

How much should high-earners save for retirement each year?

Considerations for a unique workforce

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The high-earner's paradox

It seems counterintuitive. It's one of the great ironies of modern retirement planning: The people who earn the most often face the biggest savings gap.

Physicians, attorneys, and other high-income professionals may enjoy top salaries, but their path to retirement security is steeper, not smoother.

Standard advice doesn't cut it. Maintaining their standard of living in retirement calls for a more aggressive and intentional savings strategy than is required of most people.

The problem for highly-paid professionals

What challenges do they face?

- **Savings start late** – Years spent in medical school, residency, law school, or other higher education delay earnings power, shrinking the crucial compounding window that helps build wealth.
- **Higher student loan debt** – Many leave college or graduate school with higher levels of student loan debt than the average person, leaving them focused on debt payments for longer.
- **Social Security falls short** – For high-earners, Social Security benefits cover far less of their pre-retirement income than for the average American worker.
- **Tax-advantaged retirement contributions are limited** – Available IRA and 401(k) contribution limits weren't designed for high-earners. They barely dent their incomes. Even maxing out contribution limits can leave a gap.

A modern lever: Cash balance + 401(k)

Employers should take note – these challenges aren't going away. Thoughtful employer-designed savings opportunities can be the difference between a retirement program that works and one that quietly fails. These challenges don't just influence outcomes; they drive them.

One powerful lever? Pairing a cash balance plan with a 401(k) program. A [cash balance plan](#) combines the features of a traditional pension plan with the look and feel of a 401(k) plan. The combination can bring retirement security for high-earners; we discuss why many employers are moving in this direction in [this article](#).

Regardless of the retirement options on the table, foundational questions remain front and center:

- How much should a high-earner save¹ each year as a percentage of their total salary?
- What variables move the needle on the savings target?

1. Savings in this context is defined broadly, and could come from employees or the employer, in a retirement plan or outside of it, and either before or after tax.

A 25% savings benchmark for planning

How much is enough? Consider that your **savings rate is the single most powerful factor** determining your financial future.

While average American workers might aim for a 15% savings target to get them retirement-ready, that's often not enough, especially for high-earners. Don't underestimate your needs if you're highly-paid.

To achieve the flexibility, security, and peace of mind required for a long and fulfilling retirement, high-earners must aim higher.

Establish a non-negotiable benchmark: **save at least 25%** of your income.²

Hitting a target that high might seem far-fetched, but when doctors, lawyers, and other professionals use the power of tax-advantaged vehicles (such as 401(k) or cash balance), they tend to have a better shot at achieving their retirement goals. Regardless of whether an employer, employee, or a combination is shouldering the responsibility for that annual savings goal of 25%, we'll demonstrate how, with proper planning, it can be done.³

However, **effective strategies begin with an unambiguous benchmark**. A 25% savings target can serve as a general rule and the foundation for disciplined action, strategic investment, and genuine financial independence. And let's not forget that if a high-earner only has access to a 401(k) plan, it could cost them more in the long run (because of limits) to provide as much retirement income when compared to someone who also has access to a cash balance plan.

High-earners need to save more—especially if they want retirement flexibility

It's no secret that people are living longer. So, what does this mean for retirement planning? Frequently, it leads to a longer career, more retirement contributions, or more investment risk. For many Americans, it's likely a combination.

However, for doctors, lawyers, and other professionals who want to retire early, a longer life means more aggressive savings and tax mitigation strategies in their working years. Even professionals who love their careers often want the **freedom to choose when they retire**—with the potential to step away, downshift into part-time work, or take on less demanding roles as they age.

But here's the reality: **Retiring younger shortens your savings runway and, by extension, your chance for compounded returns**. For example, leaving the workforce at 60 instead of 67 means **seven extra years** of living expenses that your savings must cover, without the safety net of employment income and with seven years less of savings. That's a big difference for high-earners who often don't hit peak income until their 30s or later.

If your goal is to retire early, the only way to close that gap is to **save more** with tax-smart strategies.

2. According to Milliman modeling and analysis as outlined in this article.

3. We understand retirement planning is very personal, and each individual has unique needs and goals to consider. Consult a financial or tax advisor.

How much income do I need to live in retirement?

The cornerstone of any retirement plan starts with a simple but crucial question: “**How much will I need to live on?**”

The income replacement ratio becomes the north star of retirement planning, shaping everything from savings targets to investment strategy.

HOW MUCH INCOME DO I NEED TO LIVE ON IN RETIREMENT?

It’s a cliché but it’s true: How much you need to live in retirement is 100% a personal evaluation. A widely used rule of thumb suggests that the average American needs to replace 70% to 80% of their pre-retirement income to maintain their lifestyle. That’s a good start, but this one-size-fits-all guideline doesn’t apply equally across income levels. For starters, let’s consider the following:

- **Lower-earners** often need to replace nearly all their income just to cover basic living expenses
- **Middle-income-earners** may find the 70%–80% rule a practical target
- **High-earners**, however, typically need to replace a **smaller share of their income** to maintain a comfortable lifestyle

Why the difference? Because as income rises, **a larger portion goes to taxes, savings, or discretionary spending**, not fixed living costs. Many of these additional costs taper off in retirement.

Ultimately, your spending behavior sets the tone for retirement planning. **A study from Vanguard⁴** indicates that Americans in the top 5% of wage earners spend **less than 50%** of their income in retirement. For high-earners, this means the true replacement ratio may be significantly lower than the standard 70%–80% rule.

For Milliman’s analysis, we will use 50% income replacement as a minimum target for higher-earners, though some may desire more or less based on their lifestyle.

How much does Social Security help?

Social Security is the first building block of retirement for many. However, it provides limited relative support for high-earners.

Social Security is designed to provide more support for lower wage earners than high-paid employees by design—this is sometimes referred to simply as a “**progressive benefit structure.**” In fact, above a certain level (known as the “wage base”—\$176,100 in 2025), additional income doesn’t increase Social Security benefits and taxes stop under current law.

The result is stark. As income increases, Social Security replacement as a share of income drops precipitously.

Let’s look at some examples:

- A worker earning \$60,000 can expect Social Security to cover **nearly half** of their pre-retirement income at age 67
- At \$300,000, Social Security drops to **about 16%** of final salary
- At \$600,000, Social Security drops to **about 8%** of final salary

Figure 1 shows retirement income as a percentage of final salary at various salaries and retirement ages. The outcomes are vastly different.

4. Greig, F., et al. (2025). The Vanguard Retirement Outlook: Strong national progress, opportunities ahead. https://corporate.vanguard.com/content/dam/corp/research/pdf/vanguard_retirement_outlook_strong_national_progress_opportunities_ahead.pdf.

FIGURE 1: SOCIAL SECURITY BENEFIT AS % OF FINAL SALARY

SALARY	COMMENCEMENT AGE		
	62	67	70
\$60,000	32%	49%	62%
\$300,000	11%	16%	20%
\$600,000	6%	8%	10%

This gap underscores why high-earners must rely far more on personal savings and employer plans to sustain their retirement lifestyle.

How much income can I generate at different levels of personal savings?

Figures 2–4 illustrate how varying **annual savings rates**, **retirement ages**, and **longevity assumptions** translate into **income replacement in retirement**. In simple terms, how much of your working income can be sustained after you stop working?

Figure 2 assumes assets are drawn down through age 90, providing a clear view of how far different retirement strategies can take you, **before counting Social Security**.

FIGURE 2: LONGEVITY: 90-YEAR LIFESPAN

ANNUAL SAVINGS RATE	RETIREMENT AGE		
	60	65	67
20%	40%	61%	73%
25%	50%	77%	91%
30%	60%	92%	109%

By saving **20% of annual income** starting at age 35, an individual could replace **61% of their pre-retirement income** through age 90 if retiring at age 65. Delaying retirement until 67 (and continuing to save) boosts their replacement income to 73% of their salary.

Even with a modest Social Security benefit, this level of savings could provide a stable level of retirement income. But for someone planning to retire at age 60, additional savings would be needed to maintain their standard of living, targeting at least 50% of pre-retirement income.

High-income professionals generally enjoy greater longevity than the broader population. While this extended lifespan sounds great, it increases the threshold for **financial independence**.

The **need for increased saving** becomes even more apparent when factoring in this longer lifetime. The updated analysis shown in Figure 3 illustrates the reduction in income replacement when extending retirement to age 95 (a five-year increase in the spend-down period).

- Retiring at age 60 reduces income replacement by 4%–6% compared to a target lifespan of age 90
- Retiring at age 67 shows a more significant impact, with a 10%–14% reduction in income replacement

FIGURE 3: LONGEVITY: 95-YEAR LIFESPAN

ANNUAL SAVINGS RATE	RETIREMENT AGE		
	60	65	67
20%	36%	54%	63%
25%	45%	67%	79%
30%	54%	81%	95%

While planning for living **to age 95** might seem overly cautious to some, the **likelihood of reaching advanced ages** is higher than many realize, especially for high-earners, who tend to live longer than average (see next section).

WHAT IS THE FOUNDATION OF THIS MODEL?

The results above are based on a simple model that assumes a fixed spending period with increasing expenses over time.

In reality, retirees can and should adjust their spending as circumstances change. This uncertainty highlights why early, proactive planning and consistent saving are crucial for navigating a retirement journey.

Several key factors affect estimated retirement income. Figure 4 summarizes our main assumptions, with additional details available in the Assumptions section at the end of this article.

FIGURE 4: MAIN ASSUMPTIONS AFFECTING RETIREMENT INCOME

Savings start age	35
Investment earnings during working years	7%
Investment earnings during retirement years	5%
Annual growth rate in retirement expenses	2.5%
Annual salary growth rate	3%

Retirement adequacy: Combining savings and Social Security

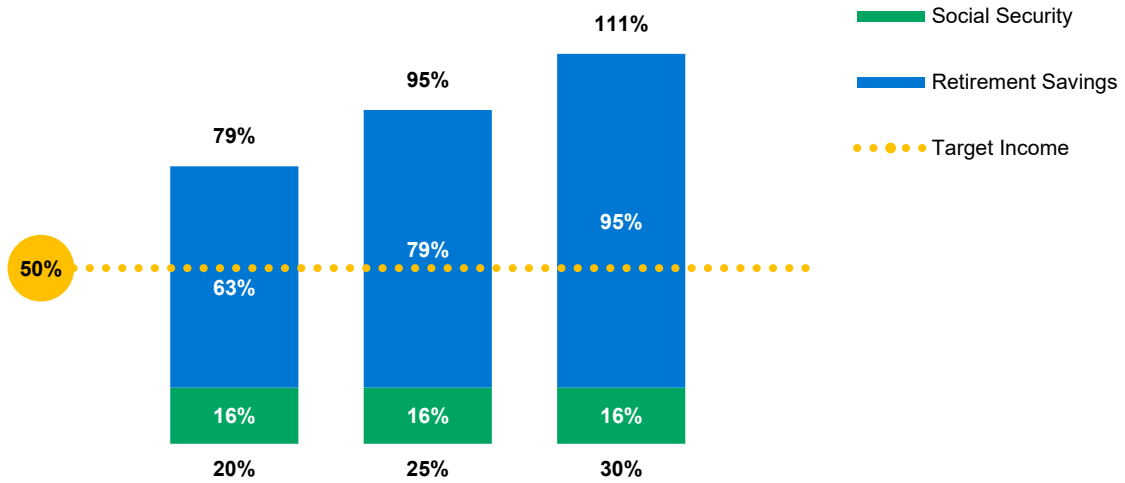
Retirement planning is highly individualized. One retiree's comfortable retirement can be another retiree's worst nightmare. The wide range of lifestyles retirees expect in retirement inevitably leads Americans to either (1) calibrate their retirement lifestyle to their savings or (2) calibrate their savings to arrive at their desired retirement lifestyle.

To create a realistic projection, we need to combine Social Security benefits with income from retirement savings. Consider a highly paid physician or attorney entering retirement in 2025 at age 67 with an annual salary of \$300,000.

The Vanguard study suggests that a 50% replacement target—approximately \$150,000 in the first year of retirement, increasing by 2.5% annually with inflation—provides a reasonable benchmark for high-earners.

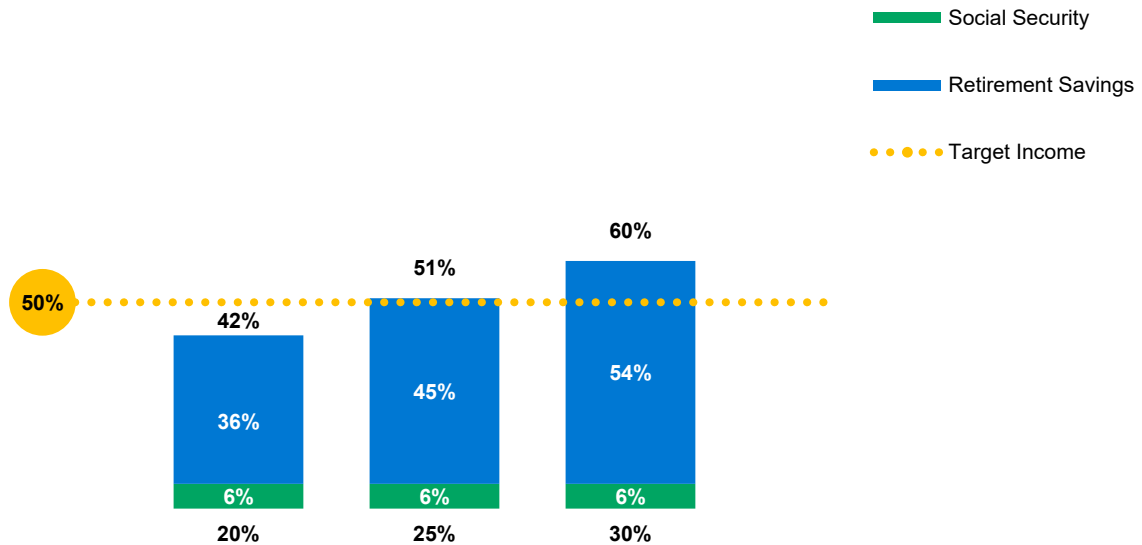
As shown in Figure 5, whether saving 20%, 25%, or 30% of annual income, the **projected Age 67 retirement income** should adequately—even generously—cover retirement spending needs under this model's assumptions.

FIGURE 5: AGE 67 RETIREE WITH \$300,000 SALARY AND LONGEVITY OF 95 YEARS (REPLACEMENT RATIO)



Now let's take a look at what happens if the person has \$600,000 in earnings and retires at age 60. As shown in Figure 6, the picture is different. Social Security doesn't start for two years (at age 62) and is only 6% of final earnings, which means they have to dip into savings more between 60 and 62, and have less income to carry them through retirement.

FIGURE 6: AGE 60 RETIREE WITH \$600,000 SALARY AND LONGEVITY OF 95 YEARS (REPLACEMENT RATIO)



Planning for longevity: The 100-year life isn't science fiction

Longevity is rapidly increasing, and with it, the **financial implications of a longer life**. Recent actuarial data indicates that for many professions, living to 100 is no longer far-fetched. It's increasingly probable.

For example, a female physician or attorney entering the workforce today has a roughly 33% chance of living past age 95 and a 12% chance of living to 100.⁵

These odds demand a fundamental reconsideration of traditional retirement planning, especially for high-earners:

- **Retirement savings must last longer:** A plan that ends at 85 or even 90 may leave you financially exposed if you live years (or even a decade) longer. Some retirees will increasingly consider annuity contracts that kick in when you live beyond a certain age (known as Qualified Longevity Annuity Contracts or "QLACs") to help address the challenge that longer lifespans present to retirement planning.
- **Healthcare costs escalate with age:** The longest-lived retirees often face significant health-related expenses in their later years, or they need advanced nursing care.
- **More time for investments to compound—and more market volatility:** Longer retirements mean your asset allocation strategy matters even more.

Bottom line: Longer lives require longer-lasting retirement plans. High-earners should approach retirement with strategies built to endure—not just for decades, but potentially for a lifetime that extends well past 90.

Employer implications: Retirement as a talent signal

Industry and geography are **two key factors** driving employee expectations for retirement programs.

In competitive markets, strong retirement programs are no longer “nice to have.” Instead, they're necessary for employers who want to recruit and retain top talent.

- Top candidates increasingly evaluate **retirement design as part of total compensation**. Employers can make it easy for new hires to appreciate the value of the program when an account-based offering, such as a 401(k) + cash balance, is on the table.
- A strong retirement program isn't just a number—it's a **signal** of how much an organization invests in its people.
- In healthcare especially, an aging workforce and tight physician supply make this a strategic differentiator.

A retirement program with a 401(k) + cash balance structure enables employers to help high-earners reach the 25% target and stand out in competitive recruiting situations.

Conclusion: Building retirement confidence through strong savings

Retirement income adequacy ultimately comes down to three factors: **how much you save**, **how effectively you invest**, and **how long your money needs to last**.

For individuals, the **single most powerful lever** under your control during your working years is your **savings rate**. For high-earners, we strongly recommend **saving at least 25% of pay**—ideally through **tax-advantaged vehicles**—to build the flexibility and financial security needed for a long and fulfilling retirement.

For employers with a highly compensated workforce, **providing a strong, well-designed retirement program** gives employees the opportunity to save at least 25%. This can be a powerful tool for both **retention** and **financial well-being**. Inevitably, for physicians, attorneys, and other high-earning professionals, this means offering something beyond just a 401(k)—building adequate savings with a supplemental cash balance plan.

5. Based on the latest female white collar mortality tables from the Society of Actuaries

Assumption details

To better understand the assumptions in our model, we've outlined each input and explained how the variable would increase your anticipated retirement income or cover a longer retirement.

- **Savings start age (35):** You'll generate more income in retirement by starting your retirement savings journey earlier. Given that many physicians and attorneys start their careers later due to advanced education, have more student debt on average, and reach peak earnings years later, we've assumed for modeling purposes that our sample professionals start saving aggressively for retirement at age 35.
- **Investment earnings during your working years (7%):** Higher income in retirement is directly correlated with higher investment earnings in your working years. The long-term assumption of 7% used for our model assumes a heavy allocation to U.S. equities for the duration of the retiree's career. Investment returns will experience volatility over time, which puts a spotlight on the need for Americans saving for retirement to consider that volatility when setting their asset allocation and staying invested through market cycles.
- **Investment earnings during your retirement years (5%):** The assumption for return during retirement years is lower than during working years because of the presumption that retirees shift their allocation in retirement to an income-generating posture, with less exposure to the most volatile asset allocations and more exposure to fixed income or companies that pay stable dividend yields.
- **Annual growth rate in retirement expenses (2.5%):** A retiree cannot ignore the impact of inflation in retirement when planning their drawdown strategy. Our modeling assumes that expenses will increase 2.5% annually in retirement.
- **Annual salary growth rate (3.0%):** Rising wages over a high-earner's career will have the effect of dialing up contributions (in dollar terms) as the person approaches retirement.

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