

Work & Money

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Less bang for the boomers

By Marilyn Gardner | *Staff writer of The Christian Science Monitor*

As a Pan Am stewardess in the 1970s and '80s, Cindy Hounsell assumed that her retirement would be secure. Even after the financially troubled airline froze pensions in 1982, she thought, "I have a pension, so I'll be just fine." Recalling her youthful naiveté, she adds, "I didn't know that you needed a lot more savings."

"A lot more savings." That's the sobering reality dawning on a growing number of current and future retirees as they confront the changing landscape of retirement. Longer life spans, combined with rising healthcare costs and declines in traditional pensions, are creating a gap between dreams and reality.



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As a result, many of the 77 million baby boomers - Ms. Hounsell's generation - could face a reduced standard of living in the proverbial golden years.

"People can expect to live one-fourth or one-third of their life in retirement," says Jeffrey Brown, an economist and author of a recent study released by Americans for Secure Retirement. "That requires a lot of planning." The challenge, he explains, is to make a nest egg last a lifetime in the face of uncertainty about how long one will live and what future expenditures will be.

Boomers, in particular, appear at risk because of poor savings

habits, faulty planning, and the fading away of pensions.

In the past, many retirees could count on a corporate pension to provide monthly income as long as they lived. Today, as companies shift to 401(k) programs, and as Congress considers privatizing Social Security, workers must increasingly take a do-it-yourself approach to retirement finances. Self-reliance is the new buzzword.

"In the world economy, we've seen whole industries slide into bankruptcy - steel, airlines," says C. William Jones, president of the Association of BellTel Retirees. "This has really transferred responsibility for people's financial future to themselves."

He speaks from experience. In the 14 years since he retired, Mr. Jones has lost about 35 percent of the buying power of his pension. To offset those losses, he returned to work as head of the retirees' association. "Had it not been for that, I certainly would be making a significant change in my standard of living," he says.

Other retirees with reduced pensions are already scaling back. "They stop buying a car every four or five years, and get by rattling around in the old buggy," says Jim Norby, president of the National Retiree Legislative Network, a grass-roots group. More than half of its members are former managers and supervisors.

Women face particular challenges. As they interrupt their careers to care for families, they typically earn less than men. That translates into smaller retirement benefits. "The last generation of women had all their eggs in their spouse's basket," Hounsell says. "Now a lot of women are doing the same thing. They have their second baby and stay home. You don't make up those retirement benefits for the years you don't work."

Just ask Emily Kimball of Richmond, Va., who spent 11 years at home rearing a family. "My Social Security is not that great," she says. Her pension from working for the county is not enough to live on, and she does not want to touch other assets she might need later.

To supplement her income, Mrs. Kimball gives motivational talks about aging creatively. She also takes advantage of opportunities offered free to seniors, such as attending classes at a local university.

For Hounsell, her frozen Pan Am pension became the catalyst for a career change that would bring greater retirement security. She earned a law degree. Now, as executive director of the Women's Institute for a Secure Retirement in Washington, D.C., she is on a mission to help other women get financial information early in their careers so they can make better decisions. Last week she hosted a symposium, "An Uphill Climb for Women: Building Retirement Income Security," which drew 70 participants from women's groups around the country.

"People don't understand that the average Joanne doesn't have a lot of money to save," Hounsell says. Two-thirds of working women earn less than \$30,000. "For women in the lower income levels, the only way to fix the problem would be to save 25 percent of their income from early on in life. Obviously nobody can do that."

Among baby boomers, both men and women expect to play catch-up with their savings later in life instead of making regular deposits now, according to a study by The Guardian Life Insurance Company of America. Yet that strategy can be costly.

"They don't understand some basic financial principles such as compound interest and adequate returns, so they are doing nothing," says Frank Murtha, a business professor at New York University.

In another new study, recent retirees say they are worried about money, strapped for cash, and dependent on Social Security. About 1 in 5 is struggling financially, according to Putnam Investments, which conducted the study. With household incomes averaging \$49,000, half are living on less than they did in their working years. Forty percent worry that they'll outlive their money. Most wish they had saved more and had started saving earlier. Even so, 84 percent describe themselves as satisfied with their new status.

Also, many professionals calculate retirement needs the wrong way, says Mr. Brown, a University of Illinois finance professor. "If you look at most of the financial-planning software or talk to financial planners, they'll say, 'Look, you're 65. According to standard life tables, you could live to 85. To be conservative, let's just tack on five more years.'"

Yet about 1 in 3 women who live to 65 will be alive at 90, Brown notes. More men and women are also living to 100.

As one way to make a nest egg last, he suggests life annuities, which provide a guaranteed source of monthly income that cannot be outlived. Under the proposed Retirement Security for Life Act of 2004, individuals would not pay federal taxes on half of the income generated by lifetime annuities, up to a maximum of \$20,000 in excluded income per year. For a typical American in the 25 percent tax bracket, this would provide an annual tax savings of up to \$5,000, Brown says.

Whatever the nest egg, the changing business world requires vigilance on the part of workers. Mergers and other corporate shifts can make it difficult to keep track of pensions, says Jeanne Medeiros, a legal consultant for the New England Pension Assistance Project in Boston.

"It's surprising how many people, when they reach retirement age, find that the employer doesn't have complete records," she says. "They're being shortchanged. The burden is on people to become more informed." She urges workers to keep a file for each job they hold. Employers are required to provide an individual benefit

statement.

As essential as money is, some retirement experts offer reminders that it represents only one aspect of the later years.

"The discussion about retirement has been seriously monetized," says Ellen Freudenheim, author of "Looking Forward: An Optimist's Guide to Retirement." When people talk about money for retirement, she says, "the question that gets left out is: What are we financing? What is the lifestyle we want? What is going to make me happy?"

The answers will have a bearing on bottom-line decisions. "There are lots of ways to do things cheaper," Ms. Freudenheim says. "One needs to be inventive and creative." She suggests that people who want to travel can save money by swapping houses or going off-season. Others can find ways to make money or do tax write-offs to finance what they like to do.

When Freudenheim interviewed retirees for her book, she found an encouraging pattern. "When you talk to older people who have been retired for some time, in different socioeconomic strata, they don't talk about money," she says. "They talk about family, about how they spend their day, about a good laugh, or the direction the country is going. They talk about their life, the roses in their backyard, the pleasure they get out of learning to play the piano at 65."

Calling those conversations an eye-opener, she says, "There's this whole range of things in retirement that make a difference in people's lives that have nothing to do with money - supportive relationships, family, natural beauty."

Freudenheim, a baby boomer, is still years from her own retirement. But as she contemplates that event, she expects to work in some capacity.

Even economic necessity can bring opportunities for activity and fulfillment. "People might work differently, they might work less, they might work sporadically, or take a year off," she says. "Work will figure much more prominently in our generation's retirement, and that's only partly for economic reasons."

Whatever the size of a retirement portfolio, she insists, "there are ways to live a full life."