

Are You a Baby Boomer Going Bust?

By Peter Hur

What is the current financial state of the 70+ million baby boomers moving rapidly toward retirement? The Social Security Administration (SSA) estimates that to retire, boomers will require roughly 75 to 80 percent of their pre-retirement income to feel financially secure. Yet, only 33 percent are saving enough to reach those income levels.

Given increased longevity, retirement for many may last two to three decades. Unless the majority of baby boomers change their pattern and level of savings, many "pre-retirees" aged 46-64 will simply need to keep on working, perhaps until they die.

Those born closer to 1964 have more time; thus, younger boomers could still focus their attention on greatly accelerating their wealth accumulation. Of course, three major demands wrestle for the boomers' financial resources:

- Higher education funding for children born later than on average than a generation ago
- Aging parents requiring financial assistance
- A lifestyle characterized by conspicuous consumption.

Pre-retiree Accumulation

There are numerous places pre-retirees can save. The main thing is to have a strategy to find the extra money to save more. Here are a few tips.

Dedicate your entire next salary raise or bonus to increased savings—out-of-sight, out-of-mind—via electronic funds transfer on a tax-deferred basis. Most people can tighten their belts to live for another 12 months on the same income.

Accelerate paying down debts or explore lowering credit card interest rates to free up income wasted on non-deductible interest payments.

Take full advantage of leveraging an employer match to your 401(k) plan contributions. If you can get a 3 percent employer match by contributing 6 percent of your own salary on a pre-tax basis, that's a 50 percent increase in your contribution without any interest even being earned yet!

Income Management Options

Baby boomers need income options and ways to manage their assets for the long run. Ask yourself:

Will I outlive my money?

What happens if I become physically or mentally incapable of caring for myself?

Both permanent life insurance and annuity policies—among the last true tax-advantaged places to accumulate money—should be considered, since they are the only financial vehicles with multiple settlement options that can guarantee a lifetime income for one or two people. An income that cannot be outlived that brings with it minimal asset management should be a paramount goal in retirement planning!

SOURCE: Demographic and retirement statistics cited from U.S. Census Bureau and Social Security Administration, 2002 and 2003.

Note: Specific tax or legal questions should be answered by your own tax adviser or legal counsel. Guarantees within insurance policies and annuities are backed by the claims-paying ability of the issuer.

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