

Earnings to Track

Take a look at what we've tracked in the last three months. See page 2.

Stock Option Risks

Some points to consider when trading. Story, page 2.

Real Estate

Don't grab that hammer or call the contractor yet. Go to page 3.



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Dollars at Work

Baby Boomers Breathe Better?

Story taken in part from MONEY Magazine, July 22, 2004; written by Walter Updegrave

After years of unending downbeat reports on baby boomers' prospects for retirement and suffering countless lectures from finger-wagging pundits, there appears to be positive news.

Unlikely though it may seem, there's evidence that the 76 million baby boomers could actually be heading for a more comfortable retirement than we've been led to believe.

The cause for optimism is a study conducted for AARP by the Urban Institute titled "How Will Boomers Fare at Retirement?"

By the time they hit age 67, boomers will have amassed more wealth and have higher retirement incomes – even after adjusting for inflation – than their parents' had at the same age.

Early boomers (born 1946 - 1955) are expected to have a median replacement rate of 88 percent. For late boomers (born 1956 - 1965), the projection drops to 80 percent. Still, the late boomers fall within the 70 to 80 percent range of replacement income that financial planners generally recommend as a target.

Contain Your Excitement

Another survey by Merrill Lynch noted that while 78 percent of the people it canvassed are confident of their ability to plan for retirement and 51 percent believe they will have saved enough, the median balance of their retirement savings accounts was just \$51,000 – hardly enough for living large in retirement.

The catch

The study is comprehensive in that the researchers start with data on the wealth of 100,000 individuals and then project the value of those assets, plus savings, to forecast boomers' resources upon retirement.

But looking a decade or more ahead and dealing with a large group, you've got to take a close look at the results to appreciate their limitations.

Scant comfort

Will baby boomers be able to retire without facing a huge drop in income? Some recent research says yes – as long as they work.

% of pre-retirement \$ at age 67		
Boomers	W/ Work \$	W/O Work \$
Early	88%	68%
Late	80%	63%

Source: Urban Institute

The first thing to understand is that while this study presents an optimistic picture for boomers overall, there's variation around medians and averages. Also note this is a snapshot of boomers' financial wherewithal at age 67. There's nothing to say that replacement rates won't go down.

Some polls indicate boomers do want to work at least part time in retirement – the question remains whether they will.

Considering this, replacement rates for early and late boomers drop to 68 and 63 percent, respectively. Another issue is the study assumes boomers will convert their financial wealth at age 67 into a lifetime income that will keep pace with inflation.



Though the study isn't as uplifting as it seemed, we can still apply the results to improve our retirement prospects. Consider the following:

1. Don't wing it. The only sure way to know if you're on course is to crunch the numbers – that is, set a retirement income goal and then figure out, based on what you've saved already, how much you must invest from this point on to reach your goal.

2. Be realistic. Some people expect an average annual return of 22 percent from their investments in retirement. Even the median expected return of 10 percent seems high. Retirement planning is one of those exercises where it pays to be on the conservative side – say, 6 to 8 percent.

3. Take responsibility for your future. Do not look to government or employers to pick up the burden of providing retirement security for individuals.

For better or worse, creating a secure retirement increasingly falls squarely on our own shoulders. The sooner we accept that challenge and begin saving and investing to meet it, the better the chance that the news will be positive when we're ready to call it a career.