

# Retirement Looms: Time to Get Nervous

Now that baby boomers are starting to hit the official retirement age, they face a variety of financial headaches that previous generations avoided

By [Ben Steverman](#)

Let the retirement parties begin: The oldest members of the 1946-64 demographic wave known as the Baby Boom turn 65 this month.

It's up for debate how much that 79 million-member generation should celebrate, at least when it comes to their finances. In a May 2010 Pew Center survey, 57 percent of baby boomers said their financial situation had deteriorated since the recession began in 2007. That's nine points more than the national average and worse than any other generation surveyed.

Boomers, particularly the oldest of the group, are finishing up their working and saving years just after home values dropped, global stock markets tumbled, and the U.S. unemployment rate doubled. It has all been a wake-up call for those who haven't been saving enough for retirement, financial planners say. "It's been an unfortunate reminder that you can't just save a little bit and the market will do the rest for you," says Marnie Aznar, principal of Aznar Financial Advisors in Morris Plains, N.J.

Even if the economy hadn't gone south, boomers face challenges their parents often could avoid. Company pensions are increasingly rare, meaning many boomers lack a source of retirement funding that some in previous generations took for granted. "Few people realize how valuable that was for those who retired in the past," says Steven Medland, principal at TABR Capital Management in Orange, Calif. Medland estimated that one client's pension of \$80,000 per year is the equivalent of a \$1.6 million nest egg.

## PRICE OF LIVING LONGER

The average 65-year-old woman can expect to live another 20 years, and the average 65-year-old man has a life expectancy of almost 18 years. Americans are living 7.5 years longer, on average, than they did in 1970. Longer life expectancy means retirees can enjoy more of their retirement, but it also makes retirement much more expensive.

Boomers "are a generation of people who are very active," says Elaine Scoggins, client experience director at Merriman, a financial advisory firm in Seattle. "The longer you're physically active, the longer you're going to be able to spend money and travel. You need to plan for that."

Not all the financial news for baby boomers has been bad. From their early adulthood, the generation had three decades or more to benefit from rising home prices, a growing economy, and increasing stock values. According to Bloomberg data, from 1967, when the oldest Boomers turned 21, through 2010, the Standard & Poor's 500 ([MHP](#)) stock index provided a total return, including dividends, of 5,785 percent, or 9.7 percent per year. (Those who got in and out 10 years earlier did better: Someone who invested from 1957 to 2000 achieved a return of 13,518 percent, or 12 percent annually.)

The financial meltdown of recent years scared many boomers, and rightly so. Yet investors who stayed in the stock market have had many of their worst losses refunded. On Jan. 5, the S&P 500 hit its highest level since Sept. 2, 2008—before the collapse of Lehman Brothers and the worst of the financial crisis.

Among many boomers, the market rebound has "been like a collective sigh of relief," says Medland. Nonetheless, significant risks remain, both in the stock and bond markets. "Unfortunately, the market can be very fickle," he says.

For more on the many financial challenges facing baby boomers—and how to avoid them—see the attached slideshow.

[Steverman](#) is a reporter for Bloomberg News .