Are Baby Boomers Saving Enough for Retirement?

The Honors Program
Senior Capstone Project
Stephen Balkam
Faculty Advisor: Dr. Peter Nigro
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Table of Contents

ABSTRACT

The Baby Boomers are the largest generation ever to reach retirement age. The first Boomer turns 62 in January 2008 making this an issue on the financial forefront. In this study, based on survey data from The Ameriprise Financial *Money Across Generations*SM study, I examine financial preparedness. I examine the degree of financial preparedness by various demographic characteristics and conduct a more complex multivariate analysis to determine which variables have significant effects on preparedness. The results show that education level and gender do not play a significant role in the financial preparedness of an individual. The findings also show that although having a financial advisor does not relate to financial preparedness, having a financial plan is important. While the research does not solve the problem of Boomers' lack of adequate financial retirement planning, it gives insight into how to improve the rate of preparedness in the future.

INTRODUCTION

The financial services industry is on the verge of facing the largest generation ever to hit retirement age. Between 1946 and 1964, over 76 million members of the "Baby Boomer" generation were born. Over the next decade, they will shift from the savings and accumulation of wealth portions of their life cycle into their retirement spending years. To retire as comfortably as previous generations they need to have a significant asset base that will produce income throughout their retirement years. Unfortunately, they face challenges that previous generations have not encountered, including a surge in the number of fellow retirees, the need to support aging parents, and the current social trend of supporting adult children.

The Baby Boomers face numerous economic challenges as they begin to reach their retirement years. Although U.S. per capita income has increased during their life-spans, so have life expectancy rates and the costs of living. These problems are exacerbated by earlier retirement trends which force retirees to live off of their assets for a longer period of time. Second, since Boomers' personal retirement income is lagging, this could lead to a strong dependency on both Social Security and Medicare. Social Security and Medicare funding, both "pay as you go" programs, also face similar challenges. For example, by 2030 the number of people in the United States age 65 and older will double, while the labor force is expected to grow more slowly, resulting in a lower worker to retiree ratio (CBO, 2003). In 2000 there were 4.8 people ages 20 to 64 for every person age 65 or older; by 2030 this ratio is expected to decline to 2.9 people of working age per person of retirement age (CBO, 2003). Since Social Security is a pay as you go system, the available benefits to retirees are likely to be much lower than today.

Baby Boomers have not augmented their savings to address the likely scenario of lower Social Security benefits. A look at the personal savings rate of the United States on an average annual basis, as developed by the Bureau of Economic Analysis, shows this recent downward trend in savings. The following table shows the last twenty years with their annual savings rates as a percentage of income.

Annual Savings Rates as a Percentage of Income, 1988-2007

12/1/1988	7.283%
12/1/1989	7.15%
12/1/1990	6.975%
12/1/1991	7.258%
12/1/1992	7.7%
12/1/1993	5.767%
12/1/1994	4.825%
12/1/1995	4.65%
12/1/1996	4.008%
12/1/1997	3.65%
12/1/1998	4.316%
12/1/1999	2.375%
12/1/2000	2.367%
12/1/2001	1.767%
12/1/2002	2.358%
12/1/2003	2.133%
12/1/2004	2.075%
12/1/2005	0.5%
12/1/2006	0.408%
12/1/2007	0.517%

For Full Table 1959-2007 Please See Appendix A

Between 1988 and 2007, the annual savings rates fell from 7.28% to 0.52%. The last ten years should have been peak saving years for the Boomer generation, since they were in the prime of their careers and peak saving years. The fact that the Boomers were not saving possibly reflects their expectation that their generation would have a high reliance on our Social Security system. The Boomers have had the opportunities to save the money and prepare themselves for the long term, but savings was not as much of a priority as living in the here and the now (U.S. Department of Commerce, 2008).

Another problem faced by the Boomers is the inflationary costs of goods and services that most directly affect their welfare. Data provided by the Bureau of Labor Statistics show that while information-technology prices have fallen an average of 6.2%, the costs of Baby Boomer staples has continued to rise. Currently, food costs are up 5.7% per year, home energy 5.5%, and gasoline a whopping 34%. Other costs that affect Boomers are an increase in flight costs by 8.9%, medical services are rising 5.7% per year, hospital services by 8.5%, and nursing-home fees by 4.5%. The price levels of goods that closely relate to seniors are increasing at rates well ahead of the official Consumer Price Index, which shows an annual rise of 4.4% (Arends, 2008).

Another issue Baby Boomers face is the possibility of financial turmoil, since even those with adequate savings will have to sell off some assets to maintain their cost of retiring. Baby Boomers, however, will be selling their assets to a smaller generation of young investors, which may drive down asset values and leave Baby Boomers with a smaller nest-egg than they had expected. Alternatively, financial markets may already be pricing the assets based on the retirement of the Baby Boomers and there will be no market meltdown at all. Even if Boomers avoid this problem, the current meltdown of the sub-prime lending markets and its effect on the economy directly impact the Baby Boomer generation. The subprime lending crisis and decline in the market have lead to negative investment returns for most portfolios. This fall in the market, coupled with the onset of a possible recession, has definitely caused uncertainty in Boomers' retirement plans.

A direct effect of the subprime lending crisis is the decline in the value of homes. The high number of defaults on these loans, coupled with a credit squeeze that doesn't allow buyers to acquire loans, has created an excess of homes on the market. Simple economics of the law of supply and demand dictates the current fall in housing prices. This plays a large role in Boomer's plans, many of whom consider their home, which they have invested in over their lifetime, to be their largest overall asset. Many had planned to sell this asset in retirement and move to a smaller, more consolidated housing arrangement. Other Boomers, who were unable to amass enough wealth to have full ownership in their home, have the option of tapping the unused equity in their home to pay off their mortgage and instead receive annuity-like payments. The falling market value of their homes has hurt Boomers as they receive less money toward their annuity payment from these reverse mortgages.

In this paper, I assess how adequately prepared the Baby Boomer generation is for retirement. In Section II, I review the financial service industry's literature on Boomers to gain a perspective about their financial prospects. In Section III, I will provide an overview of the factors that affected the savings of the Baby Boomers, from rising education costs and the societal pressures requiring it to the shift from defined benefit to defined contribution retirement plans. In Section IV, I describe the data used in this study to assess how well Boomers are prepared for retirement. Using this data, I attempt to gauge if there are significant differences in their preparedness by gender, education, race, income, region of location, and other specific social characteristics. The final section of this paper offers policy implications and conclusions.

LITERATURE REVIEW

There is abundant research on the topic of the Baby Boomer generation's financial preparedness for retirement. In this section, I focus heavily on some of the more recent survey work related to Boomer retirement planning.

In 2005, Merrill Lynch completed a survey entitled *The New Retirement Survey* with the goal of defining where the Baby Boomer generation wants to be financially, the type of lifestyle and experience they envision for retirement, and their goals and fears for the upcoming years. In collaboration with Harris Interactive® and gerontologist Ken Dychtwald, Ph.D., president and CEO of Age Wave, the firm collected survey information to enable it to provide the best possible service to the next big generation of retirees to better market themselves as a firm, create products and technology cater to the clients' goals, and produce training programs for their Financial Advisors. The study found that the Baby Boomers are not only revolutionizing the financial retirement models, but changing the way they operate as a family concerning their financial futures. This includes planning their retirement around taking care of parents and sharing financial responsibilities among spouses.

Specifically, the survey results indicate that Baby Boomers prefer a cyclical pattern between retirement and work (42%) as opposed to the traditional retirement pattern of working hard for a set amount of time and exiting the work force (17%). The other retirement options include working part time (16%), starting their own business (13%), and working full time (6%). The longer cyclical structure of working that Boomers are envisioning for themselves has the direct result of allowing them to build a larger asset base over time. As Baby Boomers spend more time cycling through employment, education, and leisure, they have less time of absolute retirement with no income. This means that they can tap into their retirement savings at a much later age. The survey also detected an increasing financial awareness for Baby Boomer women. Unlike men, whose primary goal during retirement is to maintain their marriage and connect with their partner, the survey found that Baby Boomer women appear to be more focused on working, staying connected with others, and maintaining their image of self worth. One factor driving this is that 33% of women age 40-58 report sharing responsibilities for saving and investing; in 1962 this number was only 5%. The empowerment of women in the home has driven them to work harder and achieve more over time. The highest potential area of spousal disagreement in retirement was financial decisions. This was similar for men and women, with 55% of both genders citing this as the most likely cause of disagreement. The study also found that Baby Boomers have become a very family oriented generation, with 74% of the sample citing family orientation as one of their foremost characteristics. The main concerns of the Baby Boomers as they hit this new stage in their life were financial freedom and the uncertain future of health care. The study shows that Baby Boomers, in general, fear not being able to afford health care three times as much as they do dying. The study also found that Baby Boomers who feel that they are financially prepared are happier, expect to live longer, and are less stressed than those who do not feel they are prepared.

In 2003, The Center for Retirement Research at Boston College produced a research paper, "It's All Relative: Understanding the Retirement Prospects of Baby Boomers". The paper compares Baby Boomer retirees with the previous generations based on their composition, level and distribution of family income, and on the sufficiency of this income to maintain their well-being in retirement. This is important to the economy because the Baby Boomer generation will be eligible for retirement within the next ten years, and based on the current rate of economic consumption, the Social Security OASDI Trust fund will be exhausted by 2041.

This study uses projections of major sources of income based on the Social Security Administration's Model of Income in the Near Term (MINT) to study relevant historic trends that will likely influence the demographics and well-being of the boomer population. It compares the absolute measures of well-being to today's relative standards of living. The study finds that because of changes in mortality, marriage, lifetime earnings, and work patterns, the Baby Boomer generation would have a higher retirement income than current retirees. This higher income is projected to reflect lower poverty rates in Baby Boomer than current retirees. Thus, on an absolute scale, the Baby Boomer generation appears to be in much better financial shape than current retirees. On a relative scale, however, many of the Baby Boomers will be worse off because the gains in family incomes are not evenly distributed. They also find that the Baby Boomer generation post-retirement incomes are not rising as fast as their pre-retirement incomes. Thus, while retirement accounts will replace a greater portion of lifetime earnings for future retirees than they do currently, they will not offset the decline in Social Security and defined benefit pension plans.

In 2003, the Congressional Budget Office (CBO) released "Baby Boomer's Retirement Prospects: An Overview" to examine the savings rate of the Baby Boomers and how it affects the economy and government programs like Social Security and Medicare. The study examines the current United States retirement systems and how they will be affected by the Baby Boomer generation. It analyzes the decline in the savings rate in the U.S., and ties it back into the Baby Boomer generation by looking at the research of other studies. The study finds that the typical Baby Boomer currently has more income and wealth than did his or her parents at the same age and is accumulating wealth at the same rate. The projection allowed for more income in retirement, but did not address the real possibility of Social Security and Medicare being under-funded. Instead, the only option to prevent under-funding that is discussed is possibly slowing the growth rate of benefits for retirees so that people will work longer to save more on their own for retirement. There is no information to indicate that lowering the growth rate will spark an increase savings rates.

In 2000, the International Monetary Fund produced a paper entitled "What Will Happen to Financial Markets When the Baby Boomers Retire?" that examines the condition of the financial markets as the Baby Boomers prepare to retire. It examines two potential scenarios:

1. The Baby Boomer generation would have to sell off their assets to a smaller and younger generation for a reduced value, leaving them with less for retirement.
2. Financial markets price Baby Boomers' assets for their future sale and there would be no problems.

The study found that while the age distribution of available investors and the assets they hold may have a significant effect on the financial markets, the overlap between generations would not create an asset meltdown. It recommends that the government limit the amount of debt available to investors at a specific time to control asset movement. The study notes that as investors grow older they shift from investing in stocks to investing in fixed-income securities bonds, so if the government could control the amount of money invested in bonds, it could prevent the bond market from becoming too full. This is a utopian fantasy, as most fixed income securities are not Treasury securities, so the government would be unable to regulate them. The new generation would most likely be earning higher wages, and would hopefully be interested in saving, so they would keep the prices of assets afloat. One problem that does worry researchers is that if the asset prices begin to fall, financially savvy Baby Boomers would try to sell out their positions and retain the value of their nest egg. If this was to happen, it could cause a liquidity trap as Baby Boomers sell off their holdings in bonds and drive down the interest rates. This should not happen, however, as long as Baby Boomer investors can weather some volatility in the market.

In May 2007, the MetLife Mature Market Institute released a study called “It’s Not Your Mother’s Retirement: A Study of Women and Generational Differences”. This study looks at the improvements of economic status of women and how their retirement security will shape up. It notes that while 75% of the Boomers’ mothers retired before the age of 65, only 37% of their daughters expect to retire before that age. Daughters, however, are projected to be more active in retirement, managing finances and investments, travelling, and pursuing higher education. The daughters in the survey are also worried about the financial cutbacks and reducing their budgets during retirement, something their mothers never had to worry about. The biggest financial adjustment that 34% of the daughters expect is living on a reduced budget. Mothers and daughters both agree that their biggest concerns are their physical health in retirement (75% of sample), the affordability of healthcare (74% of sample), and having enough money to live on (66% of sample). Also, at least 75% of mothers and daughters plan to count on family and friends to provide them with support in transportation, home maintenance, and managing their finance.

The survey also examines retirement trends by marital status. Married mothers are more likely than single mothers to retire before age 55, 26% and 6% respectively. Married daughters are more likely to expect to retire before age 60 than single daughters, 13% and 8% respectively, but less likely to retire after age 65, 28% and 43% respectively. Survey mothers as a whole seem to accept Social Security as a future source for retirement income (90%), while their daughters are less likely to accept Social Security (75%), but are more likely to view an employer-sponsored retirement plan as a realistic option for them.

On average, the mothers in this study have much less debt heading into retirement and should be able to pay this off early on in retirement. The survey shows 66% of mothers are less likely to have less than $10,000 in consumer debt, compared to 45% of daughters. In contrast, 22% of daughters report having debt equal to $25,000 or more, compared to only 12% of mothers. Almost half of the women in this study share the responsibility of the finances with their husbands. The women whose husbands have a part in the finances feel that they are ready to take over control when need be; this figure includes 81% of daughters and 89% of mothers. The study found that there may be a communication gap between mothers and daughters when it comes to discussing retirement. Half of the mother's report discussing retirement planning with their daughters, while only 32% of the daughters report having these same talks with their mothers.

In June 2003, The MetLife Mature Market Institute released "The MetLife Study of Sons at Work: Balancing Employment and Eldercare". This study specifically examines how men and women compare in balancing their work and family responsibilities. The survey finds that men are just as likely as women to be providing day to day care to an older relative. These activities include transportation (Men-79%, Women-81%), housework (Men- 67%, Women-70%), and grocery shopping (Men-69%, Women-75%). Men are much more likely than women to manage the finances of someone under their care (Men-80%, Women- 68%). For most of the caregivers, taking time off, coming in late to work, or leaving work early are common accommodations. Almost a quarter of respondents say they have had to refuse overtime work, and nearly a third say they have had to decline work-related travel. It was surprising to see that 27% of respondents are considering a job change because of their care-giving experience. Approximately 10% of the workforce either retires early or just leaves work because of their care-giving responsibilities. An interesting statistic is that 48% of men and 42% of women reported that they were contributing financial support to their parents, averaging $273 per month, nearly $3,300 per year.

These findings indicate the effects of an increase in the parents' longevity on the career goals of the Baby Boomer generation. The results show that giving care to elders is becoming more important than sustaining an income and building retirement assets. This poses a financial problem considering the rise in longevity of their parents and the extremely high costs of healthcare. The problem resides in the conflict between work and care-giving, as each requires the same resources, time and dedication. If rising numbers of Baby Boomers choose to allocate their time and resources to caring for their parents and not continuing working and building their asset base for retirement, they will quickly face a shortfall of retirement income. Sometimes the emotions behind family loyalty can drive people to choose caring for their loved one over their fiscal responsibility.

In this paper, I will give a more detailed look at how this stronger family orientation is directly affecting Baby Boomers' ability to retire. I will examine the financial effects of helping parents through tough medical times, as well as supporting adult children. This paper does not look at the possible market effects on the Baby Boomers and the macro-level economic implications that their mass retirement could have. Instead, it looks at the net worth of the Baby Boomers and the factors impacting their ability to reach their goals. It assumes that Baby Boomers need to have a certain class of investable assets to maintain the ability to retire and sustain a living. It does not go into the specifics of what particular asset allocation the Baby Boomer generation will use. Another aspect the paper explores is the effects on retirement saving of talking about family finances. The paper also examines whether Baby Boomers have continued or began this tradition in their own households.

The data used in this study are based directly on a survey conducted in 2007 by Ameriprise Financial, titled *Money Across Generations.* To differentiate this paper from the Ameriprise survey, however, a new variable was added into the data set. A benchmark combination of net income and age was used to construct an indicator variable which represents whether the respondent is adequately prepared for retirement. This benchmark was created through a calculator on CNN Money.com ("Net Worth", CNN Money.com). The goal of this variable is to gauge financial preparedness against the demographic and social variables from the survey. Instead of presenting a breakdown of demographics and social statistics of the Baby Boomer generation, this paper will look at these statistics and how they may have impacted financial preparedness.

BACKGROUND INFORMATION

The Baby Boomer generation represents the single largest boom in population growth ever in the United States. This demographic, born from 1946-1964, has changed every system during its existence, from trends in music to economic institutions, and its road to retirement has been no different. A quick list of some of their statistics:

- Baby-food sales jumped from 2.7 million cases in 1941 to 15 million in 1947.
- College enrollment rose from 3.6 million in 1960 to nearly 8 million in 1970.
- By the mid-1980s Boomers earned half of the personal income in the US (Rosenburg, 2006).

The most significant financial factor that the boomer generation has faced is the shift from defined benefit (DB) retirement plans to defined contribution. In every previous generation, the retirement standards were defined benefit plans. In a defined benefit plan employees go to work for a company for 30 years and when they retire the company pays out a portion of the employees' salaries through a pension. In a defined contribution plan, however, employees contribute to their retirement accounts and are in control of the growth of their assets before retirement. While this change has had a positive effect for many people, it has potential shortcomings. In defined contribution plans employees have control, but that means they are at the mercy of both the market and their own discretion. The Boomers have had the opportunity to select their own investments and how much to save each pay period for retirement. For people who originally thought they would keep their regular pay and receive a pension at retirement, cutting into a paycheck every week for a future goal like retirement could be a problem. In fact, with fewer people electing to be included in the employee-sponsored retirement programs at work, lawmakers recently passed legislation that requires employees to opt out (rather than opt into) of their DC plan. This means that employers automatically enroll their employees in a retirement plan at an average of 4.5% of their salary

(Glass, 2008). The only way for employees to get out of this plan is to fill out the necessary paperwork stating that they do not want the deductions from the salary. The goal of this new law is to increase the overall number of employees enrolled to save for their retirement.
The Boomer generation is the first to have had the responsibility of retirement planning taken from the company and placed into the employee's hands. It has been a definite factor in the amount of retirement assets that Boomers hold as a whole.

The Social Security system poses another problem. The sheer number of retirees from the Baby Boomer generation and the limited number of people supporting this system are enough to pull-down the entire system. In 2000 there were 4.8 people age 20 to 64 in 2000 for every person age 65 or older, but by 2030 that number is expected to fall to 2.9 (CBO, 2003). This means that there are fewer tax dollars coming from the young workers to support the retirees' monthly check from the Social Security system. At the current shrinking rate of the number of workers to retirees, it will be fiscally impossible for the Social Security system to sustain itself. This means that once again, the burden of providing for their own retirement will fall on the Baby Boomers. As advances in medical technology continue and longevity increases, Boomers are expected to live longer on a smaller relative asset base.

The aspect of longevity as it affects Boomers has been a double-edged sword. Not only do they have to worry about planning and financing their own healthcare and retirement costs, but they also have to worry about the financial security of their parents as well. Healthcare has advanced to the point that we have the ability to save and prolong peoples' lives, but these advancements have not come without a price. As previously mentioned, medical costs are growing at a rate of 5.7% per year, with hospital costs rising at 8.5% per year. The problem with healthcare costs is that they are so high that withdrawing money from a retirement plan to pay them significantly decreases the available principal that produces growth from the market. Another important cost is that of adult children. Though many Boomers were forced to go out and make it on their own, they are not ready to do that to their own children. They frequently help their children pay for automobiles, housing, and even help them to pay credit card debt. The definition of adult children is any offspring who are 18 years of age and older.

The survey data were initially gathered to examine factors believed to be slowing retirement savings and planning for the Baby Boomer generation. By creating a net worth variable based on the respondents' age and income and comparing it to the investable assets, we were able to take this demographic information and compare it to actual financial preparedness statistics. This gave a more concrete definition of not just what might be reducing retirement savings, but it showed among the sample what actually has actually slowed savings.

DATA TABLES

This section analyzes the *Money Across Generations* survey compiled by Ameriprise Financial. This *Money Across Generations* study specifically looks at affluent members of the Baby Boomer generation, those with $100,000 or more in investable assets. Given that the survey respondents needed over a $100k in assets, the results are likely skewed since a significant number of Baby Boomers do not have this level of financial assets.

Demographics

Table 1 Respondent Demographics

Gender		Percentage
	Male	50.00%
	Female	50.00%
Education		
	High School Dropout	2.21%
	High School	17.14%
	Vocational School	2.60%
	Some College	19.74%
	College	30.65%
	Some Post-Grad	3.12%
	Graduate School	24.42%
	Don't Know Education Level	0.13%
Race		
	White/ Caucasian	88.83%
	Black/ African American	6.10%
	Asian	0.91%
	Native American	1.43%
	Hispanic	5.06%
	Don't Know	2.21%
Income		
	$30,000.00	4.16%
	$40,000.00	8.83%
	$75,000.00	31.04%
	$125,000.00	31.30%
	$175,000.00	12.47%
	$225,000.00	4.55%
	$275,000.00	2.21%
	$325,000.00	2.94%
	$350,000.00	2.47%
Region		
	Northeast	20.26%
	Midwest	25.45%
	South	32.86%
	West	21.43%
Kids		
	No	19.74%
	Yes	80.26%

n=770; Respondents must have $100,000 in investable assets to be included

Table 1 provides results from over 770 survey respondents providing adequate information. The sample is evenly divided between males (50%) and females (50%). The respondents are predominantly white (88.83%), although there are significant numbers of African American (6.1%) and Hispanic (5.06%) respondents. The education level is fairly evenly spread among high school, some college, college, and graduate percent. The income levels are distributed over a large range, but concentrate between $75,000 and $175,000. The geographic regions of respondents are evenly spread Northeast (20.26%), Midwest (25.45%), South (32.86%), and West (21.43%). Finally, over 80 percent of the survey respondents have children.

Using a statistical package, I create a new benchmark variable to assess financial preparedness based on the income and age information on each respondent. I formulate this variable by using a net worth calculator on CNN Money.com ("Net Worth", CNN Money.com). This calculator determines the recommended net worth by age and income. I compare this variable to the respondent's investable assets. If respondents exceed the suggested net worth, they are coded "well prepared", if they fall below the threshold they are deemed unprepared. This variable provides respondents' financial preparedness.

Table 2- Percent Financially Prepared for Retirement

Well Prepared	40.39%	311
Unprepared	59.61%	459
Total	100%	770

Table 2 shows that approximately 60% of this sample is financially unprepared. This is not a surprising number since the degree of Boomers' financial preparedness is frequently doubted. It should be noted, however, that this figure is actually much worse since the survey only includes respondents with over $100,000 in assets.

Table 3 examines the degree of financial preparedness by respondent race.

Table 3 – Racial Background vs. Financial Preparedness

RACE	Unprepared	Well Prepared	Total %
White/ Caucasian	61.11%	38.89%	88.83%
Black/ African American	53.19%	46.81%	6.10%
Asian	42.86%	57.14%	0.91%
Native American	54.55%	45.45%	1.43%
Hispanic	41.03%	58.97%	5.06%
Don't Know	35.21%	64.71%	2.21%

This table shows every racial category having better percentages of financially prepared individuals than the Caucasian respondents. For example, Hispanics have 58.97% well prepared and 41.03% unprepared, while Caucasian respondents are 38.89% well prepared and 61.11% unprepared. It is important to note that Caucasian individuals have by far the highest percentage of respondents in the survey. The fact that respondents identifying themselves as either African American or Hispanic each account for at least 5% of the survey, gives their results an aspect of credibility. Respondents who report both of these ethnicities account for 0.52% of either group. These groups report higher percentages of respondents that are financially prepared than the benchmark average of the entire survey by approximately 6% and 19% respectfully.

Table 4 examines the level of financial preparedness by the respondents' highest attained education level.

Table 4- Education Level vs. Financial Preparedness

EDUCATION	Unprepared	Well Prepared	Total %
High School Dropout	23.53%	76.47%	2.21%
High School	62.12%	37.88%	17.14%
Vocational School	55.00%	45.00%	2.60%
Some College	63.16%	36.84%	19.74%
College	57.63%	42.37%	30.65%
Some Post-Grad	58.33%	41.67%	3.12%
Graduate School	61.17%	38.83%	24.42%
Don't Know Education	100.00%	0.00%	0.13%

Surprisingly, Table 4 indicates that achieving higher levels of education does not necessarily mean better financial preparedness. It is surprising to see that high school drop outs are, for the majority, financially prepared (76.47%). One could assume that this is because of their lower income level, but 53% of their population in the sample has an income between $75,000 and $125,000. This means that some of these Boomers could have dropped out to start their own business, or at least have an understanding of how to make and save money. It is also surprising to see that people with advanced degrees (38.83%) are less financially prepared than the sample average (40.39%), but people with some post-graduate work are doing better than the average (41.67%). This could mean that people who go straight to graduate school are incurring too many loan costs to adequately save for retirement. It could also mean that people who go to graduate school at their own pace are paying off each course as they go along and not allowing their debt to accumulate. People who graduate from vocational school are also shown as better prepared (45.00%), which can be directly attributed to their ability to begin a trade right away and not have to incur the debt of college loans. It is not surprising to see that people who graduate only high school (37.88%) or have only some college (36.84%) are not as prepared for retirement, because if they were future oriented they would have most likely continued their education. It is good to see that 42.37% of the respondents that possess college degree are well prepared for retirement. This is definitely a positive sign for the cultural shift that is pushing a college degree as the standard.

Table 5 depicts income level in relation to the financial preparedness of this generation.

Table 5- Income Level vs. Financial Preparedness

INCOME	Unprepared	Well Prepared	Total %
$30,000.00	28.13%	71.88%	4.16%
$40,000.00	35.29%	64.71%	8.83%
$75,000.00	59.00%	41.00%	31.04%
$125,000.00	68.88%	31.12%	31.30%
$175,000.00	73.96%	26.04%	12.47%
$225,000.00	71.43%	28.57%	4.55%
$275,000.00	64.71%	35.29%	2.21%
$325,000.00	39.13%	60.87%	2.94%
$350,000.00	15.79%	84.21%	2.47%

One thing that I find to be very surprising is that respondents with income levels of $125,000 through $275,000 have a much lower percentage of well prepared individuals than all of the other income levels. This could be construed as a shortcoming of the financial preparedness variable, but that number was based both on income level and age, so this is not likely. It is more likely that this is the income level that spends more than they save because they are in the middle class, but live above their means. They feel that saving for retirement is not a big issue because they have a solid income. In the lower income levels, saving is important because the value of the dollar is more appreciated. The lowest income bracket, less than $30,000, is 71.88% well prepared. In the highest income levels, it could be assumed that people must be very intelligent to be paid such large annual sums. This could mean that they are smart enough to contribute a significant amount of the large sum of money they make annually to retirement savings. The highest income level of $350,000 is 84.21% well prepared.

Table 6- Gender vs. Financial Preparedness

GENDER	Unprepared	Well Prepared	Total %
Male	59.22%	40.78%	50.00%
Female	60.00%	40.00%	50.00%

Table 6 examines financial preparedness by gender. It shows that 40.78% of males are well prepared compared to 40% for females. It is surprising to see that gender does not play a role in determining the financial preparedness. While it is definitely surprising, the fact that women are just as financially prepared as men is overall a positive sign. This finding definitely supports prior research that women are becoming much more involved in the financial management of a household.

Table 7 examines financial preparedness by respondent age.

Table 7- Age vs. Financial Preparedness

AGE	Unprepared	Well Prepared	Total %
43	50.00%	50.00%	3.38%
44	50.00%	50.00%	3.38%
45	55.56%	44.44%	3.51%
46	72.97%	27.03%	4.81%
47	55.88%	44.12%	4.42%
48	58.06%	41.94%	4.03%
49	65.63%	34.38%	4.16%
50	60.61%	39.39%	4.29%
51	38.30%	61.70%	6.10%
52	68.29%	31.71%	5.32%
53	56.82%	43.18%	5.71%
54	42.86%	57.14%	7.27%
55	65.79%	34.21%	4.94%
56	73.68%	26.32%	4.94%
57	63.64%	36.36%	7.14%
58	67.50%	32.50%	5.19%
59	58.70%	41.30%	5.97%
60	76.60%	23.40%	6.10%
61	55.56%	44.44%	9.35%

The table shows that the younger portion of the boomer generation is better prepared for retirement than its older counterparts. This signifies that there could be an immediate draw on the Social Security system from Boomers reaching retirement age in the next ten years. One good thing that these older Boomers have working for them is the Restoring Earnings to Lift Individuals and Empower Families (Relief) Act of 2001. This act states that the maximum contribution to a 401-K retirement account in 2008 is $15,500. It also allows for a catch-up contribution amount of $5000 for individuals over 50 years old (Sharlow, Money-Zine.com, 2007). If more of the older segment can utilize this provision, hopefully it will help to lower their draw on the Social Security system.

Table 8 examines the percentage of financially prepared respondents by region.

Table 8- Region vs. Financial Preparedness

REGION	Unprepared	Well Prepared	Total %
Northeast	66.67%	33.33%	20.26%
Midwest	56.12%	43.88%	25.45%
South	61.26%	38.74%	32.86%
West	54.55%	45.45%	21.43%

It is surprising that the Northeast respondents have the highest percentage (66.67%) of unprepared respondents. I have always viewed the Northeast as highly developed and as having higher paying jobs, but apparently that does not translate into poor retirement planning. Alternatively, respondents from the West have the highest level of financial preparedness (45.45%)

<u>Financial</u>
Table 9 examines the impact of having a financial plan and a financial advisor on the level of financial preparedness.

Table 9- Financial Advisor & Financial Plan vs. Financial Preparedness

FINANCIAL ADVISOR	Unprepared	Well Prepared	Total %
No	62.44%	37.56%	50.13%
Yes	56.77%	43.23%	49.87%
FINANCIAL PLAN	Unprepared	Well Prepared	Total %
No	62.75%	37.25%	71.82%
Yes	51.61%	48.39%	28.18%

It is not surprising that respondents with financial advisors (43.23%) and financial plans (48.39%) are better financially prepared for retirement than those without these guiding tools. The surprising fact is that even with financial advisors or financial plans, fewer than 50% of the respondents are well prepared for retirement. There are two different possible interpretations about these results. The first is that the goals of financial advisors or financial plans are set lower than the net worth standards that I have set. The other scenario is that we do not know the duration of time that the respondents have had the financial advisor or plan. They may have realized that they were falling behind in their retirement savings and hired an advisor or designed a financial plan so that they could get their assets together and work towards financial preparedness for retirement.

Table 10 shows respondents important financial goals in relation to their financial preparedness.

Table 10- Financial Goals vs. Financial Preparedness

FINANCIAL GOALS	Variable	Unprepared	Well Prepared	Total %
Help Grandchildren Pay for Education	No	56.31%	43.69%	26.75%
	Yes	60.82%	39.18%	73.25%
Preserve Wealth to Leave to Your Children	No	59.46%	40.54%	33.64%
	Yes	59.69%	40.31%	66.36%
Assure Financial Security for Your Parents	No	60.10%	39.90%	52.08%
	Yes	59.08%	40.92%	47.92%
Assure Financial Security for Self and Family	No	50.00%	50.00%	2.60%
	Yes	59.87%	40.13%	97.40%
Support a Charity You Believe in	No	58.90%	41.10%	21.17%
	Yes	59.80%	40.20%	78.83%
Have Enough Money to Continue Your Lifestyle	No	55.96%	44.44%	5.84%
	Yes	59.86%	40.14%	94.16%

It is interesting to note that the ratio of well prepared to unprepared respondents is fairly consistent with the average of the sample regardless of the goal at hand. There are a few noteworthy instances where this pattern is broken. When providing financial security for their parents is a goal, respondents have a higher rate of financial preparedness (40.92%) than those who do not have this goal (39.90%). This is the only instance where respondents who have an important goal are better financially prepared than those without the goal. Respondents who want to help their grandchildren pay for education (39.18%) are significantly less prepared than those who do not see this as a goal (43.69%). It could be assumed that this is because the respondents also helped their children pay for their education and their retirement savings have already been depleted.

Table 11 shows the respondents that have confidence in their ability to meet their goals in relation to their financial preparedness.

Table 11- Confidence in Meeting Financial Goals vs. Financial Preparedness

Confidence in Ability to Meet Financial Goals	Variable	Unprepared	Well Prepared	Total %
Help Grandchildren Pay for Education	No	58.13%	41.87%	26.36%
	Yes	60.14%	39.86%	73.64%
Preserve Wealth to Leave to Your Children	No	63.64%	36.36%	28.57%
	Yes	58.00%	42.00%	71.43%
Assure Financial Security for Your Parents	No	59.13%	40.87%	50.52%
	Yes	60.10%	39.90%	49.48%
Assure Financial Security for Self and Family	No	60.87%	39.13%	5.97%
	Yes	59.53%	40.47%	94.03%
Support a Charity You Believe in	No	63.04%	36.96%	23.90%
	Yes	58.53%	41.47%	76.10%
Have Enough Money to Continue Your Lifestyle	No	57.50%	42.50%	10.39%
	Yes	59.86%	40.14%	89.61%

It is interesting to note that while a majority of the respondents are confident they will be able to help their grandchildren pay for their education, they may be doing so at the expense of their own retirement savings. It is not surprising that respondents whose goal is to preserve wealth to leave to their children are better financially prepared for retirement (40.47%) than those who are unconfident about this goal (39.13%). Respondents who are confident in their goal to assure financial security for their parents are less prepared for retirement (39.97%). It could be assumed that this is because they are already providing for their parents and this has hurt their savings so far. It is also possible that they are experiencing overconfidence because of their ability to provide for their parents now. Respondents who have confidence in their goal of providing financial security for themselves and their family are slightly more prepared (40.47%) than those who are not confident in their abilities to meet this goal (39.13%). People without this goal are accurate in that they are less prepared. It is interesting to note that respondents that are confident in their ability to support a charity they believe in are much more likely to be financially prepared (41.47%) than those without confidence in this goal (36.96%). The respondents' confidence in the last goal of being able to maintain their current lifestyle is misplaced, as they are slightly less likely to be prepared (40.17%) than those not confident about this goal (42.50%).

Communication about Finances

Table 12 examines whether parents communicating specific issues regarding money impact the respondents' financial preparedness. The topics that Boomers' parents discussed cover a broad range, from how much money the family had to the importance of saving to the importance of giving to the charity.

Table 12- Parents of Boomers Communicating vs. Financial Preparedness

PARENTS OF BOOMERS COMMUNICATING	Variable	Unprepared	Well Prepared	Total %
How Much Money the Family Had	No	62.06%	37.94%	70.52%
	Yes	53.74%	46.26%	29.48%
How the Parents Budgeted Their Money	No	62.36%	37.64%	59.35%
	Yes	55.59%	44.41%	40.65%
Importance of Saving Money	No	62.50%	37.50%	21.82%
	Yes	58.80%	41.20%	78.18%
Spending Wise	No	62.18%	37.82%	20.26%
	Yes	58.96%	41.04%	79.74%
Importance of Giving to Charity	No	61.43%	38.57%	52.86%
	Yes	57.48%	42.42%	47.14%
Importance of Saving for Retirement	No	62.24%	37.76%	44.03%
	Yes	57.54%	42.46%	55.97%

In all cases, Baby Boomers whose parents spoke to them about monetary policies have a much higher level of preparedness for retirement. The respondents whose parents did not speak to them about fiscal policies have a much lower level of preparedness. For example, respondents whose parents discussed how much money the family had are 46.26% well prepared compared to those who were not spoken to are only 37.94% well prepared. This could be one of the most important tables in the study because it shows that Boomers whose parents talked to them about finance are substantially more prepared than their counterparts who did not discuss fiscal ideas with their parents. The results of this table also open the door to the notion of talking with our children about finances in an attempt to help them better prepare for retirement.

Table 13 shows respondents who talk to their children about their financial issues in relation to their financial preparedness.

Table 13- Boomers Talk to Their Children vs. Financial Preparedness

BOOMERS TALK TO CHILDREN	Variable	Unprepared	Well Prepared	Total %
Current Money Situation	No	59.66%	40.34%	61.82%
	Yes	59.52%	40.48%	38.18%
Medical Expenses	No	60.38%	39.62%	68.83%
	Yes	57.92%	42.08%	31.17%
Whether They Have a Will Prepared	No	60.72%	39.28%	57.53%
	Yes	58.10%	41.90%	42.47%
Their Wishes for Their Home	No	59.78%	40.22%	60.39%
	Yes	59.34%	40.66%	39.61%
Their Wishes for Their Fin. Accounts	No	60.76%	39.24%	65.19%
	Yes	57.46%	42.54%	34.81%
How to Handle Things In Sudden Illness	No	60.00%	40.00%	63.64%
	Yes	58.93%	41.07%	36.36%

The topics cover their current money situation, their medical expenses, whether they have a will prepared, their wishes for their home and financial accounts, and how to handle things in the event of a sudden illness. It is not surprising to note that Boomers who spoke with their children about these issues are also more likely to be financially prepared than those who did not. For example, respondents who talk to their children about their wishes for their financial accounts are 42.54% well prepared and 57.46% unprepared. The problem that could be seen here is that if current Boomers who are not well prepared for retirement are opting not to talk to their children about this, they are setting them up for failure. The Boomers who are not well prepared could at least try to help their children learn some of their shortcomings and understand the alternatives so that they do not make the same mistakes as they become adults.

Baby Boomers Helping Their Parents

Table 14 looks at respondents helping their parents and financial preparedness.

Table 14-Boomers Helping Parents vs. Financial Preparedness

BOOMERS HELP PARENTS	Variable	Unprepared	Well Prepared	Total %
Financially	No	60.19%	39.81%	80.91%
	Yes	57.14%	42.86%	19.09%
Non-Financially	No	60.07%	39.93%	70.26%
	Yes	58.52%	41.48%	29.74%
At All	No	60.31%	39.69%	67.40%
	Yes	58.17%	41.83%	32.60%

It is interesting to note that only 32.60% of the sample admits to helping their parents either financially or non-financially. Overall, this group is better financially prepared (41.83%) than the group that does not help their parents (39.69%). One could assume that this means that these particular respondents do not help their parents unless they feel that all of their needs, including retirement savings, have been met of first.

Table 15 compares the respondents thoughts on whether helping their parents has slowed their retirement with their financial preparedness.

Table 15- Has Helping Parents Slowed Retirement Savings vs. Financial Preparedness

SAVINGS SLOWDOWN	Unprepared	Well Prepared	Total %
No	59.36%	40.64%	97.14%
Yes	68.18%	31.82%	2.86%

It is no surprise that the respondents who feel that their retirement savings have been slowed by helping their parents exhibit lower levels of well prepared individuals (31.82%). It could be assumed that the reason that the vast majority of respondents feel that their retirement savings are not affected by their parents is because they only help their parents if it is within their means. Another factor is that only 30% of the sample said that they help their parents at all, which means 70% of the respondents are unaffected because they do not help their parents.

Table 16 shows the source of funds respondents used to help their parents with their financial preparedness.

Table16- Source of Funds to Help Parents vs. Financial Preparedness

SOURCE OF FUNDS	Variable	Unprepared	Well Prepared	Total %
Loan	No	59.45%	40.55%	98.96%
	Yes	75.00%	25.00%	1.04%
Spending Money	No	59.68%	40.32%	87.92%
	Yes	59.14%	40.86%	12.08%
Retirement Savings	No	59.55%	40.45%	99.22%
	Yes	66.67%	33.33%	0.78%
Regular Savings	No	59.50%	40.50%	93.64%
	Yes	61.22%	38.78%	6.36%
Another Family Member	No	59.71%	40.29%	98.31%
	Yes	53.85%	46.15%	1.69%
Other Method	No	59.66%	40.34%	99.48%
	Yes	50.00%	50.00%	0.52%

It is not surprising to see that the small percentage that takes out loans to support their parents is generally financially unprepared. It is also unsurprising to see that the respondents who use either their regular savings or retirement savings are much less likely to be prepared (regular- 38.78% vs. retirement- 33.33%). The only respondents who are well prepared and are using funds to help their parents are those using spending money (Well Prepared= 40.86%). One can assume that since these respondents use only their extra spending money that they take time to budget their money and save towards retirement first.

Baby Boomers Helping Adult Children

Table 17 examines how respondents help their adult children and their financial preparedness.

Table 17- Helping Adult Children vs. Financial Preparedness

HELP ADULT CHILDREN	Variable	Unprepared	Well Prepared	Total %
Help Pay for Car	No	58.55%	41.45%	59.22%
	Yes	61.15%	38.85%	40.78%
Help Pay for Housing	No	58.77%	41.23%	57.01%
	Yes	60.73%	39.27%	42.99%
Help Pay Credit Card	No	58.94%	41.06%	85.71%
	Yes	63.64%	36.36%	14.29%
Help at All	No	59.32%	40.68%	41.82%
	Yes	59.82%	40.18%	58.18%

It is no surprise that helping adult children is shown to have a hindering effect on the financial preparedness of the respondents. Respondents who help their children pay off their credit card debt are the most likely to be financially unprepared. Helping their child pay for a car or for housing does not yield a much better ratio in terms of preparedness. Overall, helping adult children at all has a lower level of financial preparedness than not helping.

Table 18 shows helping adult children slowed retirement savings against financial preparedness.

Table 18- Helping Adult Children Slowed Retirement Savings vs. Financial Preparedness

SAVINGS SLOWDOWN	Unprepared	Well Prepared	Total %
No	58.41%	41.59%	83.38%
Yes	65.63%	34.37%	16.62%

The respondents' feelings about their adult children slowing their retirement savings are directly correlated with their financial preparedness. The respondents who felt that helping their children did slow their savings had a much lower ratio of financially prepared to prepared investors (34.37%) than those who did not feel that helping their children slowed their savings (41.59%).

Table 19 looks at the source of funds used to help adult children in relation to financial preparedness.

Table 19- Source of Funds to Help Adult Children vs. Financial Preparedness

FUNDS TO HELP ADULT CHILDREN	Variable	Unprepared	Well Prepared	Total %
Loan	No	58.30%	41.70%	91.56%
	Yes	73.85%	26.15%	8.44%
Spending Money	No	59.68%	40.32%	73.77%
	Yes	59.41%	40.59%	26.23%
Retirement Savings	No	59.46%	40.54%	96.75%
	Yes	64.00%	36.00%	3.25%
Regular Savings	No	58.87%	41.13%	78.31%
	Yes	62.28%	37.72%	21.69%
Another Family Member	No	59.97%	40.03%	97.66%
	Yes	49.44%	50.56%	2.34%
Other Method	No	59.58%	40.42%	99.61%
	Yes	66.67%	33.33%	0.39%

The only two ways to help adult children that allowed for higher numbers of financially well-prepared than those that do not help are to use spending money (40.59%) or to have another family member help the adult children (50.56%). One could assume that if people are using spending money to help their adult children, they have probably already budgeted for retirement savings. Also, it makes sense that if family members are helping respondents' adult children; they will be doing better financially because they do not have to spend their money on their own children. A troubling statistic is the total number of respondents using regular savings to help their adult children, 21.69% of the whole sample. It gives rise to the question of how regular savings is calculated versus retirement savings. If these respondents put more money into their retirement savings and spent less on their adult children maybe they would have a higher ratio of financially well prepared to unprepared.

Table 20 shows two options for estate management, whether to setup a will or help children now in terms of financial preparedness.

Table 20- Set up Will or Help Now vs. Financial Preparedness

WILL OR HELP NOW	Variable	Unprepared	Well Prepared	Total %
Leave a Will	No	59.96%	40.04%	68.44%
	Yes	58.85%	41.15%	31.56%
Help Now	No	60.06%	39.94%	43.25%
	Yes	59.27%	40.73%	56.75%
Don't Know What's Better	No	59.12%	40.88%	88.31%
	Yes	63.33%	36.67%	11.69%

Both leaving a will and helping the adult children now result in a higher financial preparedness than the average of the sample. Respondents with the highest well prepared percentage (41.15%) choose to leave a will for their children over helping them in the short term (40.73%). It could be assumed that the low ratio of financially prepared respondents (36.67%) that answer "don't know what's better" is a result of not having enough retirement assets to be sure. If they do not have as much as they need to retire, they are unsure how best to allocate their assets in the present, let alone in the future. They could also realize that they may need all of their current retirement savings and that leaving either of these vehicles for their children may not be an option.

<u>Financial Preparedness Logit Analysis</u>
In the previous section, I examined financial preparedness by investigating individual factors one at a time. Comparatively, a multivariate analysis assesses how financial preparedness varies by particular factors, keeping constant the effects of a wide set of other factors. I conduct a multivariate logit analysis to assess the linkage of the financial preparedness of the sample to demographic and financial characteristics and to other factors such as communication within the family.

Table 21 shows the results for this model, displaying maximum likelihood coefficients, t-statistics, and odds ratio for the point estimate. The model can be viewed as a way to see if various items of information provided by respondents can be used to predict whether they are financially well prepared or not. The dependent variable in the multivariate analysis is an indicator variable that takes on a value of either one or zero for each respondent, depending on whether the respondents' total investable assets placed them in the prepared or unprepared section of the sample. The important thing to note about this sample is that all of the respondents hold $100,000 or more in investable assets. This is significant because it means the sample does not represent the entire US population, but does give some insight into what demographic factors affect financial preparedness.

Table 21- Multivariate Analysis

	Point Estimate	**Coefficient Estimate**	**PR>ChiSq**	**T-Statistic**
Intercept		-0.5808	0.1913	-3.03607
College Degree	1.268	0.1388	0.1898	0.731296
Male	1.285	0.1259	0.1123	1.121104
Black	1.122	0.3252	0.7245	0.448861
Hispanic	1.941	0.6957	0.0641	10.85335
Financial Advisor	1.12	0.0573	0.5205	0.110086
Financial Plan	1.675	0.407	0.0079	51.51899
Northeast	0.591	-0.5252	0.0304	-17.2763
Midwest	0.969	-0.0313	0.8895	-0.03519
South	0.669	-0.4018	0.0631	-6.36767
Kids	1.273	0.2414	0.2633	0.916825
Medium Income	0.22	-1.5159	0.0001	-15159
Graduate Degree	1.117	0.1106	0.586	0.188737
Parents Talk to Resp. about Money	1.372	0.3162	0.0638	4.956113
Respondents Talk to Kids about Fin. Accts.	0.943	-0.0585	0.7401	-0.07904

I examined several distinct explanatory variables in the estimation. These results of this multivariate analysis indicated whether the variables showed any correlation with the financial preparedness variable. The results of this analysis show that among this sample there is a significant positive relationship between financial preparedness and three of the explanatory variables- Financial Plan, Hispanics, and Parents Talk to Respondents about Money. The most important results, however, are that having a financial plan makes respondents more likely to be prepared, but having a financial advisor is insignificant. The Hispanic respondents in this sample are better financially prepared than the Caucasian respondents, but it is interesting to note that there is no difference between African American respondents and Caucasian respondents. The respondents whose parents talked to them about money are also more likely to be financially prepared than those who are not.

There are other interesting things I learn from this multivariate analysis. The first is that education level does not play a role in whether respondents are financially prepared or not. Also, gender does not influence financial preparedness. Respondents who live in the Northeast and the South are less likely to be well prepared relative to the West. Respondents in the medium and high income levels are significantly less likely to be well prepared given their higher income levels. I interpret this as suggesting that they are less likely to be able to maintain their current lifestyles in retirement.

CONCLUSION

My results show that only 40.39% of investors with $100,000 or more in investable assets are well prepared for retirement. Given that the sample is skewed towards higher net worth individuals, it suggests that an even a lower percentage of the overall population is financially prepared for retirement. The results also demonstrate that gender and education level do not play a significant role in predicting financial preparedness, which is a definite surprise. It is important to look at directly what can be taken from this study that can have direct impact in the future.

One aspect of this study that stands out is the finding that having a financial plan significantly increases a person's chances of being financially prepared for retirement, while having a financial advisor had no influence. This finding could help to revolutionize the financial services industry. Companies could begin to realize that sitting down with customers and defining all of their financial needs and goals up front is more important than immediately deciding where they should be invested based on their risk tolerance. This would stop the production of large fleets of financial advisors who feel the pressure to sell financial instruments to as many customers as possible. It would give advisors the opportunity to sit down and know their clients and define all of their future plans, similar to the structure currently in place for high net-worth clients. If all investors could have access to a more personalized investment service and greater numbers had a plan drawn up for them, we would most likely see greater financial preparedness in the future.

An even simpler concept is an increase in the number of financial planning firms. They should also promote the non-committal option of having a consultation with a financial advisor on an hourly rate. In this situation clients are able to bring all of their financial information and describe their financial goals with the plan of how to budget their current earnings and plan for the future. In this scenario, there is no push towards a specific product line, only possible suggestions that the client can look into or choose to come back to the financial planner as a full-time client.

Another important idea that can be derived from this study is that parents who talked to their children about money are better financially prepared than those whose parents did not. A policy that could be implemented here is the inclusion of a savings or banking class in the middle school and high school curriculums. This seems like it would be a tough feat based on many of the current cuts in funding of education, but given the credit crunch and the number of people defaulting on sub-prime loans, this program might be able to gain some acceptance. The results of this survey show that teaching fiscal responsibility at a young age does have an effect on financial preparedness. This could be another proactive approach to increasing overall financial preparedness and level of financial literacy.

Another important discovery is that based on the fact that 59.61% of the sample is not financially prepared for retirement, it seems that many will be either unable to retire at the time they want or may have to adopt a cyclical role in the workforce. This cyclical role could include working as a consultant based on specific time contracts or project based. The specific time periods of working would allow Boomers to stay in the workforce and continue to produce an income, while not working a full-time schedule. They may be unable or may not want to handle the heavy workload of an everyday schedule and instead prefer to work on specific projects. To increase the willingness of companies to hire this generation as consultants or on a part-time basis, the government could consider tax benefits similar to those provided for running internship programs.

It is important to look at the current policies and what their effects will be in the future. One current policy is the Restoring Earnings to Lift Individuals and Empower Families (Relief) Act of 2001. This act states that the maximum contribution to a 401-K retirement account in 2008 is $15,500. There is a provision within the law that allows for a catch-up contribution amount of $5000 for individuals over 50 years old (Sharlow, Money-Zine.com, 2007). This policy should be better advertised to the general public. Individuals just crossing the 50 year age barrier could benefit from the compounding effects of a 15 year investment. Anyone within this age range could benefit from this compounding as well taking the time to analyze their income and better budget and plan out their savings.

Another policy is the Pension Protection Act of 2006. This policy should have been enacted a long time ago when the switch from defined benefit plans to defined contribution plans became a standard. This act allows companies to automatically enroll employees in defined contribution plans with a set contribution rate. It also ensures that employees not only have more information about the performance of their accounts, but also gives them greater access to professional investing advice. This act also gives workers greater control over how their accounts are invested and made the higher contribution limits for 401-ks by the RELIEF Act permanent. This Act is a step in the right direction to increase Baby Boomer retirement savings, but its greater effect, by allowing automatic enrollment in 401k plans, is to advance savings rates in the future (Office of the Press Secretary, 2006).

The ongoing challenge of the surge of Baby Boomer retirement and the number of people who are unprepared for this goal remains too great to be solved by a simple formula. The results that we see in this survey should encourage Baby Boomers to sit down with a financial planner and create their own financial plan. This will help them to set up a budget as the best way to realize financial goals, and retiring at 65 may no longer be an option. As the first Boomer eligible for retirement turned 62 this January, some members of this generation are at a severe disadvantage in receiving financial guidance. With the increases we are seeing in longevity, the older portion of this generation may have to work longer, but still be able to enjoy periods of retirement similar to those of previous generations. Hopefully parents can realize the importance of talking to their children about money and fiscal responsibility so that in the future we can avoid the financial shortcomings we are seeing today.

APPENDICES

Appendix A – Personal Savings Rate

Title: **Personal Saving Rate**
Series ID: **PSAVERT**
Source: **U.S. Department of Commerce: Bureau of Economic Analysis**
Release: **Personal Income and Outlays**
Seasonal Adjustment: Seasonally Adjusted Annual Rate

DATE	% Savings
12/1/1959	7.608333
12/1/1960	7.291667
12/1/1961	8.41667
12/1/1962	8.35
12/1/1963	7.841667
12/1/1964	8.825
12/1/1965	8.6
12/1/1966	8.25
12/1/1967	9.458333
12/1/1968	8.475
12/1/1969	7.766667
12/1/1970	9.433333
12/1/1971	10.05
12/1/1972	8.858333
12/1/1973	10.475
12/1/1974	10.6
12/1/1975	10.56667
12/1/1976	9.4
12/1/1977	8.708333
12/1/1978	8.866667
12/1/1979	8.891667
12/1/1980	10.025
12/1/1981	10.84167
12/1/1982	11.19167

DATE	% Savings
12/1/1983	8.958333
12/1/1984	10.8
12/1/1985	9.016667
12/1/1986	8.175
12/1/1987	6.966667
12/1/1988	7.283333
12/1/1989	7.15
12/1/1990	6.975
12/1/1991	7.258333
12/1/1992	7.7
12/1/1993	5.766667
12/1/1994	4.825
12/1/1995	4.65
12/1/1996	4.008333
12/1/1997	3.65
12/1/1998	4.316667
12/1/1999	2.375
12/1/2000	2.366667
12/1/2001	1.766667
12/1/2002	2.358333
12/1/2003	2.133333
12/1/2004	2.075
12/1/2005	0.5
12/1/2006	0.408333
12/1/2007	0.516667

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