Millennials: Your dollars in 30 years

Many millennials believe they will never accumulate a million dollars in their lifetime. Although they may face significant financial burdens that previous generations did not necessarily struggle with – particularly as optometry students and young doctors of optometry (ODs) – they can potentially have a comfortable standing for retirement if they start saving early and gradually increase their contributions to their plans.

Student loan payments are taking up a growing chunk of post graduate income, explaining why the primary concern for millennials is the heavy burden of student debt. The average class of 2019 college graduates had $29,900 in student loan debt,[1] which translates into larger monthly student loan payments, diverting money that could otherwise go into retirement accounts. The average debt of an optometry student is higher still, with many ODs graduating with more than $200,000 in student loan debt.[2] Not only is average debt rising, but more students are taking out loans to finance post secondary education.

Aside from increased student loan debt, how else do millennial optometrists differ from previous generations? Millennials are renting more often rather than taking on homeownership. 70% of millennials are waiting to buy a home because they cannot afford to buy.[3] Average rental rates are 24% higher than they were a decade ago, and the cost of living is rising.[4] Because tenants are spending more on rent, less of their earnings are going into savings. And, if they're not saving early, they could be missing out on thousands of dollars of accumulation or the benefits of compounded interest. Whether young ODs decide to work for a large practice or launch their own, the resulting impacts of debt remain the same.

People often use the phrase "time is money," and in this case, the longer you wait to start saving for retirement, the more you miss out on the benefits of the incredible power of compound interest. For example, suppose you are a paraoptometric with a $30,000 salary. You receive 4% annual raises and plan to retire in 30 years. You put 4% of your salary into a retirement plan each year and earn an 8% annual return. If you started investing today, you'd have $220,944 when you retire. If you waited 5 years before investing, you'd have $164,878. In this hypothetical case, waiting 5 years would cost you $56,066.[5]

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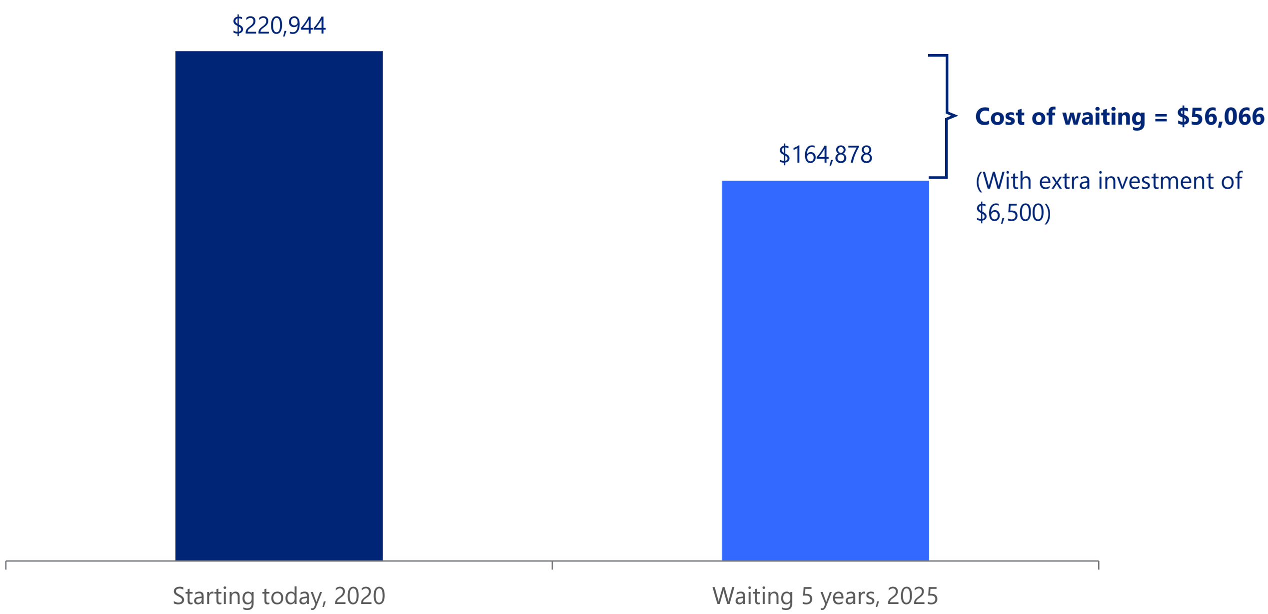

Although someone who starts saving today puts away about $6,500 more than if they waited 5 years, since they are investing their money for a longer period of time, they end up with a significantly higher ending balance because of compounding interest.

A key message for millennial optometrists is to pay yourself first. It's important to put money away into a retirement savings account right when a paycheck is received, and to increase yearly contributions with each salary increase. Millennials may be constrained by student debt and demanding monthly expenses, but with small steps, they can make their way towards a more comfortable financial position for retirement.

To learn more, call Equitable Financial at (800) 523-1125, Option 2 to talk to a retirement program specialist or visit equitable.com/aoa to learn how you can start saving today.

1 https://studentloanhero.com/student-loan-debt-statistics/
2 https://www.studentloanplanner.com/optometry-student-loans/
3 https://www.apartmentlist.com/rentonomics/2019-millennial-homeownership-report/
4 Bell, Rebekah. "Here's How Much Average Apartment Rent Increased in 2017, According to RENTCafé." Robb Report, Robb Report, 16 Jan. 2018, robbreport.com/shelter/spaces/average-apartment-rent-increase-2772540/.
5 Situations are hypothetical and do not represent performance. The 8% annual rate of return cited in this discussion is not indicative of any particular investment, insurance or financial product, and does not represent actual performance. Your results will vary.

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