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LITTLE CASH, BUT NO WORRIES

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HIGHLIGHT: The boomers are so late saving for retirement that many of their kids are beginning to save at the same time. But do they expect to be a burden to their children? Of course they don't.

When it comes to retirement, baby boomers have a thing or two to learn from their children. Those "kids"--some as old as 34--say they started thinking about retirement in their twenties. Meanwhile, 45- to 64-year-old boomers say they didn't begin until they were in their thirties and forties, according to an exclusive *Maclean's* poll conducted by Innovative Research Group. "Boomers are starting late, so in a lot of cases the kids are beginning at the same time as their parents," says **Diane McCurdy**, a Vancouver financial planner and author of *How Much Is Enough?* That topsy-turvy reality reflects the different ways each generation sees itself, she adds: "The boomers think they're forever young, but the 30-year-olds think they're older than they are."

That's because boomers and their children, who make up Generation Y and the end of X, have clashing work ethics and personal priorities. The 45- to 64-year-olds are highly competitive, driven by money, status and immediate satisfaction, says Stanley Kershman, an Ottawa bankruptcy lawyer and author of *Put Your Debt on a Diet*. They work hard and long hours, and have rewarded themselves and their families with luxuries along the way, he adds. Meanwhile, the children who grew up with both parents always at the office and doing overtime--and now scrambling for retirement savings--vow they won't do the same. "Money isn't their main focus. They want to be happy in their jobs, they want quality of life, and they want to know how much holiday [time] they get," says McCurdy.

They also want to retire younger than their parents, shows the *Maclean's* survey of 1,462 Canadians using Innovative's online Canada 20/20 panel. Those in the 18 to 34 demographic expect to retire at 63, though most said they would like to call it quits at 59. McCurdy believes that they will achieve the goal, since saving earlier in life means more compounding interest rates to earn. Boomers, on the other hand, want to retire by 63, but don't expect to until 66--and McCurdy says, "Some of them are going to work longer."

Just how long depends on their expectations for retirement. One-third of 18- to 34-year-olds anticipate their standard of living to be better in retirement than it is now. By

comparison, only six per cent of boomers say they expect a better standard of living. McCurdy suspects that those boomers anticipating less money in retirement are probably feeling as if they are running out of time to save. "They haven't crunched the numbers so they're in panic mode."

Doing the math, however, will probably confirm their worries, warns Kershman, because boomers want to travel and enjoy "the good life" once they stop working. "And guess what? That costs money. And they can find themselves in a hole if they don't watch it," he says. Boomers, perhaps realizing this, expect to be less comfortable than their own parents in retirement, with 43 per cent saying so, compared to 26 per cent of the younger group. (The margin of error is plus or minus 2.6 per cent, 19 times out of 20.) "Boomers' parents were happy staying home. Boomers think it's a rite of passage to take one or two trips a year," McCurdy explains. Again, she points out that 18- to 34-year-olds will be more comfortable than boomers in retirement because they have started saving earlier.

And yet, one-quarter of 18- to 34-year-olds say they don't know how much money they actually need to save. Another quarter estimate they'll need to put away between \$1 million and \$2 million for retirement. That difference reflects a particular worry among young people: how much is enough for retirement, and how much is too much? The latter might mean unnecessarily missing out on luxuries earlier in life, says Sarah Deveau, 28, author of *Sink or Swim: Get Your Degree Without Drowning in Debt* and owner of Cater Tot Consignment in Airdrie, Alta. She and her husband often wonder, "Is it going to be silly to have saved that much all along when we could have had more fun when we were younger?" Because retirement is so far off for young people, it's difficult for them to know what they'll want to do so many years down the road, says McCurdy. (Generally, she suspects that \$1 million to \$2 million in total savings is a good guess once inflation is taken into consideration.) "The closer you are to retirement the more accurate your estimation," she says. Boomers, for many of whom retirement is only a few years away, are better at squaring what they think they'll need with how much they can realistically achieve. About 17 per cent say they will need between \$250,001 and a half-million dollars. Fifteen per cent expect they'll need \$500,001 to \$750,000. Another 14 per cent say between \$750,001 and \$1 million, and 16 per cent anticipate needing one million or two.

Boomers, despite the late start, save more than their children each year, putting away 2½ times more dollars annually than the younger group--an average of \$7,595 compared to \$2,983. More than half of boomers have up to \$500,000 in retirement savings, compared to the 70 per cent of 18- to 34-year-olds who have less than \$25,000. And more than half of boomers are part of pension plans other than Old Age Security and CPP, compared to 37 per cent of their children. That's partly because the younger demographic hasn't been at one job for a couple of decades like most of their parents, notes McCurdy. It's also because corporate pension plans are harder to come by. "Employers are realizing how expensive the pension plan really is," says Kershman. And that puts more of a savings burden on the 18- to 34-year-olds, 67 per cent of whom say they have other retirement saving such as RRSPs. "The younger generation sees that there's not necessarily going to be a pension plan for them at the end of the rainbow so they have to basically put their own into place." What's more, 62 per cent of 18- to 34-year-olds say they expect

government pension plans to go broke before they retire, compared to 36 per cent of boomers. Deveau says, "I look at it as money that's paying for whatever my parents need. I'm not relying on it being there."

Despite that sentiment among children of boomers--that they pay into a pension plan only their parents will enjoy--neither 18- to 34-years-olds nor their elders say they worry about being a financial burden on their kids when they retire. "Most boomers didn't support their parents and don't expect their kids to take care of them," says McCurdy. "They left home young, never went back, and they never thought they would be dependent on anyone." So it's not surprising that less than half of each group worries about being alone toward the end of life. And yet, most boomers and their children are concerned about becoming disabled, especially with a disease like Alzheimer's. "Retirement accelerates the awareness of your own mortality--when and how will I die?" says John Osbourne, an education psychologist and author of the self-published *Essential Retirement: Psychological Concerns*. "As we become older and need more help, we lose our autonomy and that's very difficult for older people," he adds.

That may explain why about 40 per cent of both groups say they will fight any attempt to be put in a nursing home, which Osbourne calls "the last stop on the road to your end." The reality is, in Western society children don't take care of the elderly, Deveau says. "We put them in homes, we don't bring them into our own homes." And yet, 49 per cent of boomers and 32 per cent of their children say they want to stay in the house where they lived before retirement once they stop working. That can cost even more than rent at a senior's residence, warns McCurdy, especially when it comes to outfitting a house with mobility equipment such as lifts and hiring home-care staff. And medical expenses are becoming more of a concern among boomers and 18- to 34-year-olds, with both groups saying they are skeptical that there will be a strong, publicly funded medicare system in place when they retire. "It's hard enough to predict what a movie ticket will cost 30 years from now. How do you predict if you have a heart attack what it might cost you?" asks Deveau. "It's impossible."

Looking at health care costs and the price of vacations combined, it's no surprise that more than half of both boomers and their children fret over running out of money in retirement. "People are worried whether they legitimately have a worry or not," muses Kershman, who recommends that members of every age group come up with a financial plan for their future. At least that way, he says, "you're working towards a goal as opposed to just working."