

October 2005

## The Power Of Boomer Value-nomics By Lewis J. Walker

What life and the election tell us about our future

The cohort of about 75 million Americans born between 1946 and 1964 fascinates demographers, futurists, social scientists, marketers and others. What the baby boomers have thought about or done has dominated national conversations and redefined social policies, politics, culture and economics.

We know that America's gray-wave tsunami could swamp retirement, health and welfare systems, transforming politics, the tax code, labor law and banking and investment markets. Boomers will force revision of age discrimination rules in the job market and raise end-of-life issues to a higher level of debate. Boomer value-nomics, their values as expressed in economic behavior, represents the transforming issue of our time.

Yet for all that has been said, the most telling observation about boomer-driven trends appears in a report from the 2005 White House Conference on Aging Policy: "While many experts, popular pundits and the press have made predictions about how the aging of the baby boomers will affect the United States, in actuality, no one really knows with any certainty what will happen."

Here is what we do know. In 1996, the first of the boomers turned age 50. Something happens on your 50th birthday. When you get an AARP card in the mail, your first reaction is, "Oh-mah-gawd!" When you were younger, you knew people in their fifties. They were old. You are not old. You are not middle age, even if you are halfway to 100. You look good, you mumble, as you head for the gym, tucking your new AARP card into your wallet "because you can use the discounts." You're on your way, baby!

The fifth decade of life is an interesting one. Given the trend toward later marriage and delayed childbirth, couples and single parents may be facing heavy educational expenses for children. Aging parents may need help. Retirement as a goal, often yet to be defined, is a phantasm on a fuzzy horizon, and "the needs of 'now'" conflict with idealistic visions and savings goals.

"Stuff" happens in the fifties, to paraphrase a bumper sticker. Marriages break up, even as others celebrate 20- and 30-year anniversaries. Both events engender reflection. Milestones in our children's lives are cause for celebration and, at times, concern. Parents die. Spouses die. Friends die. End-of-life lessons are made real. Illnesses strike us and others.

On the positive side, we recognize that we are blessed. By age 60 we mature, and know that we are blessed. We finally know what we are to be "when we grow up." We begin to think more about significance, recognizing that "significance" and "success" are not the same things.

Where do we go with this? Many of the leaders who are thought-molders in our profession, and the pundits who write about us, are in their fifties. They grew up in an Age of Innocence from 1946 to 1964, nurtured by the World War II and Korean War generations, who determined to give their offspring what they were denied, especially educations. Our leaders and practitioners reflect that brain trust, with a plethora of undergraduate and graduate degrees and professional designations.

Well-educated and less reserved than their parents, boomer advisors passed through the "drug, sex, and rock 'n roll" crazes of the Age of Rebellion from 1964 to 1979. We wanted to "make love, not war," but some of us went to war in Vietnam, shocked to learn that the world was not one big Happy Hour. We came back more sober, and in many ways more mature than we might otherwise have been.

Perhaps we learned, too, in the Age of Indulgence from 1974 to 1987, that there was more to life than a BMW, a big house and toys. Maybe he who dies with the most toys actually loses. We shocked ourselves by becoming responsible parents. As we preached self-reliance to our kids, we had to walk the walk, or become what we abhorred—a phony.

We began to come of age starting in 1987 and, for certain, everything changed on 9/11/2001. The children of the '50s knew that the world was a dangerous place when "duck and cover" drills in grade school reminded us that evil Russian bombers and missiles could turn us into crispy critters. Now it is

terrorists with box cutters, B-767s as cruise missiles, suicide bombers and WMDs that jolt us into reality.

If the Age of Maturity did not begin in 2001, it will when the first boomers of 1946 turn 60 in 2006. Ben Coombs, a CFP licensee and past president of the Institute for Certified Financial Planners, set up a mentoring group for young planners. Tagged The Rat Pack, led by Ben and volunteer planners over age 50 with years of experience, i.e., the old rats in the barn, members commit to helping, sharing and mentoring financial planners new to the profession. The Old Rats In The Barn primarily are in their fifties and sixties, and are indicative of a trend.

Ben sold his interest in his financial planning practice near Los Angeles and moved 200 miles north to a small town near Yosemite National Park. He stays active and still has clients. Call Ben's old office and, "click," he is on the phone from exurbia. With satellite, fiber optic and Internet technology, we can be "out of touch" yet "in touch." Ben calls his situation "restylement," not "retirement." He is redefining retirement as the boomers will do, and we as advisors will do and are doing.

By mentoring younger planners, Ben is giving back. The 1998 AARP/Roper Baby Boomer Study defined the Boomer population as represented by five segments. The "Strugglers" comprise 9% of the boomer universe, people with low incomes, no savings and little optimism. One rung up on the ladder are the Anxious (23%), people with some savings but limited means, with anxieties about retirement finances and health care. A large percentage of these two groups will be women, widows and divorcees. These groups exceed 24 million persons. Where will they go for help?

Such clients do not have the wherewithal to meet "assets under management" minimums or pay significant planning fees. We may see "restyled" part-time veteran planners stepping in to offer advice by the hour as needed, business models for which are well established, e.g., the Garrett Financial Network.

"Giving back," by sharing wisdom and time-tested practical savvy, will be a growing component of value-driven boomer activism. Pro bono counseling and workshops, and service through community and faith-based institutions, will increase.

### **The New Retire-mentality**

Ben Coombs calls it "restylement." Mitch Anthony in his 2001 book tagged it as "The New Retire-mentality." The AARP study noted three other categories of Boomers—those well off compared to the Strugglers and the Anxious. The Enthusiasts (13%) plan to not work at all in retirement, can't wait to get there and are optimistic.

The "Self-Reliants" cohort (30%) is descriptive of many boomer planners—putting money into a diversified portfolio of investments, optimistic, regarding Social Security as an "extra." Almost 99% of this segment expects to work part-time, for enjoyment but primarily to sustain an active mind. The attitudes of the Self-Reliants drive most planners and will impact the advice given to clients. We will pass on our enthusiasm for an active retirement and help clients to design portfolios based on that premise.

Today's Traditionalists (25%) are confident, plan to rely on Social Security and Medicare (they will be strong advocates of government safety nets, more so than the Self-Reliants), and plan to work just to keep busy and supplement income.

A total of 68% of boomers comprise the top tiers, almost 52 million "senior citizens to be," a massive retirement rollover market and financial advisory target. The age 60-plus group controls roughly 70% of the IRA assets in the U.S., based on 1999 data compiled by the Employee Benefits Research Institute.

It is worthwhile to note that pre-boomers, those born before 1946, are a huge target for financial services. This cohort includes pre-retirees (persons born in 1940 turn 65 in 2005), semi-retirees and retirees. Healthy seniors, age 60 to 75, are major consumers of travel and "experiential" services; they love and want to enjoy children and grandchildren. They are concerned with estate planning, maintaining financial integrity and common sense distribution and income strategies. The WOOFF (well-off older folks) market is BIG—the current market and the boomer-driven market to come. Boomers may not believe it, but they will think very much like the pre-boomers of today. Look at today's "young" seniors as a clue to the future.

Considering trends and possibilities, one must question early demographic doomsday scenarios that envisioned stock markets falling off of a cliff when boomers start to suck money out after 2011. Many will reach full retirement age, start drawing Social Security while continuing to pay into the system, as well as Medicare, and while continuing to work and maintaining coverage under employer health plans.

They will continue to build and sustain investment portfolios. There will be pressure to eliminate required minimum distribution (RMD) requirements, and an expansion of Roth IRA coverage will do that in any case. With IRA "stretch-out" provisions, WOOFS may regard retirement accounts as more of a wealth-transfer device to children or grandchildren, and less of a source of major retirement income.

Many clients age 65 and up are following that track now, even grumbling about forced distributions at age 70 1/2. Such trends will ease pressure on Social Security and Medicare systems.

Lifespan is increasing and boomers are quick to demand and embrace the latest in technologies and medicines. Boomers are healthier than past generations. Look at the sales of bottled water, Atkin's products and diet books, while stock in Krispy Kreme plummets in value as health-conscious boomers

and pre-boomers disdain circular fried fat-bombs.

Boomer advisors have spent a fortune on coaching programs to bring balance and meaning to life. They are passing those attitudes on to clients, other boomers and their own children. The pursuit of meaning will not end in retirement.

### **The Values Boom**

The biggest change to hit boomers in their mid-to-late fifties is the realization that “it is not just about me anymore.” As we age, we attend an increasing number of funerals for successful friends, associates, parents, grandparents, loved ones. We know that God does not ask for a net worth statement. He will not ask about our zip code, car, home, club membership or awards.

All great religions rest on two pillars, overarching great commandments involving worship and service. That’s what God will ask of us as we stand before the Eternal Revenue Service—an accounting as to how we applied and shared our gifts and resources. We see such concerns in the growing interest in financial life planning—seeing meaning beyond money, and the spiritual over the materialistic.

Many of those leading the conversations about what has been called “financial life planning,” “interior finance,” etc., are boomers—George Kinder, Dick Wagner, Mitch Anthony, Carol Anderson, members of the Nazrudian Project and others. Roy Diliberto calls the process “financial planning done deeper and better,” i.e., holistic planning. These are thinkers who by and large are moving into the Age of Maturity, pondering their own place in the big picture, developing dialogues and increasing a body of knowledge that has already moved data gathering from an X-ray to an MRI, and financial advice from a conversation about numbers to an examination of value-driven possibilities. Financial life planning is itself a product of the boomer age wave.

The Coming of Age and Maturity revolutions are permeating political discourse. During the Age of Rebellion and Age of Indulgence the philosophy was, “OK, man, like whatever!” Doing-your-own-thing was de rigueur, and libertarianism ruled. In the “Me Decade” of the 1980s, we were uncomfortable about passing judgment. We were not evangelists, and were reluctant to call others to action. But as waves of boomers mature, serious about family values and the quality of life, attitudes change.

The election of 2004 may have represented a boomer-driven “tipping point.” The Nov. 22, 2004 issue of the liberal-leaning New Republic magazine (“Quadrennial (sigh) Recriminations Issue”), offered pythonic observations that may be linked to the Boomer Maturity Wave.

Writer Andrei Cherney noted that exit polls in swing states indicated that moral and value issues had a major influence on voter choices. While the reference to values “served as an overly broad catchall, the fact that voters who selected it as their most important issue went overwhelmingly for Bush (80% to 18%), indicates that it was a phrase with some meaning.”

No one suggested that the 57 million citizens who voted for John Kerry did not have values, but Democrats seemed surprised by “the fact that, in supporting Bush, so many middle-class voters failed to vote in their economic self-interest” (jobs, healthcare, no “privatization” of Social Security, etc).

But Cherney states that “Americans do not enter the voting booth in the manner of accountants calculating take-home income. They have historically voted on hopes and resentments that have nothing to do with the bottom line.” Cherney warns: “The values inculcated by family and community—such as hard work, personal responsibility, patriotism, faith and integrity — are not only religious in origin. Yet they are part of the nation’s civic creed, and Republicans can no longer be allowed to have a near-monopoly in running on them.”

### **It’s The Story, Stupid!**

Born on July 6, 1946, George W. Bush, the 43rd president of the U.S. followed the trail of a typical boomer—well-educated, restless, drinking too much. Bush himself admits to “nomadic periods” of youthful irresponsibility. In his late twenties, he was arrested for DUI in Maine on Labor Day Weekend in 1974.

Bush married Laura Welch in 1977, and twin daughters were born in 1981. In 1986, at age 40, George Bush became a born again Christian, joined Laura’s United Methodist denomination and swore off drinking. Campaign 2004 presented a photogenic family, a loyal and articulate wife of 27 years, a reformed rascal who was true to his word. Well, that’s a story. Elitists can laugh, but Main Street America loves “born again” stories.

A senior Kerry advisor, quoted in the same New Republic issue, complained, “People had a story about George Bush. The story was he was the accidental president who was transformed by 9/11 into a strong, serious leader. That kind of story matters to people.”

The boomer clients of tomorrow will not want a laundry list of products, or a litany of technical issues. They will want a financial plan that recognizes and values their story, couched in the story they have yet to write. The self-reliant boomer advisor is well positioned to embrace the story proposition in a world of increasing complexity and promise.

Although he spent much of the first 40 years of his life as a classic underachiever, Bush suddenly finds himself in a position where he could become a great or near-great president. He is far more willing to take big risks than his two most recent predecessors, his father or Bill Clinton. He has learned that if you set your sights high and try to do great things, you just achieve them. His current attempt to

reform Social Security looks to be in trouble but shrewd observers have learned not to “misunderestimate” him.

From the White House to your house, boomer thinking will impact everything. The stated mission of the 2005 White House Conference on Aging Policy is to harness “our national goodness and vibrancy to initiate a constructive process of intergenerational policy dialogue, development and implementation.” The Boomer cohort is now running the show. It will be quite a story!

There are dangers, however. If we extend the retirement age, will we get one more final tour by The Rolling Stones? Yeah, baby!

### The Grandma Thing

A lady named Jan posted the following on [www.aginghipsters.com](http://www.aginghipsters.com): “I cannot be a grandparent—I don’t know how to make a strudel; I don’t own a hair net. I can’t crochet, play mahjong or speak Yiddish. How could people as young and hip as we Boomers turn into grandparents?”

Ask a boomer who has a grandchild. His or her grandchild is the most handsome, the most beautiful, the smartest, most adorable baby ever created in the history of the universe.

Boomers will be super-grandparents, with the same intensity they have brought to everything else. They will fund 529 Plans and Coverdell Educational IRAs. They will be the primary buyers of toys, especially educational amusements. They will travel to see family. Stay in touch on the Internet.

Ask a person who the most influential person was in their life and often they will mention a grandparent. Boomers will want to be a positive influence on grandchildren. Our job is to learn how they want to actualize goals. They may want to have a second home close to, or for the use of, children and grandchildren.

A client asked me if he and his wife could afford to take three children, their spouses and five grandchildren on a cruise to Alaska. He still talks about that trip several years later. One client wants to rescue an old family farm as a nature preserve for grandchildren and succeeding generations, to let them know where they came from.

Well-off boomers with successful children will have greater interest in passing assets directly to grandchildren, including Stretch IRAs. With potentially less money going to estate taxes, trust and legacy planning will loom larger.

“Grandboomers” will see entitlement reform in a different light. Do we really want to saddle those adorable innocent children with all that debt just because we as a generation could not make the hard choices?

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