# 5 Baby Boomer Retirement Trends

## Baby boomers are expected to retire later and live longer than previous generations.

Many baby boomers are staying on the job longer, which could improve their retirement finances.

Baby boomers, the unusually large generation born between 1946 and 1964, are entering their retirement years and reinventing what it means to be retired. A recent Urban Institute data project examined how retirement is changing in America. Here's how retirement for the baby boomers will be different from the generation that came before them.

**Living longer.** Men who will turn 65 in 2030 can expect to live six years longer than those who turned 65 in 1970, according to the Urban Institute analysis of Social Security Administration data. The life expectancy for women at age 65 increased by four years over the same time period. "The gender gap in longevity is shrinking, and we are projecting big declines in the share of older women who become widows," says Richard Johnson, a senior fellow and director of the program on retirement policy at the Urban Institute. However, that longer life span means baby boomers will have to save up for additional years of retirement.

**Better health.** Most people are also enjoying better health during their longer life spans. The proportion of adults age 80 and older reporting fair or poor health fell from 43 percent in 1998 to 34 percent in 2012, according to an Urban Institute analysis of University of Michigan Health and Retirement Study data. In addition to improving the quality of your retirement years, better health might also improve your retirement finances if it allows you to reduce your out-of-pocket medical care costs or to continue to work at older ages. However, there is some evidence that this trend toward good health could be reversing. The proportion of adults ages 51 to 54 reporting fair or poor health increased from 17 in 1992 to 22 percent in 2010, which the Urban Institute attributes to the increasing incidence of diabetes.

**Do-it-yourself retirement planning.** Most baby boomers will rely on savings they have accumulated in workplace retirement accounts rather than a traditional pension plan. This trend is expected to become even more pronounced among the children of the baby boomers. Traditional pension plans cover about 30 percent of adults born in the 1940s and 1950s, but they are expected to cover only 11 percent of adults born in the 1980s, according to Urban Institute projections. "401(k)s are not quite as generous by and large," Johnson says. In order to accumulate an adequate nest egg, workers must regularly contribute to 401(k) plans or similar types of retirement accounts. They also have to invest prudently, minimize fees and avoid spending the account too quickly in retirement.

**Working longer.** Many baby boomers are working until older ages than the generation that came before them. The proportion of men between ages 62 and 64 who are working or looking for work increased from 45 percent in 1994 to 56 percent in 2014, according to Bureau of Labor Statistics data. Workforce participation for women the same age increased even more from 33 percent to 45 percent over the same time period. Better health may be allowing some people to stay at jobs they enjoy longer, while others need to delay retirement to tuck more money into their 401(k) plan. "Working longer is one of the few things that you have a lot of control over," Johnson says. "When you work a little longer you are going to get more from Social Security, you are going to accumulate more retirement savings and then those retirement savings don't have to last as long."

**More debt.** Baby boomers are increasingly entering their retirement years with debt. The share of adults age 65 and older with debt increased from 30 percent in 1998 to 44 percent in 2012, according to Health and Retirement Study data. Many older adults (24 percent) continue to make mortgage payments in retirement, up from 16 percent in 1998. The median amount owed among older adults with debt was $24,500 in 2012. Making payments on previously incurred debt makes it especially difficult to pay for retirement. Part of your retirement income will need to go toward debt repayment instead of being used for current living expenses.

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