



# Investment Insights

Kevin Kennedy

## A Must Read for Boomers

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This year marks the beginning of the biggest “retirement wave” in the history of the United States: the leading edge of the Baby Boom generation (defined as those born between 1946 and 1964) turn 59 this year. According to the US Census Bureau, the number of Americans over the age of 65 will double in the next 30 years, to more than 70 million. The effects of the Baby Boomers reaching retirement age are already being felt in society, most visibly in programs like Social Security and Medicare, where the burden of providing for millions of new retirees is raising forecasts of a complete collapse of the systems.

If you’re a Boomer, you are facing many financial and lifestyle stresses already. You may have just finished paying out tens of thousands of dollars to send your kids to college, and some of you are now burdened with caring for your aging parents. The prospect of losing some or all of your retirement benefits certainly does nothing for your stress levels.

The real deal-breaker when it comes to losing the comfortable retirement that current retirees enjoy is that we’re now living too darned long. In the past 100 years, life expectancy has risen from 47 years to 77, and this fact alone has huge ramifications on your retirement. Whereas your parents planned for 10 or 15 years in retirement, there’s a good chance you or your spouse will live into your 90s, meaning the traditional retirement could be 30 years or more. This means that the typical resources designed to support your retirement (Social Security, private retirement accounts, savings) will have to last a lot longer. And because Medicare and Social Security were never intended to provide benefits to retirees for 30 years, the numbers simply don’t work, and something has to change.

There are two ways to view the uncertainty you face over these issues: cross your fingers and hope it all somehow works out, or address the issues now to see what you can do about them. Unfortunately, crossing your fingers probably won’t work, as society is already seeing a major shift in responsibility for one’s financial well-being, with the bulk of the burden being shifted to individuals and away from companies and the government. The recent bankruptcy of United Airlines pension plan and the threat by General Motors

to unilaterally scrap their employee benefit programs are two dramatic examples of that shifting responsibility.

So what can you do to secure your future? First, think about what you want your future to look like. What will you be doing, where will you be living, and at what age will all this be happening? Then put a price tag on this lifestyle. What will your cost of living be, how will you receive medical coverage, what other expenditures might you have? As you do this, you'll begin to see what resources you'll need to support this plan, and you can weigh this versus your current financial position to see what needs to happen between now and when you retire.

Now for some good news: you have more options on how to lead your life and retirement years than any generation before you. Many Boomers are planning on working well beyond what is now considered retirement age, and this trend is likely to continue for financial and "personal satisfaction" reasons. Also, a variety of insurance products have been developed to help Boomers address the risks of outliving retirement income or needing long-term care. And, finally, the government is working on new savings accounts and ways for Boomers to address their increased financial responsibility.

If these issues have you concerned, I would highly recommend you read a book titled "Age Power" by Dr. Ken Dychtwald. Dychtwald is known as "the expert on aging in America", and this 200-page book is a phenomenal discussion of the issues you face. Filled with amazing facts and statistics, and incorporating educated opinions and predictions, this book will give you a comprehensive overview of how society will change in coming decades, and what you can do to plan for and adapt to this change.

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