

## Boomer Psychology

David J. Drucker | 11-17-05

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I've decided that baby-boomer planning is a critical area we probably can't study closely enough. If I were still a full-time planner, based upon my former client base in which I favored depression-era clients, most of my clients would be dead or dying. I'd *have* to work with boomers, whether I wanted to or not (and I usually didn't). That's why this group bears understanding. Very simply, they will make up the bulk of most practitioners' client bases within the next 10 years.

So, to further that understanding, I invited a handful planners to play pop psychologist and tell me, based upon their own experiences with this client group, exactly what boomers seem to be thinking--or, more accurately--how have they gotten themselves into the retirement mess they're apparently in and how do they think they're going to pull themselves out of it?

As you can imagine, boomer survival plans range from sensible to seriously misguided. Yet, there are some fundamental differences in this group that may just save a large percentage of their behinds--*if* planners focus on their special needs and do the right planning.

Before getting into their problems and solutions, though, what would a psychologist say about the boomers as a generation?

Michael Horwitz, Ph.D., CFP, is both a financial advisor, with Life Strategies Financial Planning of Austin, Texas, *and* a former psychologist. "Boomers see life as a choice and living as posing a myriad of options: where to live, whether to get married, whether to raise children, what career to pursue, and so on," he says. "Previous generations took their lifestyle for granted. They also conceived of responsibility differently. My father accepted it as his responsibility to financially support the family and have a more limited role in child-rearing. The difference is that boomers are aware of alternative lifestyles and would be unlikely to say, 'I am living this way because it's the way my parents lived.'"

This generation may have choices, but could it be those choices that have also led to its many problems?

"It has often amazed me how my depression-era client who saves like there will be a million more tomorrows (even though he's over 85), can have a child who spends like there is no tomorrow," says Christopher Olden with the Advanced Advisor Group of Ambergris Financial Services in Lode, Calif. "Many people will retire in their 60s and live until their 90s," says Bob Haley of Advanced Wealth Management in Portland, Ore. "The unique challenge of boomers in retirement, then, is how to have it all now and later too. Most boomers don't understand what it's like to not be able to afford the essentials. They have little notion of scarcity, which is unique in history."

A pretty dire picture. Do we have a huge generation of people who are going to crash and burn in their old age? Many think so and would probably add that the only saving grace is that many boomers will

seek out professional financial advice that *may* save them.

But perhaps boomers possess some natural if little-recognized survival skills. Just as they will be caught between the rock of too little savings and the hard place of long life spans, planners note certain strengths that just may be unique to the boomer generation. Herself a boomer, Elaine Scoggins, CFP of Tampa, Fla., says, " We don't want to retire at age 65 like our parents did. We want to be in control of our lives after years of being at the whim of Corporate America. This is leading us to take our brain power and experiences and open our own companies at a record pace. We are tired of long commutes, so many are choosing to work from home."

Michael Palmer, a principal at The Trust Company of the South with three locations in North Carolina, makes a related observation: "The one thing I've noticed about boomer retirees is they seem to view retirement as another life phase where they have goals they want to attain. There seems to be a 'pursuit' mindset, whereas WWII retirees seem to me to have a more passive retirement approach--sort of 'take it as it comes' rather than 'go and get it.'"

In other words, boomers won't keep working just because they have to. They'll keep working because it's what they know and love. Much more than previous generations, their work is who they are. Not because they toiled on an assembly line and never had time for other interests, but because they were more likely than their parents to have had a profession, a career, a work life that fed their identity and not just their wallets.

Additionally, they *do* have other interests because they're better educated than their parents. And, without the experience of the Great Depression, they're less afraid of risk, too.

Yes, all of these things are true, but are they true for *all* boomers. Not necessarily. Unlike today's "generations," the boomers were born between 1946 and 1964--almost two generations by most standards. In my own experience, boomers like me who were born on the front edge of the wave are more likely to have had parents who remembered the Depression and instilled in them some of their respect for money and fear of debt. Boomers born closer to the back end of the wave, in many cases, lack this respect and, in turn, lack the savings that go with it.

Says Ted Feight of Creative Financial Design in Lansing, Mich., "I have many boomer clients who are retiring at ages 55 to 61, but they are the exceptions. They are the boomers who kept saving and did not get caught up in the 'now,' with all its toys."

Adds Haley, himself a boomer, "It's important to identify what the boomers are not. They/we are not a homogeneous group. As with every generation before us, we are conservative and liberal, rich and poor, well-educated and not, intelligent and not so. As a result, any attempt to treat boomers as a uniform bloc will result in gross inaccuracies."

And that's why we must understand that subset of boomers, those born in the latter half of the boomer reign (late 1950s/early 1960s), to identify the most severe problems within this generation and correct them, where possible, through focused planning.

Scoggins, 48, looks in the mirror and knows this particular brand of boomer very well: "We travel to foreign shores much more than our parents' generation; we believe we are going to live much longer than our parents did and, therefore, we feel younger and lead more active lives; we don't want to truly retire at age 65 like our parents; we are much more technology-savvy so we use our computers and handheld PDAs to receive information almost as much as we watch television; we are concerned about

the environment more than our parents were and will change some of our personal habits if it helps the environment; we want to give something back to our communities; we are more willing than our parents to still have some money in equities beyond age 65 because we believe we're going to live a very long time."

Scoggins' views are positive and certainly further our understanding of the boomer psyche. But will boomers' open-minded, travel-loving, environmentally-conscious, technology-adopting attitudes save them from destitution? Not without professional intervention, most advisors (even boomer advisors) believe. So what will that intervention look like?

Curt Fey, Ph.D., CFA, CFP of Pittsford, N.Y., puts extra emphasis on his boomer clients' lifetime cash-flow needs. "We determine current cash flow and future cash flow needs. We go over traditional income increases in their profession and typical job turnover and expected retirement age, including involuntary retirement. Some of our key assumptions are: Social Security stays at current levels, private industry health-care benefits vanish, government benefits remain, and private, unfunded, unprotected pension plans are at risk. We then look at the retirement cash flow for various amounts of savings and risk levels."

Fey says his biggest problem is that boomer clients spend too much on housing and education. "I have to point out that housing prices are not always going up and that private school and expensive colleges have not always provided a good return over public school. Then we vary the housing and schooling expense assumptions within our planning."

Les Merrithew of Merrithew & Thorsten in San Diego takes an entirely different tact. Says Merrithew, "We [boomers] tend to fall into two groups as I see it: Fat Lazy Bastards who will die off early and Boomers [like Merrithew] who refuse to get old." Boomers in the second group are more into health, fitness, and youth than ever before, says Merrithew. "Look around any gym any time of day, or look at the people shopping at Whole Foods-type stores."

"We like our toys, and to get all the toys and youth, along with the anti-aging creams and antioxidants, we'll just continue working until it's no longer fun. Many of us finally have gotten the kids out of the house and through college, and now have a much larger discretionary income to save or to finance our 50+ 'young' lifestyles. After all, personal trainers, massage therapists, acupuncturists, nutritionists, chiropractors and diving instructors do not come cheap! I forgot to mention the Fat Lazy Bastards. They will die off and leave the Social Security money to those of us who stay fit and refuse to retire."

Seriously, folks, while a combination of cash-flow planning and healthy living may help some boomers beat the odds, most advisors still recommend they look at long-term care insurance in their 50s when it's most affordable and (hopefully) before uninsurability has set in. After all, if boomers want to work indefinitely (which most will *need* to do), they'd better have a back-up plan in case health fails them.

It's tempting to wring one's hands and predict the vast majority of boomers will be out on the street due to profligate ways. Advisors will try to fix the problem with traditional planning strategies that won't quite fit, thereby declaring doom and gloom. But I'm just willing to bet that this generation, with all its excesses and imperfections, will return to its liberal, creative roots and come up with unique solutions to save itself.

Who knows--maybe we'll return to communal living. Of course, our vegan meals will have to be catered.

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