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Wealthy Americans expect ideal retirement lifestyle

Nanci Hellmich, USA TODAY 6:36 p.m. EST February 19, 2014

Affluent Americans say they will need on average $2.3 million to fund their retirement.

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STORY HIGHLIGHTS

- Two-thirds of these millionaires say they earned their wealth mostly on their own
- 36% of their wealth will be left to their children
- 85% say their kids are prepared to handle their inheritance

Not everyone is shivering in their boots, worried they don't have enough money saved for retirement.

Many affluent Americans (94%) are confident in their ability to have an ideal retirement lifestyle, according to new data from a survey of 482 adults who have more than $1 million in investments.

These wealthy Americans say they will need, on average, $2.3 million to fund their retirement.

The online survey was conducted last spring by Pollara for BMO Private Bank. About two-thirds of survey participants say they earned their wealth mostly on their own. Only 3% say their wealth came from an inheritance.

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"What is the ideal retirement? I don't think there is one," says Terry Jenkins, president and CEO of BMO Private Bank. "It's an incredibly personal experience. Some people want to hang it up and play golf. Others want to ease into retirement by continuing to work on a part-time basis. Others want to spend time with family, travel and do things they've always wanted to do but never had the opportunity.

"It's important to match up your life goals with your financial goals, and your financial adviser has to work on both sides of that equation," he says.

Jenkins advises people to err on the conservative side when it comes to spending, especially if they're retiring at age 60, because their money might need to last for another 20 years or more. "Have a plan so you know how conservative you need to be," he says.

Nick Ventura, CEO of Ventura Wealth Management in Ewing, N.J. says when it comes to an ideal retirement, some people donate their time to charity and live in a house that is already paid off, and they can control expenses really well.

On the other hand, there are people who join an expensive golf club, travel frequently and give away money to grandkids and great-grandkids, and they end up spending a lot, he says. Sometimes, grandparents pick up grandkids' college tuition bills, Ventura says. "All of the sudden, they are outspending the ability of their money to earn money."

That's where careful financial planning comes in, he says. "Planning should be a lifelong process. Initial planning for retirement should include a game plan for what you will do with your time in the first year, first 5 years, first 10 years of retirement. This makes the retirement process much easier to budget and manage."

Mark Fried, president of TFG Wealth Management in Newtown, Pa., says, "The most interesting thing I find about the new wealthy class in America is the fact that they have a tremendous opportunity to create a legacy for their family for generations to come if they do the proper planning. I would say that many of these folks are only just realizing what they have accomplished not only creating a significant nest egg but having the ability to create a lasting legacy."

In the new survey data, affluent Americans with children say that 36% of their wealth will be left to their children. They say they've given their kids some instructions:

• 85% say their kids are prepared to handle their inheritance.

• 70% have spent time talking to their kids about managing money, with 21% saying they've spent lots of time, 49% saying some time, 27%, not much time, and 3%, no time.

• 43% say their kids will be better off than they were, 22% say they'll be about the same, and 35% say their kids will be worse off, with most blaming the economy.

Previously released data from this survey showed that:

• Wealthy Americans planned to donate an average of $8,845 to charities in 2013.

• Affluent women planned to be more generous ($12,478) than high-net-worth men ($6.685).

• 48% planned to donate more to charities last year than they did before the beginning of the recession five years ago.