

Some Scary Statistics

The majority of baby boomers to turn 62 in 2008 report that they are retired or will be fully retired by age 65, that they'll collect Social Security by age 65, that they've been married only once and that they have 2.4 children on average. Of those who have children, 78% have grandchildren (66% of total). Conservatives outnumber liberals by two to one.

"Contrary to what most of us have believed about the baby boomers who came of age in the turbulent 1960s, the group is very much like the 'Silent Generation' that preceded them," said Sandra Timmermann, Ed.D., director of the MetLife Mature Market Institute, which conducted "Boomers Ready to Launch," a profile of the first baby boomers as they turn 62.

"This is the first time that the oldest baby boomers, including their lifestyles, perceptions and plans have been examined in such detail," said Timmermann. "Despite the social and political turbulence of their youth, these leading edge boomers have established very traditional lifestyle characteristics. They were married once, had two children and feel they've done a decent job of caring for their family, their community and themselves. They really are more like Ward and June Cleaver than we may have thought and they might be classified as 'conventional.' Just 2% say they attended the Woodstock Festival of 1969."

"They're comfortable being identified as a baby boomer, and contrary to claims that they're not ready to retire, only 18% dislike the term 'retirement' to describe their next transition. They have not, however, lost their connection to the youth culture they ignited. On average, as far as they're concerned, they're not really going to be 'old' for another 17 years. All in all, this is a fairly affluent group who remain in good health with a lot more left to give."

The survey reports that the majority (77%) of boomers born in 1946 say they are in good to excellent health; their net worth, (excluding home value) is an average of \$257,800 and their average annual income is approximately \$71,400. They are empty nesters; of those who have children very few have children living with them (fewer than one in five). Of those who have grandchildren, 8% have grandchildren living with them.

On average, the age at which they believe they'll be 'old' is 78, with their health status being a deciding factor. Those in excellent health say they'll be old at 83, while those in poor health put that number at 74. The most popular words they use to describe the best things about being 62 are 'retirement,' and 'not having to work,' and the words used to describe the worst things are 'old age' and 'health problems.' Forty-five percent like the term 'baby boomer' outright and another 38% are somewhat in favor of it; 17% don't like it. As for the term 'retirement,' 52% like it, 31% like it somewhat and 18% don't like it.

Politically, 44% of these baby boomers report that they were and remain conservative; 20% say they were more liberal when they were young, and have become more conservative since their 20's. Twenty-two percent say they have remained liberal, while 15% say they were more conservative and have become more liberal since their younger days.

As a group, these boomers feel they have done a good to excellent job contributing to their communities and 83% say they were good to excellent at providing for their spouses' and children's needs. Fifty-four percent acknowledge doing only a poor to fair job of ensuring that they have adequate coverage for their own long-term care needs.

As for education, 45% have an Associate's or Bachelor's degree.

Only 5% have both parents still living; 27% have one parent. The fact that the remaining sixty-eight percent have neither of their parents living indicates that caregiving for an older relative is no longer a responsibility. Eighty-seven percent say neither they nor their spouse are caregivers to elderly parents or relatives right now. Of the 14% who are caregivers, 16% of them are providing care for more than 20 hours a week - the average number of hours is 9.5. Thirty-eight percent are expecting an inheritance of an average of \$210,000. Thirty-five percent have already received an inheritance of an average of \$113,000.

When asked to use one word to explain the best aspect of being 62, respondents answered: retirement or being close to retirement, being alive, freedom, health, Social Security, wisdom and independence. As one person put it, "I'm glad to be on the planet, rather than in it."

As for the worst aspects, respondents answered: illness (overwhelmingly), disability, wrinkles, aches and pains, discrimination, under-appreciation, memory loss, mortality and generally getting older.

Members of the group who say they will take Social Security at age 62 reasoned that they feel they're entitled and would rather have the money than let the government have it. Respondents reported that they believe it's in their financial interest to take Social Security sooner. Other reasons reported were: they need the money right now and they fear there will be nothing left in the system if they wait.

Additional data that Boomers Ready to Launch reports about boomers born in 1946: Thirty-one percent plan to apply for Social Security when they turn 62 and 32% say they will wait until age 66 or beyond when they can receive full benefits. Sixty-eight percent say they have employee or retiree health insurance. Forty-seven percent are covered by a defined benefit plan, 50% have a 401K, 50% have an IRA. Thirty-eight percent have stocks and 38% have mutual funds. Twenty-two percent have long-term care insurance. Eighty-five percent own their own home. The average value of their homes is \$297,900. Sixteen percent would consider a reverse mortgage primarily to take care of their own long-term care needs and costs; 74% are aware that they are eligible

at age 62 to apply for a federally backed reverse mortgage. Twenty-five percent say they plan to move to another area for retirement.

Social Security

Created during the Depression, Social Security is the nation's most successful anti-poverty program, providing retirement, disability and survivor benefits to 50 million people. During the 1970s, Congress expanded benefits. In the 1980s, lawmakers fixed a financing crunch, in part by raising the eligible retirement age. In the 1990s, they raised taxes on benefits.

By 2017, Social Security is expected to start paying out more than it collects in payroll taxes. It faces a funding gap over the next 75 years of about 1.8% of taxable payroll. That gap could be addressed by raising taxes or cutting benefits by a like amount, CBO says.

Politicians have been mulling ideas to solve the problem, including a further retirement-age boost or a less-generous formula for calculating benefits, which would mainly hit younger workers. One presidential candidate, Sen. Barack Obama, D-Ill., has suggested boosting the amount of income subject to the Social Security payroll tax, now capped at \$102,500. Republican hopeful Mike Huckabee might offer Americans a one-time tax-free buyout of their benefits and create private investment accounts.

But there are no guarantees.

"Just because you've started to receive benefits doesn't mean substantial changes won't affect you," Cori Uccello of the American Academy of Actuaries says of Social Security and Medicare. "If we wait too long to make changes, it may not be possible to grandfather people in under the old rules."

Boomers could suffer if Congress changes how Social Security cost-of-living increases are calculated or further raises taxes on benefits.

Medicare

Medicare, which provides health care for 43 million elderly and disabled, is a much more urgent problem, as well as a trickier and more complex issue to address.

Orszag says significant savings might occur by better targeting payments to more cost-effective medical treatments.

"I'm an optimist," Orszag says. "There are opportunities to remove costs from the system without harming health care."

But the funding gap is so serious that there's no way to achieve a solution without affecting benefits or revenue. Changing how Medicare pays health providers could reduce spending. It could also prompt other changes in the broader health care system.

Past Medicare laws that set payment caps for some medical services led to parallel moves in private health plans. Similarly, steps by Congress to reform the broader health care system by moving toward government-mandated insurance or greater use of tax incentives could also affect Medicare.

"There are wide-ranging options," says Neuman of the Kaiser Family Foundation. "There are changes that could directly affect beneficiaries ... providers, doctors, hospitals; there are changes that could affect insurers. And there are more structural changes" that could affect health care for all.

A solution to Social Security and Medicare will require Congress to muster a political will it hasn't shown recently. It will require tradeoffs between protecting those now on the rolls and ensuring fairness for younger adults paying into the programs.

"There's no one solution that's painless," Uccello says. "Whatever we do is going to require some shared burden on all the parties."

Baby boomers grew up skeptical of authority, so it's hardly surprising that some of them doubt the government will deliver the full Social Security and Medicare benefits it has promised.

Bruce Benton, who turns 65 on Bastille Day, July 14, is one of them. He filed for early Social Security payments at 62 rather than wait till age 65 to draw a larger monthly check. He says his move is calculated, in part, to protect his benefits from possible cuts by Washington.

"I doubt very much it's going to change much for those people already drawing" benefits, Benton says. "It can't hurt to get locked in."

Will boomers see their benefits diminished during their long retirements?

It's impossible to say for sure. Aware of their political muscle, Congress will likely try to shield those in or near retirement from cutbacks in Social Security benefits. But a rough consensus among experts is that a projected long-term explosion of health care costs could force sweeping changes in both Medicare and private health insurance.

Peter Orszag, head of the non-partisan Congressional Budget Office, warns that delaying tactics by lawmakers will only put the programs and the economy at greater risk. If Congress fails to act, the CBO cautions, the result will be swollen debt and deficits, higher inflation and reduced living standards.

The coming surge in federal health and retirement spending may be one case where boomers, for all their size, can't control their destiny. Polls in 2007 showed that a majority of those 55 and older consider Social Security in crisis, rising to about 70% for younger people. Medicare draws less attention from boomers, even though it faces far more severe projected shortfalls than Social Security does.

Social Security's long-term financing gap is due mainly to the aging of the baby boomers, rising life expectancy and the fact that fewer workers will be paying Social Security taxes to support more retirees.

The solution isn't to tap your Social Security benefits at 62 -- the earliest age of eligibility and the age the oldest boomers turn this year. Doing so could shrink your lifetime benefits. In any case, many plans to reform Social Security would protect those 55 and older from cuts.

Nor is there much that boomers can do to shield themselves from possible reductions in Medicare, which are being driven more by escalating health costs than by the aging population. Without changes, combined spending on Medicare for elderly and Medicaid health care for the poor is projected to jump from 4% of the overall economy to 19% by 2082, thereby crowding out spending for other programs, the Congressional Budget Office says.

The American Academy of Actuaries says eliminating the 75-year Medicare deficit would require an immediate 122% increase in the 2.9% Medicare payroll tax, a 51% cut in benefits, or a combination of the two.

"Changes are on the long-term horizon, but it doesn't appear that major changes are imminent in the short term," says Tricia Neuman of the Kaiser Family Foundation. "The good news for people who are approaching Medicare age is that there is now a drug benefit."

Some boomers seem to be banking on a third option: that Congress will remain so mired in gridlock that politicians won't be able to agree on major program changes.

"I've got about a 50-50 chance" of getting full projected Social Security benefits, estimates Jerry Emory of Humble, Texas, who turned 62 in 2007, but planned to wait until he's closer to 65 to tap his benefits.