

Bailout for Baby Boomers? Don't expect inheritances to save their bacon

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NEW YORK -- They were trumpeted to become the first generation of American inheritors - - coddled and swaddled and loaded with money handed down to them, the fabled baby boomers.

But a funny thing happened on their way to the fortune. Members of this generation, now about 42 to 60, never had much of a chance to inherit and invest the big money that they were supposed to have collected from their parents' generous gifts and estates.

They had been expected to pocket a windfall of \$10 trillion in inheritances. In fact, the total is only \$2.1 trillion so far, and only one-fifth of this generation has ever collected any inheritances at all.

So today they are wondering and worrying how they will ever accumulate enough money to be sure they will be able to support themselves when they begin to retire en masse around the year 2010. At that time, the eldest of them will be 64. It is easy to see why they will need to earn a lot of long-term money instead of merely inheriting it.

First, longevity in the U.S. continues to rise like an Oklahoma gusher in spring. People in the prime of middle age can anticipate living much longer than their forebears. In the U.S., a woman age 50 can expect to live to 81.8 years; a man of 50 can expect to make 77.9. Those figures, of course, are only medians. Half in that cohort will live still longer, and some much longer. Leading financial planner Alexandra Armstrong of Washington, counsels her female clients to be financially prepared to live as long as 100.

Second, the typical retirement age is also climbing fast: It will be 67 by the time the last of the baby boomers retire. And when they leave their jobs, they expect to have built large amounts of money, which they can invest to support the standards of living to which they have become accustomed.

Say a 60-year-old earns \$100,000 -- or \$50,000 after all deductions -- and wants to retire at the equivalent of that same salary indefinitely. That person would have to command a nest egg of at least \$2 million in order to support an annual retirement income -- from 401(k) and other plans, from Social Security, private savings (with interest rates at 6% or so) and investments presumed to grow at around 10%) -- that high.

That may well be hard, though not impossible. But the point is that Americans now at early to middle ages will have to build substantial nest eggs in order to support their own retirements, without getting much -- or any -- help from either their own Mom and Dad or their own children. Squeezed on two fronts

Accomplishing this will be complicated by still two other forces.

First, as college tuition escalates, the baby boomers will be called on increasingly to support their children's education at the same time that they also support their parents' late-in-life education.

Second, the boomers will be called on to support their own parents' tours to nursing homes and retirement homes. At very least, this will put pressure on the boomers to pay for long-term-care insurance.

As Armstrong says, "Everybody should have a basic long-term-care policy for their parents so they don't have to worry about it."

Like no other generation before them, the boomers will be doing financial double duty -- in many cases even triple duty. They will be helping simultaneously to subsidize their parents' generation, their children's generation and their own generation.

As AARP says in a policy statement: "We conclude that inheritances, despite wishful thinking and optimistic projections, are not likely to bail out the boomers."