

# This recession is also a very effective teacher

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A saner approach to money and retirement may be a positive outcome of the severe economic downturn.

"People have been frightened, people have lost money," said Ken Dychtwald, founder and CEO of Age Wave, a San Francisco-based think tank and consulting firm that specializes in demographic and retirement-related issues.

"But in some ways, there is great hopefulness," Dychtwald said. "And the fact that people are sobering up and learning important lessons, and being more responsible for their money, that's extremely positive."

"Retirement at the Tipping Point: The Year That Changed Everything," a newly released study by Age Wave conducted by Harris Interactive, found "new fears, new hopes, and a new purpose for retirement" compared with a similar survey a year ago.

It also found a need for "Financial Rehab" for Americans of all ages, but also signs of progress.

"After years of out-of-control spending, Americans have been jolted into realizing that they must get back to basics and learn to live within their means in order to find financial peace of mind," said the study, based on online interviews with 2,082 Americans 21 to 84 years of age.

The study also found "a renewed focus on what's important and an optimistic outlook about the possibilities for retirees' new role in American life."

Among the findings:

Nearly 60 percent of Americans lost money in mutual funds, stocks and/or 401(k) plans in the past year, with those near retirement suffering the greatest losses. On average, Americans think it will take seven years to recover those losses (My comment: Those near retirement tend to have the biggest account balances, so they lose the most in a market downturn. If an investment loses half its value, it will take more than seven years of 10 percent gains to get back even.)

People working now say they will need to postpone retirement 4.2 years on average. If that happens, it would be the first time the retirement age increased substantially in the United States.

Four of five Americans said they've learned valuable lessons about financial responsibility, with the most important financial advice for parents to pass to their children being "live within your means" and "begin saving at an early age." The so-called "millennials" (those 21 to 32 years old) were the most likely to have learned a lesson and had the biggest jump in their concern about living within their means (from 63 percent last year to 81 percent now).

Many Americans have gone back to financial basics. The U.S. savings rate has increased to 4.2 percent, double that over the past decade, and household credit card debt has gone down 9.7 percent.

A new and in some ways more optimistic vision for retirement is emerging, with 60 percent of Americans viewing retirement as "a new, exciting chapter in life" compared with 52 percent a year ago. "We expected people to be disheartened (about prospects for retirement) but in fact they are not," Dychtwald said.

Also, 70 percent want to continue working in retirement as a way to contribute, remain stimulated and pay the bills. Three-quarters think our country would benefit in important ways if retirees were more involved in contributing their skills and experience to our communities, with the most enthusiastic response (83 percent) coming from retirees themselves.

"Should continued work be viewed as a failure? Absolutely not!" Dychtwald said.

Retirees who stay productive and engaged are happier and healthier on average and think of their retirement years as the best.

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