



10 Ways Baby Boomers Will Reinvent Retirement

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The baby boomers redefined each stage of life as they passed through it. This generation also will retire in a way that is distinct from their parents and will set the standard for generations to come. Baby boomers are likely to live longer, more healthful, and more active lives than any retirees have before, yet few will enjoy the generous pensions and retiree health benefits enjoyed by many of their parents. Boomers will be saddled with the headache of continuing to manage their own investments, and if they haven't saved enough, they'll likely have to work long after the previous generation dropped out of the workforce. Here are 10 ways baby boomers' retirement will be different from their parents'.

[\[Slide Show: 10 Ways Baby Boomers Will Reinvent Retirement.\]](#)

Living longer. Retirement for boomers will last longer than retirement for their parents. The number of people ages 65 and older in the United States is expected to more than double by 2050, rising from 39 million today to 89 million, according to the Census Bureau. Some seniors will be retired for more years than they spent in the workforce. "Our moms and dads were quite delighted to find themselves reaching their 65th birthday, but now we look around and see 80-year-old athletes and 70-year-old college students," says Ken Dychtwald, president of the consulting firm Age Wave and author of *With Purpose: Going From Success to Significance in Work and Life*. "People are waking up to the idea that living a long life has become commonplace."

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No pension. Living longer means more retirement years that will need to be financed. Most private-sector workers won't get a monthly check from their former employer in retirement or retiree health benefits. While 40 percent of private-sector workers received a traditional pension in 1975, that number declined to 17 percent by 2006, according to the Employee Benefit Research Institute. More employers freeze their pensions every year and replace them with 401(k)'s.

Managing investments. Those without traditional pensions will have to continue managing their own nest eggs throughout retirement or will have to hire professional help. Baby boomers also will need to make decisions about how much risk to accept in order to beat inflation and still make sure they don't outlive their savings. "The burden for figuring out how to retire has shifted from the employer and government to the individual," says

Jonathan Pond, a financial planner and author of *Safe Money in Tough Times: Everything You Need to Know to Survive the Financial Crisis*. Retirees need to decide on their own—or with the assistance of a financial adviser—how to adjust their portfolio allocations as they progress through their retirement years and how much of their nest egg to spend each year.

Required minimum distributions. If boomers' retirement money is in tax-deferred accounts, Uncle Sam will take a large share because all withdrawals are taxed as regular income. "A lot of people retire and they have put all their money aside in tax-deferred accounts. Taxes are going to exact a big toll on these people," cautions Pond. "If your 401(k) balance is \$400,000, it is worth about \$300,000 after taxes are taken out." Retirement account withdrawals become required after age 70½. Required minimum distributions are calculated by dividing the balance of your retirement accounts by your life expectancy as determined by the Internal Revenue Service. Seniors who fail to withdraw the correct amount must pay a 50 percent penalty and income tax on the amount that should have been withdrawn.

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Part-time jobs. Many Americans will continue to work during the traditional retirement years because they need the income. Others will continue working because they enjoy the mental stimulation and social opportunities a job can provide. "The prospect of a permanent vacation just doesn't feel intellectually stimulating, physically rewarding, or financially viable," says Marc Freedman, founder and CEO of Civic Ventures and author of *Encore: Finding Work That Matters in the Second Half of Life*. "People are moving into a new life stage. They want an identity, they want a paycheck, and they want a sense that their experience is going to good use." Sometimes a second career will require retraining. "It might be smart to make an upfront investment in education or do an internship," says Freedman. "Recognize that you are investing in a career that might be 10 or 25 years in duration."

Staying active. These days, baby boomers don't see retirement as a withdrawal from activity but as a new adventure. Many seniors will travel, volunteer, consult, and remain active, in addition to leaving some afternoons free for golfing and spending time with grandchildren. "It is a generation that is far more comfortable and even addicted in some ways to change and newness and adventures," says Dychtwald. "They are going to pioneer a lifestyle where people reinvent themselves again and again and again."

Sandwich generation. Some baby boomers are facing large college tuition bills for their children at a time when they need to be ramping up their own retirement savings. Meanwhile, boomers may need to care for aging parents. "Caregiving also has a cost in terms of lost wages and stress and sometimes even creates the basis for illness in caregivers," says Eric Kingson, a professor at Syracuse University's Center for Policy Research. Baby boomers will need to find a way to balance caring for aging parents, helping their adult children, and tending to their own retirement needs.

[See [10 Things You Didn't Know About Baby Boomers.](#)]

Lower Social Security benefits. Those born before 1937 were able to collect their full Social Security benefits at age 65. But the full retirement age was gradually increased to age 66 for workers born between 1943 and 1954. After that, an even older retirement age was phased in. For example, someone born in 1956 can collect their entire due at age 66 and 4 months. The age is 67 for those born in 1960 or later. People who sign up for Social Security earlier will receive lower payouts. "When you raise the retirement age, it represents a serious cut in benefits," says Kingson. "Because the retirement age was raised, the value of benefits is less as a result."

Retiring with debt. The days of mortgage-burning parties are over. An increasing number of Americans are entering their retirement years with debt. Some 63 percent of U.S. families headed by someone 55 or older still owed money on their home, credit cards, or other debts in 2007, up nearly 10 percentage points from 1992. Carrying debt into retirement means seniors will have to cut back on discretionary expenses.

Diverse locales. Most boomers will retire in the same town where they spent their final working years, as did most previous generations. Those who move may no longer flock to seniors-only retirement communities. "It's not the dream of the boomer generation to live in an age-segregated retirement community," says Dychtwald. Future retirees are likely to choose walkable communities with lots of amenities, recreational opportunities, and residents from all age groups. "The best and brightest of this generation are going to want to live in an area that doesn't put them on society's margin but allows them to stay fully engaged," says Dychtwald. "Boomers want to be where the action is, and they are going to want to be where the jobs are."

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