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Grim Retirement Prospects for Boomers ... and Pre-Boomers

Left Margin

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Black**C**ommentator.com **Editorial Board**

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Let's say you retired from your job some time over the past ten years or so and when you did you had about as much as, or maybe a little less than, what Governor Palin spent on her campaign outfit in your 401k-retirement account. First thing you did was roll it into an IRA. Right now you take a stiff drink before opening your monthly statement because you know your nest egg will have shrunk appreciably and if it keeps up at this rate you won't be able to replace your 501s when they start to fall apart. A lot has been written and said about the pre-retirement baby boomers and their incredibly shrinking 401s but little about the pre-boomers who once thought they would move comfortably into their sunset years, well placed to replace their hearing aids and glasses and still have a little to spend on vacation. For many of them the situation is looking increasingly grim.

A little over 12 percent of the country's population is 65 and over; 58 percent of them are women. Of course, many of them don't have concerns about retirement accounts. Some are well to do without them but a much larger group of retired workers are solely dependent on Social Security and Medicare to survive.

That's not to say that the position of those born after 1946 isn't precarious. I got an email from a distressed boomer the other day saying she lost $10,000 in September. That same day, at a union hall, a steelworker retiree in Ohio told *BBC-TV* he had lost 37 percent of his retirement money over the same month.

"Retirement and financial experts now predict that retirees and older workers who rely on financial investments for retirement income may suffer more than any portion of the American population in the coming years," Rep. George Miller (D-Ca.) told a recent

Congressional hearing. “Unlike Wall Street executives, American families don't have a golden parachute to fall back on. It's clear that their retirement security may be one of the greatest casualties of this financial crisis. The current financial and housing crises are stripping wealth from American families at a record rate.”

Experts testifying at an October 7th hearing before House Education and Labor Committee, which Miller heads, said U.S. workers have lost as much as $2 trillion in retirement savings over the past year.

“In the last few weeks, we’ve been confronted with older worker and retirees’ lives being turned upside down; their panic tops off an already existing state of chronic anxiety about retirement futures,” Teresa Ghilarducci, professor of economic policy analysis at The New School for Social Research, told the hearing.

The home mortgage crisis is making things worse. One of the reasons working people jumped into the housing market so eagerly during the “bubble” was that home ownership was touted as a more profitable way of saving for the future than putting your money in the bank. For a while it seemed to be true. That is, until the illusion was shattered and it all fell apart.

A recent study, “The Impact of the Housing Crash on Family Wealth,” analyzed the finances of families headed by people between the ages of 45 and 54 in 2004 and projected the wealth of families headed by people who will be in this age group in 2009 and found that even if real house prices remain what they are today most of these families will have little or no housing wealth in 2009. “This extraordinary destruction of wealth will have tremendous implications for millions of families as they enter retirement,” said report co-author Dean Baker. “Coupled with a very low personal savings rate, this means that many people will only have Social Security and Medicare to rely on in their retirement.”

Rep. Miller cited a recent poll that revealed 63 percent of the people in the country are worried that they will not have enough savings for their retirement. “Tragically, they may very well be right. Due to the collapse of the housing market and the financial crisis, trillions of dollars that Americans were counting on has been lost,” said Miller. “Americans were counting on much of this wealth for their retirement. Now it is gone - as is their ability to adequately fund their retirement.”

Or, for retirees to hang on to what they have salted away from their earnings or invested in their homes over the years.

Needless to say, meaningful action to arrest the wave of massive home foreclosures and ensure most people can remain in their homes would help greatly to alleviate the effects of the growing retirement funding crisis. House prices can be expect to continue to decline for some time, however, and the guarantee of a place to live would offset some of the precariousness brought on by the steady undermining of retirement security.

Keep in mind the retirement fund checks those who have left the labor market receive each month are not entitlements. These are from 401k plans they were assured would leave them in a better position on leaving the workforce than the traditional pension plans employers have jettisoned with abandon over recent years.

"The current financial crisis has certainly highlighted the fact that 401(k) participants - whose 401(k) account represent their sole retirement savings - bear all the investment risk," said Jerry Bramlett, CEO of BenefitStreet, Inc., an independent retirement plan administration firm. "The pain is particularly acute for those participants closer to retirement whose retirement income expectations have been significantly impaired possibly resulting in the need to postpone retirement."

The newspapers and the airwaves are full of advice to people caught up in the retirement security crisis. It's pretty much what financial advisers and benefit managers are telling folks all over the country: don't sell, don't leave the market, if you move your money to a place that may be more secure - but with lower rates of return - you will lock yourselves into the lower rate. How long it will take until the economy heals range anywhere from two to 10 years. That's when it bottoms out and starts to improve. As one forward-looking retiree recently pointed out, the stock market recovered fully 25 years after the 1929 crash that heralded the Great Depression. The Dow Jones average didn't return to pre-1929 levels until 1954. The reaction of some of today's retirees is quite understandable: I should live so long.

Scanning the special media reports on retirement security and the advice being offered up for coping with the crisis there is one reoccurring theme: a lot of people have decided they cannot afford to retire and thus plan to – or wish to – remain on the job into their 70s. The problem is employers are more apt to lay off older workers before they retire because they are the most costly. But the reports seldom indicate fully why this is so. It is not just because they have been around long enough to receive wage raises. The employers can be expected to replace them with younger workers offering new hires fewer benefits, including retirement provisions. As unemployment rises they will have little problem doing so.

World capitalism is in crisis. There is going to be widespread deprivation and little illustrates the inequities of the system better than the differing prospects between those who have worked hard and saved as they were told to and those who can expect to feel none of the pain. Michael Winship, senior writer for Bill Moyers Journal on *PBS*, says a look at the recent financial sector bailout activity reveals that "The fat cats at the top had nothing to worry their pretty little whiskers about. Not only have most of their businesses been saved, for now at least, but they've already been pretty successful at protecting their high-rolling lifestyles, and finding bailout loopholes that allow them to keep hauling in the big bucks."

By soon after these words are read, the county will have a new President-elect. A lot of hope is being placed in the community organizer dude from Chicago. Surely he is acquainted with the insecurity that plagues working people today in the face of jobs disappearing, homes being lost and retirement savings being decimated. It is not enough to merely hope that those assuming leadership will act with speed and vigor to rescue those affected, at least equal to that Washington has shown for the big banks and insurance companies. It won't happen automatically. Working class families and individuals and the communities in which they live will have to insist upon it.

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