



If you start saving sooner rather than later you'll be better prepared for retirement, thanks to compounding interest. (UBS)

# Are Gen Z on the right pathway towards early retirement?

18 July 2024, 2:14 pm CEST, written by UBS Editorial Team

**Whether you're at college graduation, moving out, or beginning orientation at your first job, all common activities of someone in their 20s, retirement might not be top of mind.**

With the average age of retirement in the United States of people born after 1960 being 67 years old according to the government's Social Security Web site, those in their 20s are likely not thinking about 40 plus years down the road, although we think perhaps they should be.

Setting aside a portion of your hard-earned paychecks can be difficult, but the benefits of a larger retirement nest egg in the future will outweigh the cash in your pocket right now, especially for Gen Z. This group, born between the mid- to late 1990s and early 2010s, are likely just beginning their careers, but are already expecting to retire earlier than those of previous generations, as 44% of Gen Z say they expect to retire by the time they are 60 years old, according to a [MarketWatch article](#).

With these ambitious goals, members of Gen Z should understand the benefits of saving now to be well-positioned for a comfortable retirement.

As illustrated in our [2024 Retirement guidebook](#), assuming a \$5,000 annual savings contribution and an annual growth rate of 7%, a hypothetical investor could have close to \$700,000 after 35 years of saving. Thanks to the benefits of compounding interest, starting to save and invest in your 20s will prepare you for retirement.

While Gen Z is off to a strong start with putting money away for retirement, surpassing the amount saved by previous generations at the same age according to [Barron's](#), we still see many new joiners to the workforce not fully understanding

the benefits of starting to contribute now. Through different retirement savings vehicles, those who participate can benefit by spreading their taxable income over the duration of their life.

While everyone is different and will have varying incomes throughout their career, most individuals start in lower income tax brackets than they will be in later in life as their earnings will likely increase over time. Contributing to a Roth account allows you to make contributions with post-tax dollars, and upon retirement, qualified withdrawals of the contributions and earnings will be tax- and penalty-free.<sup>1</sup> Paying taxes on your contributions today while you are in a lower income tax bracket may allow you to pay taxes at a lower rate as your income tax bracket increases with income levels.

When contributing to different types of retirement accounts, it is most important to consider your income tax bracket when deciding between a Traditional or Roth account. Your annual contributions should reflect your current circumstances, income level, and tax situation. To read more about the differences between Traditional and Roth retirement accounts, please see our recent publication, "[Traditional or Roth](#)" from our Modern Retirement Monthly series.

For more advice about saving and planning for retirement, see our 2024 Retirement guidebook by visiting [ubs.com/retirementguidebook](https://ubs.com/retirementguidebook). And to help you understand how to make the most of your workplace benefits, please visit [ubs.com/benefitsinsights](https://ubs.com/benefitsinsights).

Main contributor: Tayte Irvine, UBS GTP, Wealth Management

<sup>1</sup> A qualified distribution from a designated Roth account (i.e., Roth 401(k), 403(b), or 457 plan) is generally a distribution made from an account that has been held for at least five years and is either made on or after the date you attain age 59 ½, made after your death, or attributable to your being disabled. A qualified distribution from a designated Roth account is not included in your gross income.

### **Important information**

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at [www.ubs.com/workingwithus](https://www.ubs.com/workingwithus).

© UBS 2024. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.