



# The Baby Boomers and Retirement : Research Overview

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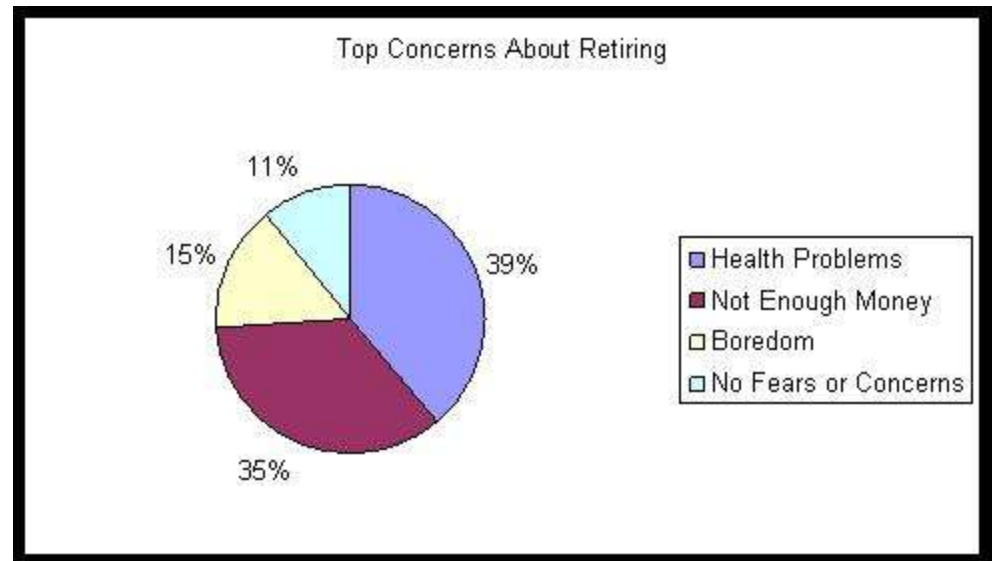
**The Baby Boomers Retirement Club**

*Family, Security, Lifestyle, Health*



## The Baby Boomers and Retirement: An Overview

- Of the 75 million total baby boomers, there are 30 million “leading edge” baby boomers (1945-1955) in the United States who are currently between 52 and 61 years old.
- The oldest baby boomers will turn 62 next year, the age at which they first become eligible for Social Security benefits.
- When asked: “What is your biggest fear about retiring?”, The top 3 concerns are health problems (32.7%); not enough money (29.4%); and boredom (12.6%). Only 9.2% had no fears or concerns.—*Harris Interactive Poll of 1,000 for Thrivent Financial*





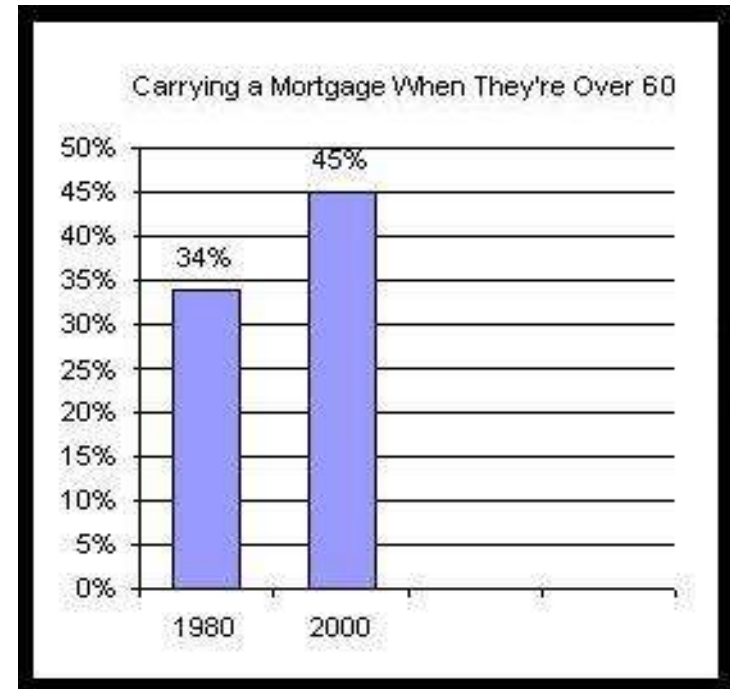
## The Baby Boomers and Retirement: An Overview cont'd

- This generation makes up 37.5% of US households, but receives nearly half of all aggregate household income. “This translates into a lot of purchasing power, and helps to explain why 8 out of 10 boomers are homeowners.” — *David Lereah, Chief Economist, National Association of Realtors*
- Data from the National Health and Retirement Study by researchers at the University of Michigan paint a picture of aging baby boomers facing longer, more active lives, coupled with rising costs for health care and other services they need.
- 27% of boomers have children under the age of 18. - *2006 Survey of Nearly 2,000 American Baby Boomers, Harris Interactive*
- 20% of boomer households are headed by women. - *2006 Survey of Nearly 2,000 American Baby Boomers, Harris Interactive*
- More American women than ever are living without a husband that with one (among women 20 and older, 51.2%).— *US Census Bureau*



## Their Financial Challenges are Daunting

- “The percentage of people carrying a mortgage into their 60’s has steadily increased—from 34% in 1980 to 45% in 2000. The percentage of people in their 60’s reporting a second mortgage in 2000 was 20%, up from 5% in 1990.” —*The Journal of Financial Planning*, September 2006
- In a recent survey, 55% of current retirees reported that they in fact needed at least 95% of their pre-retirement incomes to maintain their lifestyles.





## The Financial Challenges are Daunting cont'd

- A baby boomer at age 50 who retires at age 62 will need an average of 18 years worth of income. For a baby boomer of 55, it is 17 years upon retirement at age 62. — *Social Security Administration, 2006*
- Living on a fixed income becomes more difficult when inflation is on the rise. — *2006 Retirement Confidence Survey, Employee Benefit Research Institute*
- While 70% of workers expect to continue working in their retirement years to supplement their income, only 27% of retirees surveyed said they actually have worked for pay in retirement. — *2006 Retirement Confidence Survey, Employee Benefit Research Institute*
- Over 80% want to work after they retire in a field they enjoy, with flexible hours and reduced stress, and about 17% want to start their own businesses. However, a study published by the National Bureau of Economic Research shows that baby boomers aged 51-56 report worse health and more pain, drinking, psychiatric problems, and difficulty with daily physical tasks than their predecessors of the same age 12 years earlier.
- Roughly two-thirds of employers that offer traditional pensions have closed their plans to new hires or frozen them for all employees, or plan to do so in the next two years.— *Los Angeles Times*





## The Baby Boomers Are Not Prepared

- More than 62% feel that they are financially unprepared for retirement. They are actively concerned about preparation for retirement and their later years. — *Sun Life Financial Survey in USA Today, May 22, 2007*
- Only 42% of workers have tried to calculate how much money they will need to retire comfortably. About 73% of workers who have not done a calculation, simply guess. — *2006 Survey of Nearly 2,000 American Baby Boomers by Harris Interactive*
- “Most of the nation’s 75 million over-spending and under-saving baby boomers are woefully unprepared for retirement. Most will end up living half or a third as well as they do now” (Executive Director, The Center for Financial Responsibility, Texas Tech University). Two-thirds of retirees believe they will live longer than expected, and half of retirees think that either they or their spouse will need long-term care or assisted living. — *2006 Retirement Confidence Survey, Employee Benefit Research Institute*





## The Baby Boomers Are Not Prepared cont'd

- 31% of workers aged 40 or older have not saved any money for their retirement. 53% of workers see their current level of debt as a problem. — *AARP*
- The personal savings rate in America, around 11% in 1970, is less than 1% today.
- 20 years ago, 80% of workers at medium and large US companies were covered by defined-benefit pension plans that promised retirees a monthly check. By 1997, the share had dropped to 50%. The latest info is that just 21% of workers at all private companies are covered by defined-benefit plans. — *Fortune Magazine*
- According to an AARP survey in 2006, many Americans may not have adjusted to the new economic reality: that the responsibility for funding retirement has shifted from business and the federal government onto the shoulders of workers themselves.





## The Baby Boomers Are Not Prepared cont'd

- A relatively new law, The Pension Protection Act, increased allowable annual amounts deposited into IRAs and 401(k)s, with people 50 or older eligible for even higher “catch-up” contributions. Many workers are unaware of these changes, or the fact that small increases in regular savings can have a huge impact at age 65.
- Baby boomers are living longer and are different from previous generations because they have no set path for retirement and have more varied circumstances in life.—  
*David Lereah, Chief Economist, National Association of Realtors*
- Most survey respondents were unsure of their financial future, with 3/4 saying they are not financially prepared for retirement and many expressing anxiety about their ability to retire. — *2006 Survey of Nearly 2,000 American Baby Boomers by Harris Interactive*
- Nearly 2/3 in the survey said it costs too much to truly retire and never work again, and 38% said current financial needs means they give little attention to financial planning for retirement. — *2006 Retirement Confidence Survey, Employee Benefit Research Institute*



# Many Need Help in Caring For Aging Parents

- 31% of baby boomers are providing financial or personal care assistance to a parent.
- The average cost of care in a nursing home reached \$74,806 in 2007 about \$30,000 a year more than the average American household earns. – *Genworth Financial 2007 Cost of Care Survey*
- Slightly less than half of those providing help say it has caused them some stress or a great deal of stress. – *USA Today/ABC News/Gallup Poll*
- Millions of baby boomers are finding themselves as direct or indirect care givers for an aging parent in various stages of need. Emergencies and interruptions become commonplace and the pressures on the “sandwich generation” can be intense. 37% of those boomers who aren’t providing care for those parents now think they will someday. And half of them say they are concerned about their ability to do so.
- About 19 million American, aside from paid providers, are caring for someone over the age of 75.



# High Divorce Rates Impair Their Finances

- The oldest baby boomers recorded the highest divorce rate.— *Census Bureau*
- Higher rates of divorce and separations could result in greater financial hardship for aging baby boomers. In 1980 about two-thirds of Americans aged 55 to 64 lived in married-coupled households. That percentage fell to less than 58% in 2005.





## Inheritances Not Likely To Help

- The news of “the greatest intergenerational wealth transfer in history” is premature.
- While some economists have estimated that up to \$136 trillion will be bequeathed as older generations pass away, an article published by the Federal Reserve Board of Cleveland, “The Baby Boomer’s mega inheritance. — *Myth or Reality?*” lists a few reasons why most boomers can’t count on family money
- According to their data only 22% of households headed by someone over 65 expect to leave a sizeable bequest. Recent research shows that elderly Americans’ propensity to consume out of their resource has risen dramatically since 1960. — *Myth or Reality?*
- Wealthy parents also might remarry late in life and dash you plans to inherit.
- According to the author’s calculations, only 1.6% of heirs will get \$100,000 or more.





## Good Planning and Decisions Needed for the Long Haul

- 80% of baby boomers expect they will do some kind of work during their retirement years whether for enjoyment, income, or both. – *AARP*
- “You’ll have to protect yourself against many complex risks – from the danger that inflation or falling markets will eat away at your assets to the chance that you may need costly long-term care.” – *Business Week*
- “The investment companies that run 401(k) plans are often ill-equipped to provide the hands-on advice that many seek. No wonder millions are seeking some good advice.” – *Business Week*
- Owning a home today is a lot riskier than before, and baby boomers are 90+% homeowners. For most Americans, stocks are not their largest investment – their home is.





## Good Planning and Decisions Needed for the Long Haul Cont'd

- 25% of baby boomers own one or more other kinds of real estate in addition to a primary residence.\*
- Baby boomers own 57% of all vacation/seasonal homes and 58% of rental property.\*
- Four out of ten intend to convert their vacation home into a primary residence in retirement.\*
- The doubling of the 65 plus population in the next 25 years, as boomers begin encountering the frailties of old age, will cause the nation to face a widening “care-gap” and may force people into nursing homes too soon. — *Dallas Morning News*

*\*2006 Survey of Nearly 2,000 American Baby Boomers by Harris Interactive.*





## Good Planning and Decisions Needed for the Long Haul Cont'd

- Downsizing early and researching sustainable withdrawal rates can help assure that your buying power remains intact over the years.—*MoneyCentral.MSN.com*
- With more baby boomers who are self employed, new retirement savings options established by law in 2006 are still not widely enough understood and utilized.
- Options for living abroad for less, including in less discovered parts of the world with much lower real estate prices are more plentiful than is widely known.
- It's essential to determine an appropriate annual withdrawal rate of your assets during retirement so you don't outlive your money.
- After age 70-1/2, you must begin making an annual required minimum distribution from certain tax-deferred retirement accounts. Preparing for this phase ahead of time may help reduce your tax burden.
- Developing an appropriate estate plan is the important final stage of crafting an effective retirement plan.





## Baby Boomers Retirement Club: The #1 Solution

- Planning for retirement is a lifelong process. Determining your retirement needs by identifying your potential retirement expenses and sources of retirement income is an important step.
- Higher rates of divorce and separations could result in greater financial hardship for aging baby boomers. In 1980 about two-thirds of Americans aged 55 to 64 lived in married-coupled households. That percentage fell to less than 58% in 2005. “The earlier you begin retirement investing, the greater by far the potential return. At 25, with 40 years until retirement, every additional \$1 you save will be worth \$8.14 at retirement, adjusted for inflation. If you wait until you turn 40, each incremental \$1 of savings will be worth \$3.87. Even at 50, a dollar saved will be worth \$2.32 by the time you turn 65. —An Analysis by Fidelity Investments That Assumes a Mix of 70% Stocks, 25% Bonds, and 5% Cash





## Baby Boomers Retirement Club: The #1 Solution

- Six common hazards can torpedo even the best retirement planning process. These include: (1) Divorce is one of the most common causes of retirement planning failure. (2) Treating your house as your primary retirement vehicle. (3) Investors nearing retirement get succored at seminars into buying property or other investments site unseen. (4) Your withdrawal strategy may be unrealistically excessive. (5) Not planning for longevity—a husband and wife at age 65 today have a 40% chance of one of them reaching 95. (6) Dumping all stocks and moving into bonds is an unbalanced outdated move that assures sub-par returns. —*Chicago Tribune Syndicate*
- Determining an appropriate asset allocation—how you divide your money among stocks, bonds, and cash—is a time-tested strategy for helping you pursue your financial goal.
- The 12 key questions accessibly answered for each participant by the 15 minute Retirement Plan interactive workbook and exclusive BBRC Club resources strongly increase the likelihood of successful and happy later years in life.

