

Baby boomers see retirement slip farther away with recession, layoffs

Susan Tompor Lansing State Journal November 7, 2010

A decade ago, boomers felt they had the map to early, cushy retirement. Then they watched their fortunes die along the side of the road.

Talk to nearly anyone from the baby-boom generation - whether they are 48, 55 or 62 - and you'll hear how they got clobbered when their company cut jobs or how they panicked when the market tanked and sold investments at rock-bottom prices - and how they can't believe the numbers on their financial statements now.

"The baby boomers are freaked out," said James Jenkins, president of Jenkins & Co., an accounting firm in Southfield. He has seen clients go from having \$1 million in a retirement plan to half that - and then lose a job on top of that.

Diane Fernandez, 58, tears up talking about how things are, compared with how she imagined they would be at this point in her life.

"People don't want to talk about it," she said. "They're too proud."

Fernandez lives in Ferndale, still has a mortgage on her home and drives a car with a sign slapped on the door that says: "How's Your Economy? What's your Plan B?" It's a marketing effort for health-oriented skin care products, but the sign also describes her life - and the lives of so many others who thought just a few years ago that they were at or near retirement.

Many seemed flush

After all, in the late '90s, making money was as easy as buying a house, or mailing a check to a mutual fund or setting a little extra aside in your 401(k). Soaring real estate prices and double-digit gains in the stock market led many to feel they would be set to retire in their 50s.

"You saw some people making money they never dreamed of," said Bill Stewart, principal and chartered financial consultant for Rehmann, a tax consulting and financial service firm in Troy.

And then the world turned upside down.

About \$17.6 trillion in U.S. household net worth vanished, if you compare wealth in the second quarter of 2007 with the first quarter of 2009, according to Federal Reserve data. That's a 25 percent drop. Put another way, the data show Americans lost about five years of value.

According to Moody's Economy.com, the net worth of boomers dropped about 25 percent from the end of 2007 to mid-2009, from \$30 trillion down to \$22.6 trillion. While it is now growing slowly, boomers were still out about \$5 trillion in the first quarter of this year.

Though the stock market has rallied, many Americans are even worse off, and the net worth of U.S. households is still down nearly \$11 trillion when compared with early 2007. For many boomers, there is no other choice but to take Social Security benefits at age 62 - instead of waiting for full benefits at 66 - just to have the cash to cover expenses, said Michael Astrue, commissioner of Social Security.

