

Where's the Gold in the Golden Years?

By Peter Grandich

In 2009, I moved into an adult community. Between what I have seen there and what I see in the news, I'm left wondering what happened to the so-called "Golden Years"?

For 27 years I've been in and around the financial services industry. The sales end of the business had targeted seniors like Willie Sutton targeted banks because "that's where the money is." While the last few years has suggested to me Willie would've been better off opening banks versus robbing them since it seems they can do no criminally wrong and get bailed out if they mess up, the senior community has felt "robbed" thanks to three factors that continue to remove any of the gold that still may be left in their golden years:

1- Throughout the 80s, 90s and early this decade, seniors managed to live a good bit off

fixed investments like CDs or treasury bills. But thanks to the Federal Reserve's deliberate actions to drive interest rates to almost zero, seniors found they couldn't live off income from previously very safe principle investments. This caused many of them to venture into more exotic and riskier income plays, some of which led to significant principal losses. The shambles of the mortgage fiasco caught many seniors, some to this day are not fully aware of how it's going to impact them.

2- The "Don't Worry, Be Happy" crowd on Wall Street had for years touted the great wealth transfer as a source of big business for them for years to come. They knew most investors bought into the "myth" that stocks and home prices just keep going up over time. They built all sorts of products in hopes of catching the inevitable transfer of wealth from one generation to another but somehow

missed seeing a financial crisis that they would like to tout is over. In my humble opinion, however, the worst is yet to come.

3- So seniors found themselves unable to secure high-yielding safe investments and their prime assets like their homes and stock portfolios no longer simply rose in price over time. Now this would be bad enough but the last factor that up until now gave seniors critical comfort – affordable and high quality medical care via Medicare – is about to go the way of the first two. The inability to access the top-notch medical care that this generation has grown accustomed to will not only be the dagger that ends the golden years, but perhaps give seniors the biggest cause for fears.

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There are some other factors that, when combined with the above, make for some social, political and economical episodes that aren't going to be pretty. Keep in mind: it was just a few years ago when for the first time in American history, we had more Americans over the age of 65 than under 18. About 80% of the wealth in America is owned by empty nesters and seniors. They also tend to vote more than younger Americans.

But don't assume as the financial industry did that grey on top meant bucks in the pocket. A recent survey conducted by CESI Debt Solutions discovered that 56% of American re-

tirees still had outstanding debts when they retired. Retirement is not supposed to be about debt. In fact, it is hard enough to try to survive on a fixed income without having to worry about debt payments. But now the majority of Americans who retire do so with debt still on the books.


Worse yet is that an increasing number of senior citizens are going bankrupt. A recent study by a law professor from the University of Michigan found that Americans that are 55 years of age or older now account for 20 percent of all the bankruptcies in the United States. Back in 2001, they only accounted for 12 percent of all bankruptcies. In fact, between 1991 and 2007 the number of Americans between the ages of 65 and 74 that filed for bankruptcy rose by a staggering 178 percent.

Many elderly Americans are under such financial stress these days that they have simply decided never to retire. According to a recent AARP survey of Baby Boomers, 40% of them plan to work "until they drop."

Retirement is a "man-made" creation. There's nothing biblical about us supposedly killing ourselves for 75% of our years to gather enough assets to live off for the last 25%, but that's the system society has built. The system is broke and our government can do little more than try once again to kick the can down to the next generation. Somebody is going to pay an awful price.

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