

Baby Boomers Look Toward Retirement

Over the next two decades, the most chronicled generation in America will gradually enter retirement. At that point, each wave of baby boomers will quickly discover if their retirement plans, Social Security, and personal savings will be sufficient to maintain their existing lifestyles and needs.

Baby boomers—a name given to those born from 1946 to 1965—have been noted for their creation of the “computerized age,” quest for physical fitness, and expectation for living many years. As the boomers cross into middle age, many will begin to focus their attention on retirement.

Unlike the previous Great Depression-to-World War II generation, many baby boomers believe they cannot depend on receiving Social Security benefits during their retirement years. In fact, many economists question the future “security” of the Social Security trust funds.

To further compound worries, many boomer employees may not have employer-funded retirement plans. Since, in today’s business world, employees, rather than employers, generally assume full responsibility for funding their retirement plans, it is no surprise that uncertainty and worry occupy the minds of many without guaranteed pensions.

Broadening Perspectives

What can boomers do to determine if their savings and assets will sufficiently fund their retirement years? Definitive answers are often elusive. After all, life is filled with many variables, and no one really knows for sure what the future holds. However, even with these constraints, boomers can gain much insight by estimating and analyzing the following:

- Potential income sources (e.g., income-producing real estate, inheritances, etc.)
- Projected balances of retirement and savings plans
- Costs of future health care needs
- Annualized rate of inflation over retirement years
- Amount of Social Security income to be received
- Percentage of present income required during retirement years
- Length of years retirement may last or life expectancy

Survey Says. . .

A 2006 survey conducted by the Employee Benefit Research Institute* found that only 24% of Americans are very confident they will have enough money to live comfortably in retirement. In addition, 14% of current workers believe they will need less than 50% of pre-retirement earnings to maintain their standards of living in retirement, and an additional 36% project their needs will be 50%-70% of their current incomes. However, 62% of current retirees report that their needs equate over 70% of their pre-retirement incomes.

As is true of every generation facing the retirement planning process, baby boomers should have a disciplined savings program in place. If you’re a baby boomer, keep in mind that periodic or haphazard saving may be counterproductive. With a commitment to success and a scheduled plan, you can work toward building the necessary retirement funds to secure your own financial future.

*Source: Retirement Confidence Survey, Employee Benefit Research Institute, 2006.