Money Unscripted

TRANSCRIPT

SPEAKERS:

Ally Donnelly Leanna Devinney Brian

How to save for retirement during inflation

BRIAN: Well, I appreciate you guys coming in.

Inflation is hitting me in my restaurants.

That's going to be $8.66.

BRIAN: And hitting me at my wallet at home.

Bon appetit.

ALLY DONNELLY: As you deal with rising costs right now, how does that affect your retirement savings plan?

BRIAN: The rate at which I'm saving for my retirement is less at the moment.

ALLY: It could be tempting to save a little less for retirement to have that cash now.

LEANNA DEVINNEY: It can, but we want to plan for our financial future. Remember, we can't borrow for our retirement.

BRIAN: My dollar only stretches so far. My question would be, what's the right formula?

ALLY: From gas to groceries, we're all feeling the impact of inflation. And rising prices have a lot of us taking a hard look at how we spend, save, and invest our money. Hi, welcome to *Money Unscripted,* a personal finance podcast from Fidelity Investments. I'm Ally Donnelly.

When money's tight, sometimes dealing with the right now is easier, or even necessary, compared to focusing on a retirement that is years or decades away. So today, we're talking about realistic strategies and motivation to keep those retirement plans on track, even if you have to ease up on saving for a little while. But first, we want to spend some time with Bryan, who's feeling the pressure of those rising prices both at home and at work, and is weighing some tough choices about his retirement.

BRIAN: Good evening. How are we doing? Coming in for dinner? How are you?

I run three restaurants, a Mexican restaurant, a coffee shop, and this gastropub. I would love to thank my customers for choosing us when I know that there's plenty of other options out there.

It's going to be $22.35.

ALLY: You run three different spots, three different needs to each of them. How have you seen inflation show up in your businesses?

BRIAN: Prices have just continued to go up. We've seen things increase dramatically.

Tomatoes for tonight's burgers.

Outside of just food costs fluctuating up and down, there are some items that just have not gone down. Labor costs have gone up significantly. My insurance costs have gone up significantly. My rents have gone up significantly.

And those items are items that have completely impacted all three businesses, not to mention just the average costs of regular foods.

ALLY: Tell me about that.

BRIAN: Let's start with coffee. I mean, coffee has gone up and seen record pricing as of right now. Holy smokes, one avocado is $2, $4, $3. Beef is costing a fortune. And I don't know when some of these prices will go back down.

ALLY: In terms of ways you've gotten creative in your business to combat inflation for the customer, what does that look like?

BRIAN: So one of the things that we've done to combat that is we offer half portions. So what we didn't do before, we had a $12 bowl of queso or $12 guacamole. And it's a lot. And so not all the time would a customer finish that. So we've given them, for $6, a half portion. It reduces our waste, which is great. But by offering a half-sized portion, it allows that customer to come out and enjoy their guacamole, enjoy their queso, enjoy their salsas.

ALLY: You've been running restaurants for 20 years. Is this different? Does the inflation feel different right now?

BRIAN: It does. And, to be honest, I can't necessarily explain it. There are prices that are just being set at higher levels. And we all just continue to pay them.

ALLY: Is there a sense of this is the new normal?

BRIAN: Yes. There is. And it's something that we're constantly battling against.

ALLY: We've talked about you putting food on the table for your restaurants, and now I want to ask you about putting food on the table, so to speak, at home. You have a family of five.

BRIAN: So you're driving.

ALLY: How is inflation affecting you personally?

BRIAN: I mean, dramatically. I mean, I have a 16-year-old who's getting ready to drive. So the idea of now we might need a third car in the household, that means another person who's going to be using gas up in the household. I think filling up at the pumps is a major hurt. All the driving we do back and forth with three kids, you're filling up at $100 a time, sometimes twice a week or so. That's a huge hit on the wallet.

Feeding three children is, that's a lot. That refrigerator, we're constantly going to the grocery store to fill that fridge up.

ALLY: Describe your teenagers' buying habits.

BRIAN: It's insatiable.

They cannot buy enough. I have a 16-year-old and a 14-year-old. They now have jobs. So it's crucial for us to make sure that we're all contributing, to bring home something and reduce what they are spending on their own.

ALLY: So instead of you paying for that shopping trip, they're paying for it.

BRIAN: Yeah. And I think that's a lesson that needs to be learned anyway.

ALLY: You and your wife budget everything. You're seeing your bottom line. As you think about not just the now, but saving for your future self, how does that make you think about your retirement?

BRIAN: I wonder, how much do I have to save at this point? And what does my retirement fund need to look like in order for me to retire comfortably?

ALLY: Have you had to pull back on some of your retirement savings to get through this part of your life?

BRIAN: We have this past couple of years. My wife changed careers. That made some uncertainty. We opened another restaurant. That made some uncertainty.

ALLY: Does it make you nervous at all to pull back on retirement?

BRIAN: Yeah. There's always some, just, trepidation about what the future holds. These little steps that we're taking are hopefully setting us up to make more money, which they should. And then it's going to be playing catch up at that point. But hopefully we're betting on the right horse here and we'll be able to make that up in the future.

ALLY: When you say "betting on the right horse," what do you mean?

BRIAN: I mean betting on ourselves.

How are you all?

I'm hoping to make more money in the future to replace what we haven't been able to save over the past two years, at least at the rate we'd like to.

ALLY: Well, if you're betting on yourself, we better let you get back to it.

BRIAN: I appreciate that.

It's great to see everybody again. Thank you very much for coming back.

ALLY: I want to bring Fidelity Market Leader Leanna Devinney into the conversation. Leanna, thanks for being here.

LEANNA: Thank you for having me.

ALLY: A lot of people are feeling pulled in two directions right now. They want to keep up with their day-to-day expenses, but they also don't want to neglect their future selves. So, when we're feeling the pinch, help us balance how we cover off on that day-to-day while still trying to build our retirement savings?

LEANNA: So many families feel this tension, how do we prioritize the day-to-day while also planning for our tomorrow? And it is a balance. But the reality is we cannot borrow for our long-term savings goals like retirement. So, we want to plan and prioritize for our future self.

ALLY: Yeah.

LEANNA: Because inflation is real. Rising prices are real. And when we invest for the long term, that gives us a chance to potentially combat inflation, because we see with our long-term investments, the rate of return historically outpaces the rate of inflation. And that's why financial planning is so important, because it helps us navigate those day-to-day decisions while planning for our financial future.

ALLY: When I'm looking at my money and all the places it needs to go, utilities, retirement, the grocery store, what's the value of that financial planning as I'm trying to figure out where I put my next dollar?

LEANNA: When all of your spending can feel really tight, having a roadmap with simple steps can really help. So let's start. Number one: knowing your numbers. What's coming in versus what's going out.

Number two: enroll and contribute into a workplace plan. Get the power of those tax-advantaged dollars. Think your 401(k), your 403(b).

ALLY: So, I hear you. Saving for retirement is at the top of the list, even if my impulse is maybe to put it someplace else. So tell me why, why retirement first?

LEANNA: Retirement is often our longest term savings goal. It can feel really far out. But it's also one with one of the highest price tags. Big picture, Fidelity suggests saving 15% of your pre-tax income for retirement. This includes your employer match. But the first step is just to start, just start saving.

ALLY: OK. So, number one: know your numbers. Number two: save for retirement. What comes next?

LEANNA: So, number three, we now know our numbers and we want to budget. Try making sure you're spending less than you make and pay at least the minimum to your debts. Number four: insurance. Protect what you have, Medical, life, disability, homeowners, rental, auto insurance.

Number five: if you're eligible, contribute to an HSA. A Health Savings Account is a tax-advantaged way to save for health expenses. Number six: start building emergency savings. Aim to save $1,000 or one month's worth of expenses. Number seven: get the full employer match.

We're coming back to retirement again. Before, we were talking about just getting started. Now, we're talking about getting your full eligible match. Let's say you're contributing 3% but your employer matches up to 5%, you want to try to contribute to that 5% because it's like free money.

ALLY: I want to take a minute and put this into perspective of how our clients or how our audience might be feeling right now. A recent Fidelity study found 45% of Americans are worried about the impact of rising everyday prices and what it means for their bottom line, which is totally understandable. And what we're seeing is that when it comes to savings goals, more than half of Americans, 52%, are focusing more on short term goals, like paying down credit card debt, saving for emergencies, paying that mortgage more than they're focusing on longer term goals, like saving for retirement, or health care, or college for their kids, if that's further down the line. Again, totally understandable, but that is a shift. So if I'm looking at my finances and I decide, I do need to pull back on retirement for a little bit, help walk me through what the impact of that could be on my retirement planning.

LEANNA: So the first is loss of compounded interest and growth. So, it's not even missing what we've contributed and saved. It's missing what the potential earnings were.

ALLY: Yeah.

LEANNA: Another one is the risk of outliving our savings. We're living longer. And if we don't have the savings to help support our lifestyle, that could be a risk. Another one is going back to that match, missed employer match. It's like free money.

ALLY: Yeah.

LEANNA: And last is the flexibility, being able to retire when you want and how you want, what you want your lifestyle to look like.

ALLY: All right, dig another layer. Peel another layer off that onion. If I do save a little less, temporarily, for my retirement savings, give me some numbers. What could that look like?

LEANNA: Sure. Let's take a look at a hypothetical example. We'll call her Jackie. She's 40, single, earning $60,000 a year with $180,000 in retirement savings. She's currently contributing 15% to her 401(k), 12% from her, 3% is that employer match. Assuming average market returns, she could have more than $2.8 million when she retires at 67.

ALLY: OK, now what happens if Jackie saves a little less for retirement?

LEANNA: Now, let's say she cuts back to 6% for five years. That's 3% of her own contributions and 3% that employer match. She could have around $2.6 million at retirement.

ALLY: Let me pause you there for a second, because we say, if she stayed consistent, she'd have $2.8 million. And pulling back a little bit gives her 2.6. To some people, that's like, well, wait, 2.6, that's still a lot of money.

LEANNA: Definitely. It's $200,000 less. But, keep in mind, she got back after five years. She went back to the contribution of 15% after five years reduced.

ALLY: Yeah. I mean, imagine if she had stayed out longer or not gotten back up to that 15%.

LEANNA: Exactly.

ALLY: OK. All still a hypothetical. But it's important to point out that she was still putting enough in to get her employer match.

LEANNA: She was still getting that match. And so we want to prioritize being able to get that employer match.

ALLY: Even if we have to pull back.

LEANNA: Even if we have to pull back.

ALLY: Let's talk through catching up. What if I do pull back for a bit, give me some strategies to catch back up on my retirement savings.

LEANNA: So, one of the ways for those IRAs, 401(k)'s is a catch-up contribution. At age 50 or older, you are allowed to make a larger contribution. Another, let's say you're contributing $600 a month and you go down to $400 a month temporarily, but when you recommit, you're able to go up more, to $800 a month. You have to look at the numbers and do what's right for you.

ALLY: OK. You touched on this earlier, but one of the reasons to invest, whether it's in a retirement account or a brokerage account, is to keep up with inflation. Map that out a little deeper.

LEANNA: So, we're experiencing rising everyday prices. And this is going to continue to evolve over the long term. So many may keep some of their portfolio in cash for comfort. But cash gets eaten away over time. So, investing is one of the ways that we can potentially keep pace with inflation.

ALLY: OK. And, now, you know I love a little Leanna inspiration. So, saving for retirement managing the higher cost of living, what are your final takeaways for us?

LEANNA: Plan for your future self. You can't borrow for retirement. It's one thing to reduce or stop temporarily, but we don't want to stop saving altogether.

And remember, small steps can make a big difference. 1% more a year for retirement or $20 a week can fund an investment account and, over 5, 10, 20 years, can really make a big impact. Small habits today can help make big choices for tomorrow.

ALLY: Leanna Devinney, thank you so much.

LEANNA: Thank you.

ALLY: If you're looking for more help with your financial plan or saving for retirement, check out our website Fidelity.com/MoneyUnscripted. Be sure to like, follow, and share the podcast, and we'll see you next time on Money Unscripted. It's your life. Get your money's worth.

This example assumes a hypothetical single 40-year-old person. This individual earns $60K a year, and currently has $180K invested in a target-date fund. The plan to retire at age 67 and claim Social Security at retirement. The annual spending in retirement is around $60K a year in today's dollars. The "plan to" age is 95. The baseline scenario assumes saving 15% (12% from individual and 3% from employer match) of earned income annually. The reduced contribution assumes reduce saving rate to 6% (3% from individual and 3% from employer match). The catch-up contribution starts at age 55 and increases the saving rate to 20% (17% from individual and 3% from employer match). All balances are in future dollars and rounded to the nearest $10,000. The chance of success is rounded to the nearest 1%. Example assumes no withdrawals during the accumulation period. The illustration uses Monte Carlo simulations to project a range of hypothetical market return scenarios. Simulations are based on a historical performance analysis of asset class returns, including a range of potential returns for each asset class, volatility, and correlation. Asset classes are represented by benchmark return data from Morningstar, Inc., not actual investments. Stocks (Domestic and Foreign) are represented by the S&P 500® Index from the year 1926 through 1986 and the Dow Jones U.S. Total Market Index℠ from 1987 through the last calendar year. Bonds are represented by U.S. intermediate-term bonds from 1926 through 1975 and the Bloomberg Barclays U.S. Aggregate Bond Index from 1976 through the last calendar year. Short-Term investments are represented by 30-day U.S. Treasury bill rates from 1926 through the last calendar year. Indexes are unmanaged and it is not possible to invest directly in an index. Annual returns assume the reinvestment of interest income and dividends, no transaction costs, no management or servicing fees (except for a variable annuity fees), and the rebalancing of the portfolio every year. Performance returns for actual investments will generally be reduced by fees and expenses not reflected in this hypothetical illustration. The results are based on how an asset mix may have performed in a certain percentage of the simulated market scenarios. These percentages are called "confidence levels." For example, the default confidence level is 90%, which we consider "very conservative" market performance. This means that in 90% of the historical market scenarios run, a particular asset mix performed at least as well as the results shown. Conversely, in only 10% of the historical market scenarios run, a particular asset mix failed to reach the results shown.

About Fidelity Investments' 17th Annual New Year's Financial Resolutions Study This study presents the findings of a national online survey consisting of 3,026 US adults, 18 years of age and older. Generations as defined by Pew Research: Baby Boomers are individuals born in years 1946-1964, Gen X includes individuals born in years 1965-1980, Millennials include individuals born in years 1981-1996, and Gen Z includes individuals born in years 1997-2012. Interviewing for this CARAVAN® Survey was conducted August 1, 2025, by Big Village, which is not affiliated with Fidelity Investments. The survey results may not be representative of all adults meeting the same criteria as those surveyed.

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