PERSONAL FINANCE

Here’s What a $1 Million Retirement Looks Like in America

Four retirees open up about their financial lives and how they spend their time

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Once a symbol of extravagant wealth, $1 million is now the retirement-savings goal for millions of Americans.

F or retirees able to accumulate $1 million in savings, the funds translate into inflation-adjusted income of $40,000 in the first year of a three-decade retirement using the 4% spending rule. With the addition of the average annual Social Security payment for retirees of about $20,000, a $1 million nest egg can replace about 85% of a $70,000 median household income.

Many people approaching retirement don’t have $1 million, given households headed by people ages 65 to 74 have retirement-account savings of $426,000, on average, according to the Federal Reserve. Still, “$1 million is a reasonable target for a lot of people,” said David Blanchett, head of retirement research at PGIM, the asset-management arm of Prudential Financial Inc.

For those striving to hit the $1 million mark, questions and doubts linger. Is $1 million enough and what does $1 million actually buy in retirement? How far that money goes often comes down to health, location, luck and timing.

To get some insight into what retiring on $1 million looks like today, we spoke to four retirees with nest eggs in that ballpark. They shared insights about how they spend their time and money, what has given them joy or anxiety, and how their expectations of life in retirement have measured up to reality.

They wrestle with different struggles and tighter budgets than the retirees with $2 million nest eggs we profiled in August.

On August 15, at 1 p.m. ET, the Journal's personal finance reporters Anne Tergesen and Veronica Dagher discuss all things retirement and weigh in on your questions.

WILLIAM MCKINNEY

Savings and investments: $1 million

Annual spending: $84,000-$100,000

The best money move William McKinney says he made in retirement wasn't trading stocks or bonds, but ZIP Codes.

Initially reluctant to relocate from the New York City suburb of West Nyack, Mr. McKinney, 71, now says, "I wish I had done it five years earlier."

The cost of living in Newport, N.C., where Mr. McKinney and his wife, Debbie McKinney, 71, have lived full-time since 2015, is significantly below the level in New York. The couple pays $3,000 a year in property taxes and $250 a month for utilities, versus $15,000 and $500 up north.

The former finance executive at a New York City-based jewelry company retired sooner than planned in 2008, when his employer filed for bankruptcy. He stayed on as a consultant through 2010.

With jobs hard to find, Mr. McKinney sold his boat and accepted an offer to sell stocks, insurance and annuities on commission but quit after six months.

A bright spot of the experience was the training the financial services company provided in investing and the financial markets, said Mr. McKinney, who began to day-trade the $1 million in savings he and Ms. McKinney, a former daycare teacher, had amassed.

In 2015, the McKinneys sold their West Nyack home for $460,000 and moved to a vacation house they purchased in 2004 near Newport. An avid scuba diver, Mr. McKinney was attracted to the area because of the warm ocean temperatures and submerged shipwrecks.

In 2017, the couple sold their vacation home and built a $1.4 million house in Newport with views of the water. Mr. McKinney tiled the kitchen and bathrooms himself.

Before leaving New York, Mr. McKinney stopped day-trading large positions. The stress had caused him many sleepless nights.

He spends several hours most weekdays monitoring the news and markets.

With interest rates rising, Mr. McKinney believes bonds are a bad bet and has all of the couple's portfolio—now worth $700,000, due to withdrawals—in stocks. He favors stocks with high dividends and trades ETFs that rise when the market falls. "I enjoy it immensely," he said. "If I weren't trading, I think I'd be bored out of my mind."

The McKinneys enjoy spending time with their three grandchildren, who live nearby. Mr. McKinney plays tennis with them and takes them fishing in his small boat. He coaches his granddaughter's T-ball team and takes her older brother to football practice.

The McKinneys receive close to $1,000 in pension income and $4,500 in Social Security each month. They typically withdraw $1,500 to $3,000 a month from their savings and have no mortgage.

The couple recently booked a trip to Curaçao, where Mr. McKinney hopes to dive. "It's like being on a different planet. You lean back and the current moves you along as you watch coral and aquatic life fly by."

IRMA CLEMENT

Savings and investments: $1.6 million

Annual spending: $50,000

When her mother died less than 48 hours after retiring in 2002, Irma Clement started to rethink her own retirement plan.

Though the tax attorney and certified public accountant planned to work into her 60s, the idea of a long career no longer seemed as important. Ms. Clement was 46 when she decided to take two years off to reassess her goals.

Two years off turned into about 15. Ms. Clement, now 60, has been retired and traveling the world ever since.

"My mother raised me to feel comfortable taking chances," said Ms. Clement, who lives in Cliffside Park, N.J.

She had about $1.1 million saved when she stopped working at 46. Now she has about $1.6 million, most of which is invested in a diversified brokerage account. Two years ago, Ms. Clement felt jittery about the stock market and moved about $500,000 of her investments out of the market and into certificates of deposit. The move has helped her sleep at night and reassured her that she could weather a major downturn, she said.

Ms. Clement keeps a tight lid on her spending, which she funds in part through stock dividend payments and capital gains. She estimates that she spends about $50,000 a year in total, the bulk of which goes toward property taxes on her New Jersey townhouse and travel.

She frequently uses credit-card and hotel points to score airfare and lodging and opts to stay in vacation rentals and local hotels instead of U.S. chains when she travels abroad. Her typically monthlong solo trips have taken her to Sicily, Croatia and Slovenia. Her wanderlust goes hand in hand with her other hobby, photography, and she chronicles her travels on her Instagram accounts.

“I would be bored if I didn’t have this hobby as a part of my travel, and that focus means I am much more comfortable traveling alone,” she said.

Ms. Clement is less adventurous when it comes to debt. She doesn’t have a car loan and pays off any discretionary expenses she makes within the month they are incurred.

She owes about $160,000 on the adjustable-rate mortgage on the home which she purchased about 20 years ago for roughly $550,000 and which is now worth about $1 million. The loan’s roughly 2% interest rate is due to reset to about 7% in August, so she plans to pay it off before then.

Ms. Clement has no children but starting two years from now, she plans to help pay her nephew’s college tuition.

Looking ahead, she would like to build her dream home in the North Carolina mountains and sell her home in New Jersey. She has said she isn’t making any moves until it becomes cheaper to build a home and the stock market and economy seem to be on more solid footing. She has no intention of ever returning to work.

JEFF GOLDMAN

Savings and investments: $1.6 million

Annual spending: $62,000

Jeff and Deborah Goldman learned that health matters as much as wealth when it comes to retirement planning.

“We thought about retirement quite a bit,” said Mr. Goldman, 65, a former U.S. Air Force pilot. “We had a list of places we wanted to see together.”

But an illness and injury have left the Mesquite, Nev., couple largely homebound.

“Neither of us envisioned anything like this,” said Mr. Goldman.

After graduating from college, Mr. Goldman spent 22 years in the military. He taught at the U.S. Air Force Academy and flew F-16 jet fighters from bases in Spain and Las Vegas, where he met Ms. Goldman in 1996.

Ms. Goldman lived for a decade in Israel, where she served in the Israeli army and earned Ph.D's in theology and psychology. Back in the U.S., she worked as a massage therapist.

The couple suffered a financial setback when the airline that hired Mr. Goldman after he had retired from the military laid him off soon after the Sept. 11 attacks.

"That was culture shock," said Mr. Goldman. "I had never been forcibly unemployed in my life."

To make ends meet, he worked as a financial adviser and liquidated his retirement-savings account, paying a 10% early-withdrawal penalty. "There's no way to plan for losing a six-figure job," said Mr. Goldman. "We had no choice."

In 2008, Mr. Goldman returned to the airline and began saving around $35,000 a year, including his employer's matching contribution, in a 401(k).

His return to the cockpit was short. In 2009, Ms. Goldman was diagnosed with polycystic disease, which caused kidney and liver failure. She went on dialysis and Mr. Goldman scaled back to part-time hours. In 2010, Mr. Goldman hurt his neck and went on disability.

Ms. Goldman had transplant surgeries in 2013 and 2014.

“We were lucky in that between my military pension and the disability income, we still had a six-figure income,” said Mr. Goldman, who continued saving in the 401(k), which today is worth $500,000.

In August, Mr. Goldman turned 65 and his disability benefit ended, reducing the couple’s income from $110,000 to $62,000.

After paying the $1,200 mortgage on their three-bedroom home and bills for groceries, utilities, medical premiums and prescription drugs, the Goldmans typically have about $500 a month left for unpredictable expenses including dental bills.

Because of inflation, “we are economizing wherever we can,” said Mr. Goldman, who used to buy groceries through a home-delivery service but now mostly shops at a local supermarket to save money.

Mr. Goldman says he and his wife consider themselves lucky.

Without their disability income and health insurance, “we probably wouldn’t have anything in a retirement account now,” said Mr. Goldman, who plans to delay claiming Social Security to secure a bigger benefit.

Mr. Goldman runs errands and takes walks most days. As a result of medication side effects, Ms. Goldman mainly stays at home. With chronic pain, Mr. Goldman said, “I have good days and bad days and sometimes I don’t do much either.”

They hope to preserve their $500,000 nest egg in case breakthroughs in treatments for their conditions occur.

“We’d like to use the money to improve our health so that we can start enjoying the active retirement we had planned,” Mr. Goldman said.

CONNIE GORES

Savings and investments: $1.1 million

Annual spending: $50,000-$60,000

When she was in her mid 50s, Connie Gores got a wake-up call from a financial adviser.

At the time, Ms. Gores had saved about $250,000. The adviser told her that unless she started saving more, she would likely have to live on Social Security alone when she retired.

The conversation shook her into action. By the time she did retire as a university president, she was socking away about 26% of her roughly $250,000 salary.

While the recent stock-market pullback has dented her portfolio, Ms. Gores, now 68, still has the roughly $1 million she retired with about three years ago. The majority of her funds is invested in 403(b)s in a 60/40 portfolio of stocks and bonds.

Ms. Gores, a divorced mother of two adult daughters and grandmother of three, continues to save. She works 15 to 20 hours a week as an executive coach and consultant making about $2,500 a month. She receives about $2,500 a month from Social Security. She lives on most of the income from those two sources and saves everything left over after paying bills.

Inflation and a reduced income have spurred changes. She has held off on buying a new bedroom set, sofa and coffee table which she estimates would cost about $10,000 in total.

She baby-sits her grandchildren about 10 hours a week and volunteers in her granddaughter's second-grade classroom. She belongs to two book clubs and serves on various charitable boards. She took up the piano again, and recently enrolled in salsa and belly-dancing classes.

"You have to challenge yourself and not let the fear of the unknown paralyze you," she said.

Ms. Gores has no credit-card debt and about $50,000 left on the mortgage of her Wake Forest, N.C., home. She is in no rush to pay off the loan, which has a 15-year fixed mortgage with a roughly 3.2% interest rate.

She has about $100,000 saved in a health-savings account and pays supplemental insurance premiums of about $355 a month out of her income. She might start tapping into her HSA in another five years or so, though she would ideally like that money used for long-term care.

Living near family and having some quiet time to discern what would bring joy to her later years were helpful. She decided that continuing a life based on service would help her make the biggest contribution.

"Try to make a small difference in someone else's life every day," said Ms. Gores.

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