

## Retirement Income, Part 3

By Gary Case

This week's column continues to lay the groundwork as to why and how to establish a lifetime retirement income plan, a discussion of current demographics.

The past generation has seen the majority of American households become stock market investors for the first time, either directly or through their retirement savings plans. The three down years in American equity markets from 2000-2002 inflicted a major financial setback with literally trillions of dollars in wealth being lost. This most sharply impacted people in or close to retirement. Many retirees have had to adjust their budgets and downsize expectations for retirement living. Some have had to go back to full-time work. Many people still in the workforce feel compelled to delay retirement, to raise their savings and to lower their expectations about post-retirement lifestyles that had, until recently, looked to be very comfortable. This situation has made financing a comfortable retirement seem a more daunting challenge than ever.

According to U.S. Census Bureau projections for 2010-2050 (issued January 13, 2003), more than 35 million Americans, one in eight, are over age 65 right now. By 2040, more than 77 million Americans will be over 65, about 20% of the whole population. 76 million baby boomers--those born between 1946 and 1974—are closing in on retirement. According to the American Association of Retired Persons in their May 2001 "Boomers at a Glance, boomers are turning age 50 at the rate of more than 12,000 a day, one person every eight seconds. Increasingly, as I stated last week, the burden of creating reliable sources of income is passing to individual Americans.

In addition to fallen stock prices and low personal savings rates, the increasing cost of medical care and the trend by companies pass more of those costs on to individuals creates a financial strain on employees and retirees. Issue Brief 254 from the Employee Benefit Research Institute that from 1995 through 2002, the number of companies offering retirees health coverage declined from 35% to 23%, yet total medical care spending in America continues to rise faster than general inflation, according to a 2001 U.S. Government Report on Health Care Spending.

Despite the magnitude of the challenge, Americans over age 65 are generally healthier and wealthier than previous generations of retirees, and have the means to help create retirement income solutions to fit their lifestyles—if they take inventory of their resources, plan intelligently and act! Next week I'll discuss how to move from accumulating assets to distributing income from your savings.

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