Written by Bob Adelmann on November 21, 2011

80 is the New 65, Two Surveys Show

On Wednesday Wells Fargo released the results of its survey of 1,500 individuals between ages 25 and 75, titling it “80 is the New 65 for Many Middle Class Americans” while another study in June by three financial service non-profits showed three-quarters of those surveyed planning to work beyond age 65.

The first survey focused on middle class (incomes between $25,000 and $100,000 a year) citizens while the second concentrated on higher net worth individuals (those between ages 55 and 75 with investable assets of $100,000 or more) but the results were remarkably similar.

The Wells Fargo study found that one quarter of middle class Americans say they will “need to work until at least 80” to pay their bills, while three-quarters are expecting to work at least part time to help with the bills. And when those between ages 40 and 60 were quizzed, more than half say they will “need to work” after age 65.

When asked about reforming Social Security and Medicare, the younger Wells Fargo respondents were willing to accept future cuts to help reduce the country’s debt burden. The study also revealed expectations from those younger respondents about actually receiving anything from Social Security at all: more than a quarter of those in their 20s and 30s expect to receive nothing at all while others surveyed expect significant reductions in benefits by the time they qualify for them.

The Wells Fargo poll also revealed that the average respondent has only saved $25,000 towards his retirement goal of $350,000, and that three out of ten of those already in their 60s have less than $25,000 in the bank. When asked whether they had a written financial plan, fewer than one in three said yes, with most of those without such a plan thinking it’s “pointless,” that they are already “overwhelmed” financially, or that they are “too far behind to catch up.”

The change of expectations in the face of the new financial reality is coming slowly for many surveyed by Wells Fargo. When asked what their biggest fear was about retiring, almost 2 out of 5 said they had “no fears” because “it will work itself out.” The remainder expressed fears that “I can do all the right things today and it still won’t be enough for tomorrow,” or that “I have under saved and it [is] too late to recover.” More unsettling is the revelation by the Wells Fargo study that so many are just going to enjoy life now and let tomorrow take care of itself. This is the Scarlett O’Hara syndrome: “I plan to enjoy life now and I’m not worried about tomorrow,” shared by nearly 60 percent earning less than $25,000 a year.

The “upper middle class” survey by The Society of Actuaries, the Life Insurance and Market Research Association (LIMRA) and the International Foundation for Retirement Education, also revealed that one out of four expects to work until they’re 80, while three out of four expect to work at least part time until then. Reality is also impacting this group (with at least $100,000 in investable assets) with nearly half of those surveyed expecting Social Security and their retirement plan to provide less than they will need just to cover their basic living expenses. But they also seem less concerned, with 85 percent saying that they have enough in savings to make up the difference.

Professor Gary North, in his subscribers-only newsletter, called this attitude “Boomer Blindness” after doing some research on his own. In looking at data from 2007, before the great recession hit, the median net worth of Americans between ages 65 and 74 was $239,400. But that included equity in their homes of $250,000 based on sales prices in 2007. He points out the reality: the median homeowner actually had a *negative net worth of $11,000* in 2007 and this was before the recession. And that assumes that the home was fully paid for. With the onset of the recession, bringing with it high and persistent unemployment, low consumer confidence, at least a 20 percent decline in home prices, the escalating debt crisis nationally and internationally, and the rising costs of food and energy, it is impossible, says North, for even modest expectations about retirement to be met.

> Three-quarters of those workers in the survey think “no problem.” In other words, they have no…clue about what is going to hit them at age 62 — when most of them will opt for early Social Security payments…
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> The typical retired American today is in a no-win situation. His expenses are rising. It costs money to stay in his home, which is declining in value…consumer prices are rising slowly. His income isn’t. He is in defensive mode. He has no hope of increasing his income unless he goes back to work. His skills are rusting rapidly. He cannot get back into his old job.

The bright spot in the surveys is the changing attitude towards Social Security and Medicare. The younger workers polled recognize the increasing chances of Social Security as presently configured not even existing when they reach age 65 or 80. North notes: “As it becomes clear to younger workers that the existing government-funded system is rigged against them, that the system really is a Ponzi scheme, they will revolt. They will vote for candidates who tell them that their futures are being sacrificed in the name of statistically doomed programs that will go bust when they retire. They will then vote in their own self-interest.”

The reality is what it has always been: individuals are ultimately responsible for themselves and their futures. Depending upon ethereal promises by government welfare programs is a thin reed upon which to lean. The sooner those surveyed, and those citizens they represent, determine to take back personal responsibility the stronger will be the future for those coming up behind them.