How Baby Boomers Can Financially Have a Happy Retirement!

7/8/2015 AZ Republic by Dr. Harold Wong

About 80 million Baby Boomers were born after World War 2, from 1946-64, and now 10,000 Boomers turn 65 every day. Many Boomers plan to work past 65 because they don't believe their money will last in retirement. They face 3 major risks to a Happy Retirement:

1. **Low Wage Increases and Uncertain Employment:** Ten years ago, the U.S. median family income was $50,000 and it's at the same level today. The Great Recession caused a loss of 10 million jobs. While many of these jobs have returned, they are not with the same pay and full benefits.

2. **Low Interest Rates:** When the stock market crashed in 2008, Federal Reserve Chairman Ben Bernanke said his goal was to drive short-term interest rates as close to zero as possible and he succeeded. If you deposit $100,000 at Wells Fargo in a 1-year CD, you get $50 interest at the end of the year. Today, the interest yield on a 10-year U.S. Treasury Note is 2.31% and 3.10% on a 30-year U.S. Treasury Bond. The U.S. Bloomberg Corporate Bond Index is at 3.37% and the Bloomberg Municipal Bond Index is at 2.66%.

3. **Uncertain Future Stock Market Returns:** A recent June 9, 2015 article states that one must lower one's expectations of stock market returns, ***"Exclusive: Vanguard Founder John Bogle Projects 'Nominal to Zero" Real Returns Over the Next Decade"*** by Wayne Duggan, found in www.finance.yahoo.com. Because of the unpredictability of future stock market returns, the recent academic literature has lowered the "4% Rule" to the "2.8% Rule". This means that if you have saved $1 million, you can withdraw $28,000 and then increase it by about 3% each year to account for inflation; and have a good chance of not depleting life savings to zero before your death.

There are 3 things that Baby Boomers can do to Financially Prepare for a Happy Retirement:

1. **Save substantially more:** For decades, the field of financial planning says that one's goal is to save 10% of one's income. This is not enough! I had a recent discussion with one of the Vanguard employees who manage the $billions of Google 401k money. We both agree that one has to save 20-25% of one's income to have the same income in retirement as when working.

2. **Maximize Social Security income:** "Among elderly Social Security (SS) beneficiaries, 52% of married couples and 74% of unmarried persons receive 50% or more of their income from Social Security", ***"How Social Security Strategies Affect Your Retirement"*** by Dr. Harold Wong, May 23, 2014 AZ Republic. If your SS income at 66 is $1,600

monthly, it would be $1,200 if you took SS early at age 62 versus $2,112 if you took it at 70. Yet, only 1.2 % of men and 2% of women waited until age 70. The average SS check was $1,294 in 2014.

3. **You Must Consider a Private Pension:** In July, 2014, a nurse age 62 deposited $250,000 into this concept. When she retires at age 70, she will receive $25,000 per year, guaranteed as long as she lives. Her cash flow alternatives for the same $250,000 were: $125 interest from Wells Fargo; $5,000 from a 10-year Treasury Note; $7,500 from a 30-year Treasury Bond; or an average $5,000 dividend yield from the U.S. stock market. There is virtually nothing else that pays a higher rate of guaranteed cash flow than a private pension.

Free Seminars: ***"How to Maximize Your Social Security and Other Retirement Income"*** will be held Saturday, 7/18/2015, 10:30 am-12:30 pm. ***"How Baby Boomers Can Financially Plan for a Happy Retirement"*** will be held Saturday, 7/25/2015, 10:30 am-12:30 pm. Both seminars will be at the Desert Foothills Library, 38443 N. Schoolhouse Road, Cave Creek, AZ 85331. Please RSVP at (800) 955-1408.

For a private consultation, contact Dr. Wong at (480) 706-0177; haroldwong1@yahoo.com, or www.drharoldwong.com. For his archived research, click on www.DrWongInvestorGuide.com.