

Retiring boomers will cost billions

By **Bill Zlatos**
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Daniel Barnes of Wilksburg began delivering newspapers in Homewood and Penn Hills at age 8. He later worked at U.S. Steel's Homestead Works, automobile garages and a demolition company.

Barnes, who turns 62 in February, is in the first wave of the nation's 77 million baby boomers -- Americans born between 1946 and 1964 -- who become eligible this year to receive Social Security benefits. Barnes opted to retire at 62 rather than keep working with a bad back.

"I'm going to sit back and enjoy my retirement," he said.

Experts say this generation could strain government services at a time when many have not prepared for retirement. According to U.S. News & World Report, 41 percent of workers between the ages of 45 and 54 have saved less than \$25,000 for retirement.

"The first baby boomer today is creating what I call a fiscal tsunami over the next several decades," said Stuart Shapiro, president of the Harrisburg-based Pennsylvania Health Care Association. "The cost of long-term care for these baby boomers will cost billions of dollars."

He said 70 percent of baby boomers will need some kind of long-term care whether in a nursing home or elsewhere, but Social Security and Medicare do not cover those costs, and state Medicaid programs are stretched beyond their limits.

Pennsylvania spends \$15 billion a year on medical assistance, including long-term care. Long-term care in a Pennsylvania nursing home costs an average of about \$70,000 a year, Shapiro said.

Pennsylvania had nearly 1.9 million people 65 and older in 2006, U.S. Census Bureau figures show; another 1.4 million people would hit age 65 by 2016.

Stacey Witalec, a spokeswoman for the Pennsylvania Department of Public Welfare, said the number of baby boomers concerns state officials.

"That's why we're moving away from an institutional-based system of care and working to provide an expanded amount of home and community-based services," she said.

The Social Security's retirement fund, with \$1.8 trillion in assets as of 2006, will be exhausted in 2042, and Medicare's reserves, \$305.4 billion as of 2006, will be exhausted by 2019, according to the 2007 annual report of the trustees for the systems.

Having enough money for retirement becomes especially important as Americans live longer -- to an average age of 77.8 years. Meanwhile, employers have shifted their benefits from pensions to 401(k) plans, meaning that the responsibility falls on the employee's shoulders to prepare for retirement.

"My general sense is that most people are woefully unprepared to finance their own retirement," said Tom

Franks, founder and president of Emmanuel Capital Management, LLC, an investment firm in Franklin Park. He teaches a class, "Investing for a Better Retirement," at the North Campus of Community College of Allegheny County.

Franks recommends saving 10 percent of income a year, putting the most money that the law allows into a tax-deferred account such as a 401(k) plan and investing most of one's savings in stocks, not just bonds.

"It's better to have money in stocks all over the world than just in U.S. stocks," he added.

To address the onslaught of retirees, social service agencies and local employers will have to change the way they operate, experts say.

Karen Wolk Feinstein, president of the Downtown-based Jewish Healthcare Foundation of Pittsburgh, urged the consolidation of hospice programs.

"Many can't operate at maximum efficiency because there are too many," she said.

She recommended that companies welcome retirees into the work force by accommodating their reduced hours and extended vacations.

Many boomers are choosing to delay their retirement or reinvent themselves.

Claudia Careccia of Monroeville turned 62 on New Year's Day and could collect Social Security benefits this year. Even though she has saved regularly for retirement, she expects to keep working as a nurse at the VA hospital in Oakland at least until she is 65.

"I don't feel like I'm ready," said Careccia, a single mother of three adult children. "There's nothing that you can count on for stability in prices. I don't think there's anyone out there looking out for us."

A recent poll shows that 32 percent of Americans 50 and older expect to retire before age 65, and 27 percent do not know when they will retire. The poll was commissioned by Experience Wave, a Washington-based campaign that encourages older adults to continue working and be involved in their communities.

The group's poll shows that 59 percent of the respondents who plan to retire expect to volunteer for a nonprofit or community group. An additional 14 percent plan to learn a new skill for a different career.

"We need to retire the concept of retire and view it as a time of encore -- career encore or activity encore," said Experience Wave spokesman Harris Wofford, 81, a former U.S. senator from Pennsylvania.