



Financial advisers need to prepare for the coming age wave

Millions of investors unprepared for retirement but no one seems to have an answer

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By [Mary Beth Franklin](#)

While *InvestmentNews* readers are accustomed to my columns that focus on the nuances of claiming Social Security, paying for Medicare or withdrawing retirement savings in the most tax-efficient way, sometimes I like to step back and take a look at the bigger picture.

How's this for a panoramic view? The [first wave of baby boomers turned 70 this year](#) and as this massive generation ages, it will put an unprecedented strain on public programs, such as Social Security and Medicare, and increase demand for private services involving financial management, senior housing, transportation, health care and personal care.

By 2030, the 65-and-older population is projected to be about 74 million people — more than 50% larger than today — and will represent about 20% of the American population, according to the U.S. Census Bureau.

Just as this generation transformed the educational system and the labor market as the boomers moved through their school and working years, it will test the nation's resources and call attention to broader retirement security issues over the next few decades. But you would never know it based on this year's presidential campaigns that been mired in Twitter taunts over deleted emails, unreleased tax returns, marital infidelities and fat-shaming beauty queens.

“It is time to move aging and longevity to the political main stage,” said Ken Dychtwald, a psychologist and gerontologist whose company, Age Wave, advises businesses and non-profit organizations about the opportunities and challenges of an aging population. “This demographic transformation will create exciting family, lifestyle, social contribution and marketplace opportunities as well as unprecedented medical, fiscal and intergenerational challenges.” Some of those challenges are daunting. About half of households age 55 or older have no retirement savings, according to a 2015 Government Accountability Office report. For the other

half of older households with some savings, the median amount was \$104,000, equivalent to an inflation-protected annuity of \$310 per month. Only about 10% of households in this age group have retirement savings of \$500,000 or more.

While financial advisers may focus their attention on the minority of older households with substantial savings, the bigger concern is how our nation will respond to the needs of a poorer aging population. As demographics skew older, younger working Americans will be left to pick up the slack.

Americans have always been inventive in the face of adversity. I suppose some people will piece together a modern version of retirement in the new sharing economy, picking up jobs as Uber drivers and renting out extra rooms in their homes through Airbnb. And some boomer homeowners will figure out how to tap their equity in their homes to supplement retirement income whether by downsizing and banking some of the profits or taking out a reverse mortgage to provide tax-free income for as long as they remain in their home.

But shouldn't our politicians be discussing how they plan to support and finance Social Security which will be the major — and in some cases the only — source of income for millions of aging boomers?

If Congress does nothing between now and 2034 when the surplus trust funds are expected to be exhausted, there would only be sufficient revenue from payroll taxes to pay about 79% of promised benefits. That would mean a 21% across-the-board cut in benefits for everyone. Medicare's finances are in even worse shape and will require congressional intervention even sooner.

And what about younger workers who are likely to live even longer than boomers without the benefit of traditional pensions? Shouldn't America take steps to improve financial literacy among all its citizens who will be increasingly responsible for their own retirement savings? But, as Mr. Dychtwald pointed out, while 37 states require that students receive sex education in high school, only 17 mandate financial education.

He identified some other aging-related issues that deserve national attention, similar to President John F. Kennedy's bold call for a space race that triggered a new era of technological advancement in the 1960s.

“Alzheimer's and related dementias now afflict one in two people over 85, and it has become the nation's scariest disease,” Mr. Dychtwald said. “Its sufferers are anticipated to grow from 5+ million today to 15+ million as boomers age with its cumulative costs soaring to \$20 trillion by 2050,” he said. “But for every dollar currently spent on Alzheimer's care, less than half a cent is being spent on innovative scientific research.”

Parenthetically, he noted that the country now has more than 50,000 pediatricians but fewer than 5,000 geriatricians and 97% of U.S. medical students never take a single course in geriatrics. Our national priorities are out of synch with reality.

Regardless of who wins the White House in November, the new administration and Congress must start focusing on the challenges of increased lifespans, decreased financial security and rising health care costs. Like the “duck and cover” drills that purported to keep young boomers safe from nuclear attack by hiding under their school desks, such false promises wouldn't have worked then and ignoring the coming age wave won't work now.

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