

Boomers: Older, Wiser and... Worried

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Due to its size, the so-called baby boom generation has always attracted attention. Today, its 76 million members represent 28% of the U.S. population and range in age from 49 to 67, which means they are currently either at the peak of their careers or transitioning into retirement. And, like previous generations at this stage in life, they control most of the wealth in this country.

For years, baby boomers have been chastised for too much spending and not enough saving. They were constantly urged to save more: max out that company retirement account, fund an IRA, too. Boomers were also warned they were going to live longer than previous generations so they better determine their “number,” the magic amount needed in a nest egg to avoid becoming a burden on kids.

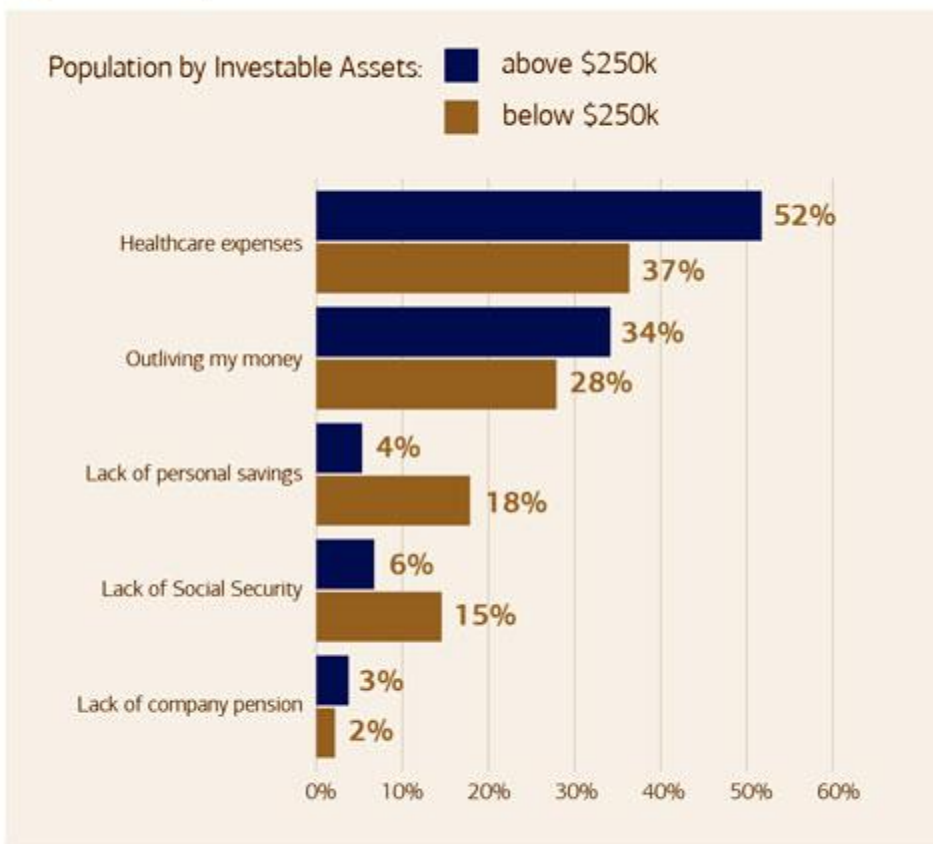
Now, a recent study by Merrill Lynch and the demographic experts at Age Wave indicates that as boomers are moving into the next stage of their lives, their priorities are coming into sharper focus. And their attention is not about having a fat 401(k). There is fear of the unknown, such as how healthy they or their spouse will be. A shockingly-high number of boomers- 90%-say they are not confident they will be able to afford they health care they might need. They’ve mixed feelings about living longer. They’re worried about running out of assets and concerned that Social Security and pension benefits they are expecting might not be there.

“There’s a sense of urgency,” says David Tyrie, head of personal wealth and retirement at Bank of America Merrill Lynch. “It’s very emotional. There are a lot of moving parts.” Having the “peace of mind” that they can successfully navigate whatever challenges they encounter in the next stage of their life is seven times more important to baby boomers than having a ton of money.

As the consummate consumers, many baby boomers have been criticized for over-indulging both themselves and their children. For many, the solution to not having saved enough for retirement has been staying in the workforce longer. But that can't always happen; health issues often derail this plan. “They’ve seen family members and colleagues get sick and have to retire,” says Age Wage CEO Ken Dychtwald, who points out that 57% of today’s retirees had to stop work earlier than they planned due to health problems.

Losing income from a job is--in Dychtwald’s words--“a triple whammy” that often forces boomers to start drawing down savings earlier than expected to cover everyday expenses. At the same time, they can no longer contribute to retirement accounts and could face hefty medical bills. For those not at least age 65 and covered in part by Medicare, this could seriously deplete savings. “Sixty percent of bankruptcies as year were related to medical bills,” says Dychtwald.

Figure 8: Top financial worries for retirement

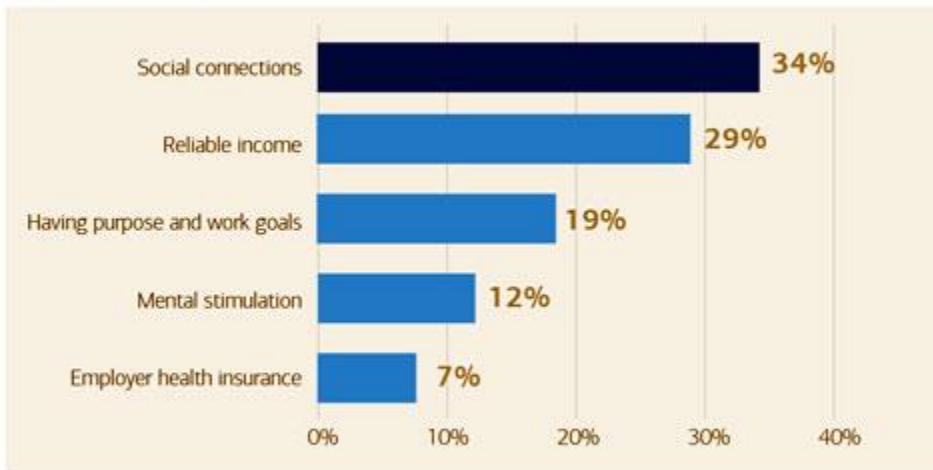


Base: Total population

Even boomers that are healthy and have sufficient savings have reservations about retiring. Many are realizing that their careers were not just about a paycheck, and they’re concerned about

missing the *social connections* that work provided. That's one of the main reasons many boomers plan to find new ways to use their time- either by working part-time, starting a business, or giving back to the community and their families when they enter retirement. "There are more entrepreneurs in America over the age of 50 than those below that age," according to Dychtwald. "The model is to do something new and different for stimulation and satisfaction" rather than just the money.

Figure 6: What retirees actually miss most about work now



Base: Retirees

Taking care of their families is extremely important. Boomers who managed to personally weather the difficult economy we've experienced are very sensitive to those who have not, especially if they happen to be family members. Many say they would help a sibling pay bills and give up some of their own retirement savings in order to fund a college savings account for their grandchildren. Still, the legacy they most want to pass along to future generations revolves around values and life lessons; this is more than twice as important as leaving money and financial assets.

In Tyrie's words, the mindset of today's boomers is not about the money. "It's what I can do with the money." says Tyrie. "Work is not just about earning as much as I can, it's about social connections. Peace of mind isn't just about me and my spouse. It involves the well-being of those I love and care about."

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