

Viva the Vital

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Boomers Fear Not, For the End is Not Near

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Let it be known that the week of October 6th, 2008 will forever be known as the end of “early retirement” for most of the nation’s 78 million Baby Boomers.

It will likely also go down in history as the week that saved Social Security.

Perhaps we need to back up a few years for some perspective. It wasn’t that long ago when economists and others “in the know” were evoking Chicken Little when it came to the impending tsunami of Boomers reaching retirement age. The thinking was that the population bulge of 78 million would choke the financial life out of Social Security on or about 2017. This year, the first Boomers reached age 62, the age at which they can begin to take early retirement benefits.

Just so we’re keeping score, that means about 3.2 million of the 78 million could line up at their local Social Security office demanding their first checks in 2008. The Social Security Administration even made a spectacle of the “first” Baby Boomer (born seconds after midnight on January 1, 1946) applying for early benefits. In truth, the Social Security Administration predicted less than half of eligible 62-year-olds would apply for early benefits. Some tsunami.

Earlier this summer, the astute folks at consulting company McKinsey released a study concluding that nearly two-thirds of “early” Boomers (those 54-62 years old) don’t have enough money saved or invested in order to maintain the same standard of living in retirement as they enjoy now. The study contended that if enough Boomers delay retirement 18 months (so they earn more money and therefore save more for retirement), then the number unprepared for retirement would be cut in half.

After the loss of \$8 trillion of stock market capitalization last week, it’s a good bet that those Boomers who saw their retirement accounts shrink by 30% are now planning just that. Now, working in some capacity is likely the top strategy being pursued by Boomers. That means they’ll keep earning an income, and, as a result, pay millions more into Social Security. Of course, by delaying full retirement, they’ll ultimately collect a larger monthly benefit. But actuarial tables indicate Social Security will collect more from longer-working Boomers than it eventually pays out.

So we boldly predict where no one has predicted before: Social Security will remain solvent for, well, forever.

Millions of Boomers will not “retire” in any sense of the word - some because they can’t afford it and some because they don’t want to - too much of their self identity is wrapped up in their job and profession, and they’ve invested too many years in their education and career choice. Why stop now?

Oh, the irony. A social program begun during the Depression to get older workers out of the workforce will now be “saved” because a generation of older workers won’t leave the workforce.

Unabated Optimism

The Boomer generation enjoys unabated optimism about the future. In our work, we’ve concluded that this generational glass-is-half-full mindset comes from Boomers coming of age during the late 1950’s through the early 1970’s. Having not suffered from a Depression or the national sacrifices of World War II, we have always presumed that the sun will come up tomorrow, no matter how dark today is.

So, the current economic unpleasantness will, like all others, soon pass. This doesn’t mean Boomers aren’t going to take stock of their financial picture and take action. They will. Most likely, they will seek financial investments that offer greater protection from downside risks and offer more control, providing dominion over their financial future. Expect sales of fixed indexed annuities to skyrocket, for example. But if total control won’t come from their stock portfolio, it will come from them staying in the workforce, earning a regular paycheck.

As one Boomer told us, “I’m on the ‘work until I die’ retirement plan.”

Boomers remaining in the workforce will mean the overall economy will grow stronger and larger because we’ll have millions more earning and spending for longer and longer. Businesses that cater to meeting the needs of older adults are going to rake in the cash. That’s one sure thing we see in the future.

For the last five years we’ve been advising marketers that Boomers will transform this next stage of life, just as they have transformed every stage up until now. Already they’ve made “60 the new 60,” by remaining active, and to some degree, hip and cool (see: The Rolling Stones, The Eagles, et al). Granted, we didn’t see the largest economic upheaval since the Depression in our crystal ball, but the impact of it means that for fearless Boomers, the end is not near.