The Tennessean, June 2008

Cost of Retiring Alarms Boomers

By Naomi Snyder, Staff Writer

James Gann is 61 years old and looking forward to his retirement. The problem is he can't afford it.

"I'll have to start making whiskey in order to make ends meet," joked the traveling millwright, who currently works at the General Motors plant in Spring Hill.

Gann and many of his fellow baby boomers face increasingly uncertain retirement years because of insufficient personal savings rates, fewer corporate benefits, disappearing pensions and the threat of a weaker national economy.

Many members of the baby boomers' generation, which heralded in the youthful rock 'n' roll era, are sorely unprepared for their own aging, financial analysts say. The generation's personal financial hurdles, in fact, could have a ripple effect that puts unprecedented pressure on private and government institutions that care for them in the years to come.

In Tennessee, the number of people age 65 and older will double to 1.4 million people during the 30-year period ending in 2030, according to the U.S. Census Bureau. The percentage of the state's population 65 and up will go from 12 percent to nearly 20 percent in that time period.

"There is some thought that (the baby boomers) aren't thinking about it," said Maribeth Farringer, executive director of the Council on Aging in Nashville. "The institutions that should be preparing aren't. This is a huge issue all of us will be facing."

'I hope I don't get sick'

Baby boomers were born between 1946 and 1964. The oldest of them are eligible for early retirement from Social Security this year. But early retirement may be an unrealistic dream for many of them. Some 40 percent of baby boomers between the ages of 45 and 54 have saved less than $25,000 for their retirement so far, a shockingly low figure, according to the Employee Benefit Research Institute.

Gann has more than that put aside, but not much more. His millwright pension totals about $70,000 in assets, he said.

"At the rate the economy is going, that would last me a year and a half to two years, somewhere in that neighborhood," he said. "There ain't no way."

Gann figures he won't be able to retire until he is 70 years old. And even then he has doubts. He figures he'll get an additional $1,500 to $2,000 per month from Social Security, which he worries won't be enough to live on with high gas prices and food inflation.

As he slathered a mixture of butter and syrup onto a serving of biscuits on a recent morning getting ready for work, he wondered whether those biscuits might cost $4 each and gas $8 per gallon by the time he's older. He plans to build a home on 22 acres that he inherited in rural Alabama and worries that inflation and high gas prices might affect his retirement.

"It's 28 miles from the closest beer," he said of his home site as the sounds of Steppenwolf blasted from a CD player.

"This isn't exactly what I envisioned," he said. "I just hope I don't get sick."

Many plan too late

Gann started getting more serious about retirement planning only two years ago. He began to work longer hours and save extra money. So far, he has saved about $1,000 in addition to his pension.

"I would have liked to already have my house built. With the cost of building materials going up, my house will probably be about as big as this basement," he said, surveying the single bedroom he rents under someone's house in Spring Hill for $260 a week. Gann also owns a singlewide manufactured home in Alabama, which he paid for with $3,000 in cash.

In some circles, Gann is considered lucky. At least he has a pension through his employer.

The percentage of working adults with a pension has fallen from 30 percent in 1980 to less than 20 percent today, according to the Kaiser Family Foundation. About half of all Americans have access to no retirement savings plan at work at all, according to the AARP, which represents Americans 50 years old and up.

A lot of baby boomers figure they'll make up for lost time or insufficient savings by working later in life. But financial planners say that, realistically, many people run into health problems or are laid off in their later years, so that early retirement becomes a necessity, not a choice.

"We have two tsunamis, the age wave and the obesity epidemic," said Ruth Garrett, a gerontologist and associate professor at Meharry Medical College. "Many of us fear this is serious enough to buckle the economy."

She said Americans are likely to face tax increases to pay for the growing population of elderly, many of whom don't have the financial resources to care for themselves. Another possibility is that more of the elderly will have to move in with their children or work as long as possible.

Social Security amounts to about 40 percent of a person's paycheck while he or she was working, according to the AARP. And medical inflation is more than double the rate of overall inflation, putting a noticeable crimp in the budgets of retirees with ongoing medical problems.

"There is no way to not have tax increases," Garrett said. "We have to pay for this lack of responsibility."

No option but to work

State and federal governments already are strapped for cash to care for the elderly. The federal government estimates that Medicare's hospital insurance will go broke in 11 years. Tennessee has been desperately trying to reduce the costs of Medicaid, which cares for the indigent. One Middle Tennessee state-funded program that helps the middle-income elderly pay for at-home assistance with meals, housekeeping and personal assistance has a waiting list several years long.

"I think it's something we ought to be very worried about," said Bill Garrett, a certified financial planner in Brentwood. "Baby boomers are not saving as much, living longer and inflation is high. You have the makings of a perfect storm."

Ron Firmin, a former mortgage banker-turned-author, is 61 years old and lives in Murfreesboro. "I think I'm to blame as a member of the baby boomer generation," Firmin said. "We need to be better informed personally."

Firmin is one of many baby boomers now responsible for making their own investment decisions as they save for retirement. He said he lost tens of thousands in the stock market, after the technology bust in 2002.

That experience forms the basis of a book he has written, Fire Your Financial Planner, which Firmin said is exactly what he did after losing almost a third of his retirement savings. He also estimates he lost about $3 million after his mortgage business went bust about four years ago. Now, he has cut down on trips to restaurants, consolidates his errands to save on gas and figures he won't retire for three to five more years.

"There is no other option but to continue to work," he said. He said his father and father-in-law both had pensions. But he doesn't.

"They had a modest but very happy retirement," Firmin said. "That's not something that's assured for baby boomers because the vast majority of us don't have those circumstances."

Firmin is now getting training in an online investment tool for his second career, as an author who also writes about investing. He fears his generation bought too willingly into the Faron Young song lyrics "live fast, love hard and die young."

And most baby boomers aren't dying young.

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Word count: **1269**