

Young boomers retiring with a whimper

MANY PEOPLE AGED 55-64 HAVEN'T DONE ENOUGH TO SAVE FOR THE FUTURE

By: Joel Schlesinger

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From sex, drugs and rock and roll to debt, aging and anxiety — that may best describe the predicament of a lot of younger baby boomers, according to a recent survey regarding their retirement readiness.

Mutual fund firm Franklin Templeton conducted its fifth annual retirement survey, and found about one in two young boomers — ages 55 to 64 — would consider delaying retirement to ensure they are on financially sound footing.

That's really no surprise for a generation known for doing things on its terms. What may come as a shock, however, is around 20 per cent indicated they had no retirement savings at all. The financial firm surveys both Canada and the U.S., and both nations



seem to be in the same predicament, with 17 per cent of young American boomers polled noting they had nothing saved, either.

Given this percentage of grey-haired folks are without any retirement savings, it likely then makes some sense that one in six surveyed in this group indicated they will work until they die.

Anxiety about retiring is not just isolated to a minority of younger baby boomers. It seems most are worried about financing retirement. The survey found 86 per cent were anxious about covering their costs, up from the former peak of 82 per cent in 2016.

All of this would suggest "those in their early 50s, who might be in their peak earning years, also might be experiencing peak stress levels when considering retirement," says Matthew Williams, senior vice-president with Franklin Templeton Canada.

Boomers are supposed to be the generation raised during the greatest economic expansion ever seen on Earth.

Yet millions may be teetering on insolvency once retired.

What the heck went wrong?

Matthews admits the results are unexpected and unsettling.

"I was surprised to see these numbers move higher, particularly in the market cycle, where capital markets have rallied strong for the last 10 years," he says.

Many surveyed noted their biggest concerns are the future cost of health care — drug expenses and assisted-living accommodations as they age.

"People are not sure how they will pay for these costs when they get to their latter part of retirement," he adds.

But, as the study uncovered, many near-retirees may be struggling to keep the lights on once retired, given they have little money saved.

While surprising to many, the results are less so to those who help us plan for retirement. Certified financial planner Doug Buss with YourStyle Financial in Winnipeg says growing up in an era of affluence bred complacency among some boomers.

"They have been the 'now' generation. Everything they've wanted they've got. They buy on credit, and credit has been easy to get."

That's led to high levels of indebtedness among them, something that wasn't as prevalent in previous generations, he adds.

Indeed, a Sun Life Financial survey from a couple of years ago revealed a number of boomers are, for example, carrying unpaid credit card debt (66 per cent), making car payments (26 per cent) and still have mortgages (20 per cent).

"It's kind of scary," Buss adds. "If you think of it as a pie, there's a slice of about 20 per cent who have done it right."

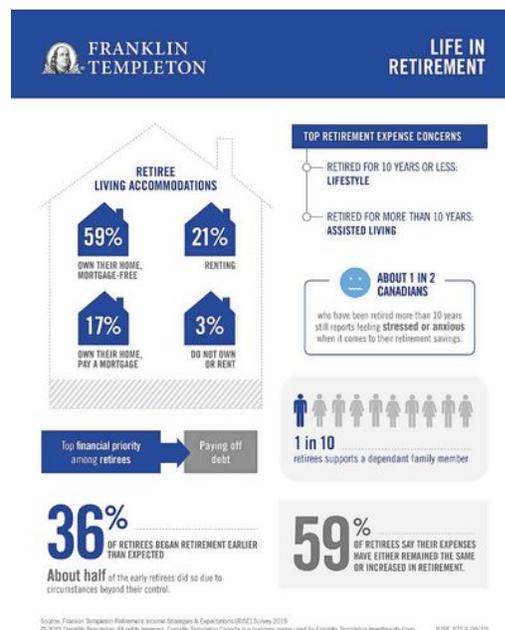
These are the individuals lucky to have a good work pension. They've paid down their debt and stashed money in RRSPs and TFSAs.

"Then there are those other ones who haven't saved, who always wanted to have the nicest, newest cars, snowmobiles, quads, boats — and they're on the high wire right now," he says.

But it's not that this cohort has been entirely negligent. Despite experiencing, for the most part, decades of economic growth, there's been a lot of upheaval too. Boomers have been hit with the brunt of change in many ways. For instance, the idea of having one good job for life disintegrated in the '80s and '90s — the heart of many boomers' working years.

The Great Recession and other market meltdowns also vaporized large portions of their wealth. Many are also caring for aging parents and aging children at the same time.

Plus, they were the first generation to be right-sized... repeatedly.



To that end, the survey also found a little more than one in two from this age group retired earlier than expected.

"It's not that these people have had a nest egg they're looking for, but rather, it's the plant that's closed down," says Daryl Diamond, certified financial planner and author of *Your Retirement Blueprint*.

Or they fell ill. Or their spouse fell ill, and working became untenable.

"There are a lot of reasons why early retirement happens."

Buss says he is increasingly seeing boomers whose retirement plan is based on receiving an inheritance.

"That is how a lot of them are paying off their debt," he says.

"It's really saving their bacon."

Although he's aware of this cohort's financial struggles, Diamond admits he does not see that many boomers facing dire straits. That's because people who work as financial professionals tend to be prepared for retirement. Of course, they also usually are among the financially fortunate.

Unfortunately, for others, desperate times can call for a Hail Mary solution.

"You can chuckle, but that (receiving an inheritance) is the No. 2 plan, right behind win the lottery," Diamond says. "And there may be merit in that, but the problem is you don't know the timing."

Individuals relying on an inheritance could be well into retirement before seeing that transfer of wealth.

In the meantime, they need to fix the problem themselves. The first step is staking out the financial landscape in detail, warts and all.

"Try to get a sense of what your retirement expenses are likely to look like three to five years before retirement," Williams says. "Second to that, try to understand the various sources of income."

If you're among those broke boomers, income planning might involve examining just how far CPP, OAS and GIS get you. (That last one is the 'guaranteed income supplement,' available only for very low-income seniors.)

Of course, most near-retirees do have some money set aside, which often calls for more in-depth planning. As such, Williams suggests seeking professional help from a retirement planner.

"What we all recognize is that it's a real jigsaw puzzle of opportunities out there" for structuring a retirement-income stream.

Further to that point, those young boomers who have availed themselves of help from industry professionals generally reap the benefits. At least that's what the survey found.

About half of young boomers — 47 per cent — are working with a financial adviser, it noted.

"And those who are working with an adviser are 37 percentage points more likely to be saving for retirement compared with those who have never worked with one," Williams says.

As you'd likely expect, about eight in 10 of those getting advice feel they will have enough to retire.

In other words, if you need help, get it because it's likely that your retired self will thank you later.

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