

Baby boomers face new financial challenges

A big part of my philosophy is to put the planning process well ahead of any actual product or investment decisions. Recently, there have been several studies conducted that examine the demographic of the baby boomer generation. These demographic studies reveal new and interesting sets of circumstances facing



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baby boomers that serve to greatly validate this "plan first" philosophy. Following are some examples of the changing landscape that boomers face, and these issues should be carefully thought through as part of the overall planning process.

Longer life expectancies are producing the need for greater wealth in retirement. The life expectancies of today's retirees have changed dramatically over the last few decades. It is not uncommon for someone retiring today to face a retirement that will be just as long as, or perhaps even longer than their working years. This creates added challenges for baby boomers to make sure that their assets keep pace with inflation

over their retirement years.

In addition to their increasing life expectancies, many boomers are also faced with helping care for aging parents, whose life expectancies are also increasing. This often strains financial resources, which could adversely affect the boomers' own retirement needs. Many boomers carry sizable debts into their retirement. This often occurs due to longer-term mortgages, college-loan costs for parents who had their children at older ages, and credit-card debt.

The uncertainties facing Social Security will most likely be felt first by the baby-boomer generation. The simple economics affecting Social Security will most likely result in changes to benefits and cost-of-living increases. Combined with longer life expectancies, this could force retirement assets to work even harder. Defined-benefit plans (pensions) have virtually disappeared over the last decade, replaced by defined-contribution plans funded by employee savings to keep up with inflation

Once again, this creates a bigger need for personal savings and investment decisions. With increasing life expectancy often comes the reality of increasing health-care costs. Unfortunately, this often comes at the same time that retiree health-care benefits are being scaled

back, resulting in retirees bearing a larger burden of the expenses themselves. Many baby boomers have enjoyed the recent rise in housing values, but unfortunately this has resulted in property taxes rising, too. This can strain a retirement budget already spread in many directions.

This is only a partial list of the new challenges facing the baby boomer generation. But even this short list exemplifies the need for a thorough, holistic financial plan that includes realistic approaches and solutions. More than ever, product decisions alone fall short of addressing the "big picture." In an industry where all too often a "product du jour" is being talked about by the financial press and salespeople, we feel that the changing data clearly supports the idea that careful planning is crucial.

The cornerstone of that philosophy is that a thorough financial plan that integrates and addresses the complete needs of our clients should be the first and most important step to the retirement process.

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