing their day-to-day expenses. If you need financial planning help, give us a call at **800.986.6222**.

¹April 2021 unemployment figures are current as of this printing.

²Pandemic in Perspective: Americans Agree Economic Impact Will Be More Significant Than Great Recession | Allianz Life

³Ibid

TOMORROW