



Baby Boomers and Retirement

By G. Carl Mahler, Jr. CFP®

Who knew we would ever get anything from Greece but Anthony Quinn and olives? Color me surprised when the frequently offered rationale for our stock market's volatility has been the insolvency of the country of Greece. Actually, it is but one symptom among many in an attempt to explain the anemic performance of the world's stock markets since the beginning of summer. There are many more offerings made as a proxy for bad numbers, but bottom line – it's tough to find anything that's currently building my net worth towards that perfect retirement I've envisioned for so many years.

You see, I am but one of the 76 million Americans they've dubbed as a Baby Boomer. I will only admit to being much closer to one end of that number than the other, but I am a card-carrying member of that mob of people that has also been called the "undenied generation". We weren't going to go without anything we wanted. We bought the biggest homes, bigger beach homes and fanciest cars imaginable, and we had our kids in private schools, taking ballet or horseback riding and anything else that met our fancy.

When the first group of Boomers hit their mid-40s to 50, the markets were doing wonderfully. Returns on stocks on the S&P⁵⁰⁰ averaged 10-12 percent per year, and a lot of investments were doubling every six years. That is, if you were among the few who were even investing for the future. After all, "there's plenty of time. We'll get to it soon."

Well, what we've now learned is that virtually none of the Boomers ever got around to the savings and investing side. Their peak earnings and investing years simply continued into their peak spending years, with apparently no means of saving themselves

from themselves. Savings levels in this country are sick, some of the lowest in the world. Now, after the "lost decade" (as the media has dubbed the last ten years in the market), plus a Bear Market in real estate that's turned many Americans upside down with their mortgages, the situation has become even bleaker. Add to those factors rising health-care costs and living longer than ever, and you find yourself with your back against the wall as you race towards that time when you were supposed to kick back and smell the roses.

You don't have to look back any further than one generation to see things very differently. Look at the Boomer's parents. Tom Brokaw even wrote a book about them called *The Great Generation*. They were the old fuddy-duddies who came out of college and went to work for a company and stayed there their entire working career. They made a lot less money than we do, but they had one thing we don't have – a pension. It's a check they started getting when they turned 65 and retired. In addition, they started getting a Social Security check, the combination amounting to approximately 40-60 percent of their pre-retirement income. Here's the kicker – they actually built their retirement lives around that income, and the ones who managed to save a little additional money for their "golden years" are able to do pretty much anything they want to do.

In fact, if it weren't for the frugal parents of Boomers, many of the Boomer's children wouldn't be in private schools, colleges or riding lessons, would they? In fact, many of The Great Generation forgo the fun things they are capable of doing for themselves, because their grandchildren wouldn't be able to do many things today without their assis-

tance. Many of our senior clients know that their kids won't have it like they do, worrying if their children will ever be able to retire. In my opinion, way too many Boomers are sitting back counting on Mom & Dad's assets via inheritance. What a miserable thought.

The solution(s) to all this isn't fun. The first step is to start addressing the problem as early as possible. For many, that's already too late. Next you have to save more, work longer and learn to live more efficiently. Hopefully, a combination of all these will get you there.

The challenge we face daily as advisors is helping our clients understand all of this, and that's helping them get a mental picture of where they are and what goals they need to reach. The spread is called the Gap. Our job is to fill the Gap.

The second challenge is figuring out how to stabilize, if not guarantee, income during retirement. Much like those pensions our parents have. Most Boomers are only going to have their 401(K) plans to provide the majority of their retirement income, an income that will likely have to last 30 years. Not only are we in uncharted waters as far as how long the money will have to last, but portfolio volatility makes a predictable income questionable. Revamped versions of some old products are helping, but there are so many varieties and so many moving parts to them, it often makes it difficult to understand exactly what you're getting. It's like walking through a mine field.

Many clients have told their friends and family of our Second Opinion offering. If you find yourself feeling uneasy about the state of your retirement, we'd be happy to offer you another set of eyes. ■

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