**How Earnings Growth Throughout the Lifecycle Impacts**

**Retirement Savings Strategies**

A Presentation by Dr. Derek Tharp



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**Session Description**

This presentation examines how earnings growth throughout the lifecycle impacts retirement savings strategies. Specifically, traditional earnings growth assumptions utilized in safe savings rate analyses are compared to actual Social Security data on earnings growth across the lifecycle. This comparison reveals that typical assumptions of constant real earnings often understates income growth in earlier years, while overstating income growth in later years. As a result, assumptions regarding both saving during one’s working years and spending during retirement may not accurately reflect the outcomes that are most likely. Accounting for more realistic earnings curves results in lower “safe” savings rates than research has typically indicated—particularly among lower income Americans. Typical assumptions also fail to account for the potential to capture greater earnings growth as one’s savings increase, as well as the decline in retirement savings need that corresponds with declining earl earnings experienced in late, pre-retirement years.

**Learning Objectives**

1. Identify the traditional financial planning earning assumptions.
2. Identify the traditional assumptions underlying safe savings rate (SSR) research.
3. Identify how historical earnings data deviates from traditional assumptions.
4. Identify the implications that result from adopting more realistic assumptions.
5. Identify how the inclusion of Social Security influences historical SSRs by income level.

**Level of Complexity**

CFP / IMCA: Intermediate

**Topic Areas**

CFP: RetirementSavings and Income Planning

**Hour(s) of CE**

CFP: 1.0

**Outline**

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| --- | --- |
| Traditional earnings growth assumptions | 11 min |
| Historical earnings growth across the lifecycle | 11 min |
| The impact of assumptions on Safe Savings Rates (SSRs) | 11 min |
| The impact of Social Security on SSRs | 7 min |
| Planning implications   * The huge potential to capture earnings growth as savings * Decline in real earnings and retirement savings need * Improvements due to adopting variable savings rates | 2 min  2 min  6 min |

**50 min**