

AHWATUKEE FOOTHILLS NEWS

UNREALISTIC BABY BOOMERS FACE A RETIREMENT CRISIS: PART 2



June 5, 2019 by Dr. Harold Wong

This article focuses on the majority of Baby Boomers who have not saved close to what is needed for a happy and financially carefree retirement. The previous article covering Part 1 was published in the 5/15/2019 Ahwatukee Foothills News. 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. Only 23% with have income from a private company pension. In 2017, the average retired worker received an average of \$1,404 in monthly Social Security (SS) benefits and spouses \$732. This means \$2,136/month, or \$25,632/year.

Retirement Savings: A recent Northwestern Mutual study shows that one in three Americans have less than \$5,000 saved up for retirement and 21% have no retirement savings. A recent Transamerica study shows the median retirement savings by the generation: \$152,000 (Baby Boomers); \$66,000 (Generation X); and \$23,000 (Millennials). With an average 2% stock dividend yields or a maximum 2-2.5% interest from a bank or 10-year Trea-

sury Bond, even \$152,000 of savings will yield only \$3,040 to \$3,800 of annual investment income. This means \$25,632 SS income for a couple plus an average \$3,420 investment income = \$29,052 of retirement income.

Here are possible solutions that can help you survive a Low-Income Retirement:

Get a Part-Time Job that is Reasonably Fun and not Physically Taxing: About 10 years ago, I met a client that worked weekends at Costco. He was such a good employee at the gas station that he kept turning down a promotion to be the full-time manager. His wife passed out food samples 3 days/week during the weekend. Their total earnings were \$30,000/year and they enjoyed the social contact and having a place to go for half the week.

Rent Out 1-2 Rooms short-term via Airbnb or on a 12-month lease: If you have a 4 bedroom house and rent out 2 of the rooms, this could easily be \$1,000-1,200/month of extra income.

Use the Entertainment Guide to Cut the Cost of Restaurant Meals in Half: This guide is available throughout all major cities in the U.S. and typically costs only \$25-30/year. You typically buy 1 meal and get 1 free. I have senior single clients that will eat their meal in the restaurants and then have the 2nd meal “boxed up to go” and eat it the next day.

Cut Your Auto Expense by buying cars the way I do: In 1997, I bought a used 1987 Volvo 240 car for \$2,800

that had 110,000 miles on it. I drove it until 255,000 miles and sold it back to the Scottsdale car mechanic for \$300. So, I got 145,000 miles for \$2,500 of capital cost.

Retire Overseas in safe, fun, but very low-cost countries with good health care: If reducing your housing, food, and car expenses by the strategies above aren't enough, Google “Best Places to Retire Overseas on a Low Budget”. There are at least 10 countries where one can live well with a small retirement income. They include Portugal, Spain, Costa Rica, Panama, Thailand, and Malaysia. For \$1,500/month you can live well and for \$2,400/month you can live great!

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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Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.