



Written by [Bob Adelman](#) on December 28, 2010

Boomers Aren't Booming

Numbering 76 million, controlling over 80 percent of personal financial assets and more than 50 percent of discretionary spending, [they are turning age 65](#) at the rate of 10,000 every day. And reality is setting in.



Dave Carpenter, [writing in](#) the *Washington Post*, says that “Through a combination of procrastination and bad timing, many baby boomers are facing a personal finance disaster just as they’re hoping to retire.” The average boomer has less than \$200,000 in retirement savings accounts such as a 401(K), or an IRA, and most boomers have no formal plans at all. In 2007, two out of three boomers between ages 55 and 64 had mortgages averaging \$85,000, and many of them are upside down thanks for the Great Recession. Many are taking early retirement from Social Security, even though it means a lower benefit than if they waited until age 66.

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One indication of the boomers’ unwillingness to face reality is that many are planning on retiring even though they can’t afford to. Some are putting vacation and retirement trips on their credit cards, stating they have [no intention](#) of paying them off before they die. According to [USA Today](#), many boomers “think they’re protecting their kids by not burdening them with their financial problems [but] if they don’t pay off their debts before they die, it will eventually become their children’s burden.”

Imagine a scenario where the kids are bickering over who gets mom’s house and, in the end, no one gets it because it had to be sold to pay off mom’s credit-card debt.

As Samir Kothari, co-founder of BillShrink.com, said: “People think it will all just work out somehow. These things are not based on logic but on people being very optimistic about life — defying reality. I think that’s what gets people into trouble.”

There are the inevitable self-help sites and articles for the boomer-procrastinators. One article appeared at [MarketWatch.com](#), entitled “Four Ways 60-year-olds Can Save Their Retirement.” The suggestions ranged from silly to ludicrous:

If you’re in your 60s and all you’ve saved is \$200,000, it’s time to start socking more away.

But the math doesn’t work out. If a boomer suddenly starts “socking away” \$1,000 a month starting immediately, his nest egg will grow by \$24,000 in two years, plus any interest he might garner along the way. In five years, it would grow by \$60,000, plus interest. If he then starts drawing down just 4



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percent of his savings each year, that will be only about \$850 a month, and unless the fund replenishes itself with sufficient growth each year, the remaining amount will shrink alarmingly.

Check your asset allocation.

Most boomers don't have any savings to allocate.

Delay retirement.

As Gary North points out in his members-only newsletter, the boomer can delay retirement a couple of years and have essentially no long-term impact on his finances. All that will mean, he says, is that "you will be out of money at age 77 instead of age 75."

North concludes that the average boomer will take early retirement from Social Security because he needs the money. He will have to sell his home at some point, which will allow him to maintain his lifestyle a little longer, depending on his equity and what it costs to rent after he sells. North's conclusion is grim:

There is only one solution that will maintain his lifestyle: work until he is 75. Then die at 85. The numbers then become realistic.

If Samuelson, North, Kothari and Carpenter are right, the dream of retiring at 62 and then sailing off into the sunset will remain a dream. The reality for many if not most boomers and those following close behind them is a lower standard of living and little to show for a lifetime of effort in an economy wracked by government intervention, inflation, and excessive dependency on politicians' promises.



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