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Baby boomers' retirement: The country's biggest and most predictable train wreck?

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WICHITA, KANSAS

Editor's note: The Downtown Senior Center is operated by Senior Services Inc. of Wichita and is open to those 55 and older. An earlier version of this story was incorrect.

With temperatures climbing over 100 degrees by mid-afternoon, a recently retired couple chatted and paddled around in the pool at the Courtyards at Elk Creek, a community of upscale patio homes in Wichita, Kansas.

Coming over the clubhouse sound system? The melodious strains of AC/DC screaming about a highway to hell on Pandora.

The baby boomers won't be retiring like their parents did.

Some have called baby boomers' retirement the country's biggest and most predictable train wreck — it's 76 million Americans and it has been 70 years in the making.

But while there is a lot of gloom about paying for it, some say the fears are overblown, that the country will work its way through this challenge and come out with different institutions and attitudes, as it has with every one of this oversized generation's milestones.

An aging population is a massive global issue — it's an even bigger problem in Europe, Japan and China — and it's certainly a challenge here in Kansas and Wichita.

It means more elderly who are poor, more loss of high-skill workers, more people working into their 70s and 80s, more businesses catering to seniors, more health care and more talk by baby boomers about how about 65 isn't "old" anymore.

"It's a paradigm shift," said Maddy Dychtwald, co-founder of consultancy Age Wave. "There are some good things to it and some bad things to it, challenges and opportunities."

A 'special' generation

This generation is the richest ever, forecast by one wealth management company to peak at about \$54 trillion in assets by 2030 before it starts to pass away in large numbers.

Millions and millions of them will enjoy longer, healthier, more enriching lives than their parents, or any previous generation.

Businesses have been quick to spot the opportunity.

Scott Lehner, co-owner of Perfection Builders, started building something just for affluent baby boomers in the Wichita market about four years ago.

Even as the metro area's home building industry rebounds sluggishly, Lehner said he has built 250 to 300 patio homes in five communities in Wichita, including the Courtyards at Elk Creek, and is starting one in Manhattan. The average age of the buyers is 62.

The homes are big and nicely appointed but sit just 6 feet apart, grouped around a small lake. They are artfully arranged so that adjacent homeowners sitting on their patios aren't staring straight into each other's eyes or bedroom windows. It includes a few senior-centric amenities: the washing machine and dryer are on the main floor; all outdoor services are taken care of.

Two of the paddlers in the pool, Chris and Susan Hearn, love their house. It's new. The neighbors are fun — there was a taco party set for that Friday night — and it's set up for the long run.

"We wanted a place where we could live for the next 20 years with no worries," said Susan Hearn, who is 62.

The industry most affected, the health care industry, is already sizable in Sedgwick County, at nearly 40,000 workers. Since 2000, health care employment

in Sedgwick County has risen 23 percent even as overall employment has stayed virtually flat. That growth is poised to continue over the next few decades.

Workers and pensions

But the golden sunsets are clearly not evenly distributed. The fact is, as a generation, baby boomers, their employers and the country are woefully unprepared to pay for their retirement.

Corporate and union pension plans across the country are shutting down or struggling to stay solvent. Without changes, Medicare will be forced to trim benefits by 2030 and Social Security by 2034.

And the baby boomers, as a generation, haven't stepped up individually, either. The Insured Retirement Institute released a report that found that just 24 percent of baby boomers are confident they will have enough savings to last throughout their retirement years. Just 55 percent reported having savings for retirement.

And of those with savings, nearly half have less than \$100,000 – an amount that would generate less than \$7,000 a year in retirement income.

Overall, one in five boomers in the survey said they are concerned they will not have enough savings to cover basic living expenses.

Throw in Social Security, say another \$12,000 to \$15,000 a year, and they'll have an income equal to earning \$10 per hour if they worked full time. In Wichita, that's a living wage, but barely. And it doesn't leave much room for health care or car repairs.

Without any savings, as is the case with nearly half of baby boomers, independent living becomes hard.

It's often not because they were foolish with their money during their earning years, but because they never did earn that much and something happened: a health calamity, family crisis, divorce, a lost job or a questionable investment decision.

Looking for work

You can see the consequences every Tuesday morning in the cafeteria at the Downtown Senior Center, 200 S. Walnut in Delano.

A group of about 40 people ages 55 and over share coffee at tables and listen to Cherie Shields, the center's senior employment director, read off a long list of full- and part-time jobs.

Some come for the fellowship, some are seeking a fun way to supplement their income — loneliness and a lack of purpose are cited as a top reason that retirees seek work — but a lot of them are there out of sheer necessity.

Jeanette Richard, a delicate, silver-haired woman of 73 who volunteers at the senior center, was laid off two years ago from a large medical employer. She's not actually a baby boomer — she was born in 1943 — but her story was common among the group.

She has almost no savings, and her Social Security of about \$13,000 just isn't enough.

“If you have medical issues, as many of us do, your expenses can be overwhelming,” she said.

She ticked off the cost of supplemental medical insurance, medications, mortgage, utilities and food. It doesn't leave much room for extras.

“I just had car repairs and didn't have the means to pay for it, so technically I don't have a car anymore,” she said. “I'm using my son's car temporarily.”

Richard was willing to work at 73, but she got pretty frustrated. She thinks she has pretty good skills after a lifetime of clerical, retail and customer service work. She hadn't looked for work in decades and, after applying for a lot of jobs, found things had changed.

“It's been a real eye opener on how you approach finding work,” she said.

“Everything now is through the internet. It's just a whole different process.

“That can be very, very frustrating for someone. You don't have the one-to-one personal contact that you had in years past.”

She said she could bone up on computer programs such as Excel or whatever is needed. Companies — and their word-searching job application programs —

don't seem willing to really look at older job applicants, to value their skills and knowledge, she said.

"I think we have a lot to offer," she said. "I don't think we are given an opportunity to work. The computer doesn't know what all we've done."

Just keep working

One solution often mentioned for baby boomers is to "just keep working."

The good news for Richard, the senior center volunteer, is that she found a part-time job last week at Goodwill Industries' West Central store. She'll be sorting, cleaning, pricing and putting the donated items on the floor for resale.

"It's unbelievable what comes in in a short amount of time," she said.

She said she'll be making \$8 an hour for 15 to 20 hours a week.

"I'm just very thankful to have something offered to me," she said. "It won't pay the bills, but it's certainly going to help."

Even Chris Hearn, a resident of the upscale patio home community, still works a few hours a week. He retired as a medical physicist from Wesley Medical Center, overseeing the testing and calibration of X-ray machines. He now does that on a contract basis for some smaller hospitals and clinics across the state.

"Part of the reason is to pay for health care insurance," he said. "I worked in health care. I know how expensive it is."

The 'skills gap'

But is that a realistic solution for baby boomers? Maybe.

For more than a decade, many businesses have loudly worried that a disproportionate number of their workers are close to retirement. When they retire, they say, it will leave a hole in their workforce called the "skills gap."

Kathy Jewett, chairman of the Workforce Alliance of South Central Kansas and human resources manager for XLT Ovens, said manufacturers, especially aircraft manufacturers, are worried about this. She described the sheer technical skill of the tool and die makers at Spirit AeroSystems, who make the jigs used to produce aircraft components.

But are companies really worried about losing the baby boomers? Or are they worried about losing just the most skilled people: the executive, the top salesman, the tool and die maker, the medical physicist? These men and women have deep, hard-to-replace skills that remain valuable past retirement age.

Most people are easier to replace, either by younger workers or by automation. It doesn't help that technology is moving so fast that baby boomers with decades on the job possess the same technical skills as a recent college graduate, narrowing the "skills gap," said Keith Lawing, director of the Workforce Alliance.

And, while companies say they value soft skills, such as reliability, conscientiousness, judgment and relationship-building, they often look first — and maybe only — at hard skills and measurable metrics.

According to the Center for Aging & Work at Boston College, a recent study suggested that 64 percent of workers would like some kind of "phased retirement." When center researchers asked employers whether they accommodated such "phased retirement," about half said they did for top workers, but only 10 to 20 percent offered it to all workers.

The center report concluded that it is "uncertain" whether employers would expand phased retirement programs in the future.

Lawing said he can't tell, yet, how much demand for retired baby boomers there will ultimately be. Most companies, not just manufacturers, have been trying to shed jobs, particularly low-skill ones, through automation. How many receptionists have been put out of work by phone systems or warehouse workers by automated logistics systems?

Baby boomers seeking an easy part-time job may be disappointed.

"I'm very concerned in this age group, between 50 and 70," Lawing said. "They're physically able, mentally able, and they have a strong economic need.

"I just don't know how many opportunities we have for those folks. What they recognize as a skill, I don't know how well that will translate into today's workforce."

A BlackRock survey from 2015 showed that while 52 percent of retirees said they wanted to keep working, just 19 percent were.

Paying for it

Adjusting to baby boomers' retirement will require creativity, sacrifice and trillions of dollars.

The theory that baby boomers will ease this transition with a “phased retirement” or working the door at Wal-Mart may turn out to be more fantasy than reality, but it's too early to know at this point. With the baby boomers starting to retire in huge numbers during a strong economy, ageism could become a thing of the past.

Federal politicians will have no choice but to finally figure out how to make Social Security and Medicare solvent. Solutions generally revolve around raising the age for benefits or raising taxes.

Another solution discussed is to limit payments to only those with lower incomes, but many say that will turn it from a pension program into a welfare program.

The issue may well produce a lot of popular anger, as baby boomers demand that the government deliver what they feel they have been promised.

Economic inequality and resentment that elites are doing just fine, while average joes take the hit, contributed to the populism driving Donald Trump and last week's vote by the British to leave the European Union. Calls by the country's economic elite that poor retirees will simply have to cut back won't go over well.

And experts worry the aging of the U.S. and world populations will slow global economic growth, making it harder to grow out of the financial burden. The U.S. wants to avoid becoming like Japan, where the population now skews very old, which has contributed to two decades of slow growth.

Robert Litan, 66, an attorney and economist who retired to Wichita, said many baby boomers, particularly white-collar professionals, will want to work longer voluntarily, and employers will start to embrace it more out of necessity. The number 65 will no longer be a magic one in American society.

And, he said, for poorer baby boomers, he sees the federal government tweaking Social Security and Medicare to keep them solvent longer. It will be politically messy, but it will get done.

“We will muddle through,” Litan said. “It's inevitable. We are living longer and able to work longer.”

For the baby boomers and for the country, the train doesn't have to wreck. It could, and likely will, change directions.

But the ride won't be fun.

Richard, the new Goodwill employee, said these don't feel like her Golden Years.

"No," she said. "I don't think they even have a tinge of gold."

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