

AHWATUKEE FOOTHILLS NEWS

UNREALISTIC BABY BOOMERS FACE A RETIREMENT CRISIS



May 15, 2019 by Dr. Harold Wong

There was recent media attention about a recent study *“Boomer Expectations for Retirement 2019”*, released April 2019 by the Insured Retirement Institute. This study concentrates on Baby Boomers, born in years 1946-64. This age range is 55-73 and nearly half (47%) are already retired.

Expectations of Needed Retirement Income: Boomers have unrealistic expectations of their needed retirement income. The average amount spent by Americans 65-74 is \$55,000 per year and yet 60-70% of Boomers say they will need less.

Expected annual retirement needed is: Less than \$35,000 (44% of Boomers in this study); \$35,000-\$55,000 (26%); \$55,000-\$75,000 (16%); and More than \$75,000 (14%). Boomers do not realize that there are 3 phases of retirement: the Go-Go Years; the Slow-Go Years; and the No-Go Years. This means 60-70% of Boomers think can live on less income in retirement and that’s unrealistic.

When one first retires, that’s the time they want to do their Bucket List items such as adventure/foreign travel; hiking the Grand Canyon; or pursuing expensive hobbies. One’s spending can easily exceed the level spent during one’s working years. If one has 3 kids (and grandkids) living far away, just visiting them twice/year is 6 trips/year. Boomers have been told they only need to spend 70% of their working year income, but that’s simply not true for most Boomers that I’ve met. You now have unlimited time, but do you have enough money?

The 3-legged Retirement Stool Does Not Exist for Most Boomers: The three traditional “legs” of the retirement “stool” are Social Security, an employer pension, and personal savings. In 2017, retired workers received an average \$1,404 in monthly Social Security (SS) benefits and spouses \$732. For a married couple, this is \$2,136/month, or \$25,632/year. Only 23% of boomers age 56-61 expect to receive income from a private company pension. That means that the overwhelming majority of boomers only have two “legs”: Social Security and income from their private savings.

Retirement Savings: The savings levels for this study’s group of individuals is much higher than other studies that claim zero retirement savings for 25-45% of the population. The results: Less than \$100,000 (28%); \$100,000-\$250,000 (23%); \$250,000-\$500,000 (15%); \$500,000 or more (20%); and Don’t Know (14%). \$500,000 of savings may seem impressive, but it won’t generate much income today. Ever since the 2008 Financial Meltdown, interest rates have been the lowest in history. You can expect to earn a maximum 2-2.5% from a bank or 10-year Treasury bond. The average dividend yield has been only 1.98% for the first 19 years of this century (1/1/2000 to 12/31/2018). Even if you saved \$500,000, it will only yield about \$10,000/year. When one adds it to an average \$25,632 of SS benefits for a married couple with no pension, their total retirement income

is \$35,632. Since the average couple age 65-74 spends \$55,000/year, how many can handle a 35% drop in income, or about \$20,000/year.

What this means for Social Security Strategies? By the time you’re an older Boomer, you’ve either saved a lot or not. Most won’t have an employer pension. This means you should work until at least 70 (which 31% plan to). For a couple waiting until 70 to take their SS benefits (when it will be the maximum), this can be \$10-20,000+ more SS retirement income.

Free Seminar:

“How You Can Maximize Your Social Security & Other Income and Save Big with the New Tax Law”

will be held

Saturday June 15, 2019, 9:30-11:30 am at The Ahwatukee Event Center, 4700 E. Warner Road, Phoenix, AZ 85044

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For 7 years he wrote the only column on money for The AZ Republic Community Section and now has a new financial column with The Ahwatukee Foothills News and the San Tan Sun News. He earned his Ph.D. in Economics (UC Berkeley) and has appeared on over 400 TV/Radio programs.