

Shifting age patterns threaten your retirement plans

By Rick Maier

Have you noticed all the retirement villages going up, the newspaper stories about alarming aging trends, and how your relatives are living a lot longer than anyone expected? These are signs that the age pyramid has begun to turn upside-down, and that the graying of America will lead to some pretty dramatic changes for us all over the next few years.

Decades ago there were several working taxpayers for every retiree. Today the ratio is three to one, and in 30 years it will be one to one, thanks in large part to the impact of the “baby boomer” birth spike. One working taxpayer supporting two households won’t work, so we will be forced to delay our retirement or introduce some “Star Wars” solution such as robots or extra-terrestrials to fill the gap.

Recent 2000 census reports confirm the number of people approaching retirement is skyrocketing, people are living longer, and the birth rate is falling. Social Security will begin paying out more than it collects in 2016 (the year I turn 65) and will become insolvent in 2032 (I’ll be, uh...49).

Baby boomers will be the first generation to work well past their mid-60s, and they will do so in cities like Macon that will soon turn as gray as Miami or St. Petersburg are today.

If you’re not alarmed by all these developments, you must be comfortably covered by a pension and retirement medical insurance. But how do you know those programs will stand up to the future dynamics?

I’m losing my confidence that the local, state or even federal governments can meet their obligations, both because of the magnitude of the commitment and the lack of attention the aging crisis is receiving from our public leaders.

“Total unfunded federal benefit liabilities are now \$17 trillion, or \$170,000 of hidden debt (for every American) family,” says aging expert Pete Peterson. And these costs will grow much larger. Asked if government will respond to the crisis, economic observer Stephen Moses says: “No... the entitlement mentality is too strong and the politics of pandering are too successful.”

Case in point: the massive commitment the government is considering to add prescription coverage under Medicare can only accelerate and increase the pain on the day of reckoning.

Private industry has already reacted to the crisis. Most corporations switched from pensions to 401k's and dropped retirement medical benefits when new rules forced them to book the future liability and they went bankrupt on paper as a result.

Now that employers have shifted the financial responsibilities of living longer to employees, I'm concerned that many people think just because they have a 401k or 403b, they can retire in comfort. Depending on your lifestyle, stock market results and future increases in the cost of living, it may take much more than a million dollars in a 401k to retire comfortably.

What happens if you don't have a million dollars saved by the time you retire, and Social Security isn't available? You will continue to work. And what will it be like to work alongside a bunch of 70 and 80-some-year-old coworkers?

Recent laws prevent employers from forcing people to retire, so young people will face the difficult task of demoting or firing coworkers the age of their grandparents when their performance falls off. That ranks up there on the pain index along with telling your aging mom or dad that they're too old to drive a car anymore.

Somehow, America will deal with this crisis – we always do. But that doesn't mean there won't be a lot of sacrifice (like being a major burden on your kids). As individuals we need to save as much as we can, stay fit and get use to the idea of working well past age 65.

And we must expect our political leaders to do the same for the government – to get future commitments in line with projected resources. One of the products of age is wisdom, something our political leaders will need in abundance to face this challenge.