From Baby Boom to Age Wave: Demography is De$tiny

By Ken Dychtwald, Ph.D.
Author: *Age Power: How the 21st Century Will Be Ruled by the New Old*

On April 1, 1946, an earthquake occurred in the depths of the ocean surrounding the Aleutian Islands of Alaska. The quake's enormous shock wave immediately began traveling outward from the source. As it sped through cold Pacific waters, many fishermen didn't even notice the foot or two of swell under their boats because it was traveling so deep within the ocean. The wave was moving at jet speed, 550 miles per hour. In less than five hours, the wave struck the Hawaiian Islands—thousands of miles away.

For a few moments, the wave caused the Hawaiian coastal waters to rush out, leaving boats and fish stranded on the bare sand. Then the waters reformulated into a massive, towering tsunami that came crashing onto the islands' shores, destroying everything in its path.

During that same year, a demographic quake began that would last nearly two decades. After dropping for centuries, from nearly 7 births per woman in the late 1700s to 2.1 in the 1930s, the birth rate rose to 3.8 in a postwar fertility boom that produced 76 million children—nearly one-third of the U.S. population—between 1946 and 1964.

The force of this demographic quake has been reverberating through society's institutions ever since. Although it began as a baby boom, it is now rising up into an *age wave*, destined to crash upon society's shores, transforming everything in its path.

Boom Times

When the leading edge of the baby boom first arrived, America and its institutions were totally unprepared. Waiting lists and long lines developed at hospitals across the country; facilities and staff were inadequate, and in some hospitals, hallways were used as labor rooms.

The boomers have dominated American culture for five decades. Every time they've taken a step, the spotlight of the media has swiveled to illuminate them. The massive numbers of their generation have amplified and intensified the importance of whatever experiences they've had at each new moment in their lives. Just as surely as they learned to use a baby bottle, they learned to read, to play records, to buy cars, to vote, to rent condos, and to invest in the stock market.

When they reach any stage of life, the issues that concern them—whether financial, interpersonal, or even hormonal—become the dominant social, political, and marketplace themes of the time. Boomers don't just populate existing lifestages or consumer trends, they *transform* them. According to researchers Smith and Clurman in *Rocking the Ages*, "The most important thing to remember about boomers is that they are rule breakers. Individuality over conformity is a consistent boomer pattern. They always have done it differently than the way it was done before." Some examples:

> Boomers didn't just eat food—they transformed the snack, restaurant, and supermarket industries,
> Boomers didn't just wear clothes—they transformed the fashion industry,
> Boomers didn't just buy cars—they transformed the auto industry,
> They didn't just date—they transformed sex roles and practices,
> They didn't just go to work—they transformed the workplace,
> They didn't just get married—they transformed relationships and the institution of the family,
> They didn't just borrow money—they transformed the debt market,
> They didn't just go to the doctor—they transformed healthcare,
> They didn't just use computers—they transformed technology,
> They didn't just invest in stocks—they transformed the investment marketplace.

And this massive rule-breaking, market-making generation is now on its way to maturity!!!

Toward a New Model of Life After Youth

Today, three quarters of this generation are married (many for the second time) three-quarters have had children, and two-thirds are homeowners. Family and home life are now front and center with a prominence that hasn't been seen since the 1950s. As we might have expected from this rule-breaking generation, however, they are reconfiguring many of the traditional roles of marriage and parenthood. Currently, 75 percent say they believe that an equal marriage is preferable to the traditional model. 84 percent of today's fathers say they spend more time with their kids than their fathers spent with them. Middle-aged boomers are more likely to share domestic chores as well. In 1950, only 40 percent of couples reported that husbands helped with cooking and 62 percent helped with housework; according to Gallup polls, those percentages had jumped to 73 and 85 percent today.

Fully 85 percent of all boomers hold jobs—the highest percentage of any generation of Americans thus far. As might have been expected, rising salaries have allowed many boomers to begin investing, a trend that has caused the stock market to swell. Perhaps the single biggest change compared with earlier generations is the percentage of women who work outside the home: Today, 47 percent of the workforce is female, up from only 29.6 percent in 1950. Most boomer women these days either can't afford or don't wish to be full-time homemakers. A recent study by the Families and Work Institute found that women earn as much as or more than their husbands in 45 percent of dual-earner households.

While these new roles and rules are in many ways liberating, they have also turned out to be confusing and often stress-producing. A typical boomer complaint is the feeling of being continually pushed and pulled by a myriad of conflicting responsibilities. It's not that any one part of their lives is particularly hard; rather, it's having to juggle so many different commitments simultaneously that distresses them.

As the boomers continue their migration out of youth, it is becoming increasingly apparent that they have no intention of growing old like their grandparents and parents before them. Instead, they will be the beneficiaries of remarkable new advances in the bio-sciences that will inspire them to postpone old age and reshuffle the deck regarding what society expects mature men and women to do with their lives. Critical to this new lifestyle paradigm is having the knowledge and support to navigate through life's new challenges and the financial independence to pursue one's dreams unfettered by fear of inadequate resources.

The Longevity Revolution: Live Longer Now

Throughout 99 % of history, the average life expectancy at birth was less than 18 years. During the 20th century, the average life expectancy has vaulted upwards from 47 to 76 years. And, given impending breakthroughs in a wide range of mind-boggling scientific fields – from pharmaceuticals, nutraceuticals, hormone therapies and tissue engineering to organ cloning, stem cell manipulation and gene therapy – tens of millions of Americans may live decades longer that current projections assume. Essential to this increase in life spans is a corresponding increase in health spans as we attempt to produce a healthy version of aging. After thirty years of study, research and mind-stretching discussions about the future with hundreds of thousands of people throughout the world, I am convinced that we now stand at the brink of a long sought-after longevity revolution that could shake-up our lives, institutions, workplaces and families in more dramatic ways than either the industrial or technology revolutions of past centuries.

Retire 65: Old isn't What it Used to Be.

When Otto Von Bismarck picked 65 to be the marker of old age in the 1880's, in preparation for Germany's first pension plan, the average life expectancy was only 45. However, all around us today we see examples of a worldwide revolution in "ageless" aging. In 1997, former President George Bush celebrated his 72nd birthday by parachuting from a plane. Sophia Loren is still considered one of the sexiest women in the world at 67. Senator John Glenn returned to space at 77 as a silver-haired "payload specialist" and at 85, Lena Horne remains talented and beautiful. And considering his 77 years, no one seems to be crusading to put Alan Greenspan out to pasture. There's no doubt about it, people are liberating themselves from having to "act their age" - causing all of society's markers to shift. In response, in the years ahead, it's likely that a "middlescence" will occupy the period from 40-60, late adulthood from 60-80 and old age will be postponed to around 80+.

The Longevity Revolution will Transform the Relationship Between Work, Education, Family and Retirement.

The speed of technological advance combined with the growing public appetite for personal growth and new lifestyle challenges at all ages will render obsolete the traditional "linear" life paradigm - in which people have migrated in lockstep first through education, then work, then leisure/retirement. Everything had its place and life was too short for second chances. In its place, a new "cyclic" life paradigm in which education, work and leisure are interspersed repeatedly throughout the life span is emerging. It will become normal for 50 year olds to go back to school, for 60 year olds to fall in love and for 70 and 80 year olds to re-invent themselves through new careers. Rather than saving all of our leisure and retirement for the end of our lives, regular breaks throughout adulthood for *re-creation* and *re-invention* will become commonplace. Phased retirements, part-time and flex-time work and "rehirements" will also become viable options for mature adults who'll either need to or want to continue working. As part and parcel of this new paradigm for living, we'll need to encourage lifelong learning and multiple career re-inventions and smash the "silver ceiling" of age discrimination.

The "New" Mature Market

Until recently, corporations, marketers, and entrepreneurs paid little attention to 50+ men and women. There was, after all, little to spark their interest in a group whose members tended to be financially disadvantaged, frugal, and perceived as set in their ways and uninterested in new products and technologies.

Though still entranced by young consumers, marketers are slowly coming to realize that they can no longer afford to ignore mature adults. Although they still represent less than 10 percent of all advertising targets, a startling statistic surfaces if we examine the size of this segment. In the year 2000, approximately 76 million Americans had passed the age of 50: This is exactly the number of Americans that there were—*in total*—in the year 1900.

These 50+ men and women currently earn almost $2 trillion in annual income, own more than 70 percent of the financial assets in America, and represent 50 percent of all discretionary spending power. In fact, their per capita discretionary spending is 2.5 times the average of younger households.

Financial Preparedness: A Mixed Bag

Even though many are high earners, in general, the boomers are not a generation of savers. The household savings rate in South Korea is nearly 25 percent. In Japan it is 12 to 15 percent; and in Europe, 10 percent. In the U.S., the household savings rate dipped from 11.7 percent in the 1950s to 10.8 percent in the 1970s, to 1 to 2 percent today. To compound matters, while savings rates decline, the amount of personal debt has been multiplying. In January of 1960, Americans carried an average of less than one credit card per person and owed a mere $56 million in credit card debt. By January 1970, the numbers had jumped to an average of 3 credit cards per person and an outstanding total debt of $127 million. Today, the average adult American baby boomer carries between 5 and 10 credit cards and collectively owes more than $1.5 trillion in debt.

In addition, because of their demographic heft, it would be unwise for the boomers to rely too much on government entitlements. This is not because boomers disrespect their elders or because of some failing in the founding vision behind these programs. The problem is that current government entitlements and pensions were masterfully designed in an era when there were dozens of workers supporting each recipient, people died relatively young, most workers were diligent savers, and the government and employers were widely trusted. We now live in an era, where there are very few workers to support each retiree, most people die very old, savings rates have plummeted, and the government as well as employers' promises are not generally trusted. The ratio of 40 productive workers to each retiree that existed when Social Security was launched, has steadily shrunk, from 16 to 1 in 1950 to only 3.3 to 1 today. By 2040, it is projected that there will only be 2 workers, and perhaps as few as 1.6, to support each boomer retiree, who could be living as many as 20 to 40 years in retirement. And, between 2010 and 2030, the size of the 65+ population will grow by more than 75 percent, while the population paying payroll taxes will rise less than 5 percent.

Financial Wake-Up Call

Currently, the boomers seem to have divided into three camps when it comes to financial preparedness for their adult years. Approximately one-third are earning large salaries, have invested wisely, and will benefit from their share of the ten trillion dollars in inheritances that their parents will leave behind. Another third, however, will be forced to extend their work lives at least five years beyond current expectations before they might enjoy a satisfactory retirement. Yet a sizable segment of boomers—as much as one-third (and a group disproportionately female)—has virtually no savings, no investments, no pensions, and, in all likelihood, will receive no inheritance windfall. Today, these 25 million boomers have average household net assets of less than $1,000.

To make matters worse, there is a very high level of financial illiteracy and confusion among this generation. To explore the depth and breadth of the boomers' economic knowledge, the Financial Literacy 2000 Project, sponsored by the University of

Pennsylvania School of Social Work, recently surveyed a nationally representative sample of 1,000 adults about their financial knowledge. Under the direction of gerontologist and economist Dr. Neal Cutler, the survey found that most boomers (80 percent) know that when you purchase shares of a mutual fund, your money is invested in several different stocks and bonds; that you don't have to pay income tax on the earnings and growth in individual retirement accounts until the money is withdrawn for retirement (79 percent); and that compound interest is better than simple interest (75 percent). That, however, is where the financial literacy stops.

More than half of boomers did not know that if you elect early Social Security retirement at 62, you still must wait until 65 to qualify for Medicare, and more than half mistakenly believed that Medicare would cover the costs of their parents' long-term care, should they need it. While boomers are bullish on mutual funds, 71 percent reported that they did not feel confident in choosing one. Similarly, a recent poll conducted by Scudder Kemper found that, "despite the fact that two-thirds of boomers say they are worried about having enough money in the future, 64 percent have no idea how much money they will need, and only 14 percent consider themselves to be experienced investors."

Part of problem is that too few boomers are long-range planners, and many are overwhelmed trying to meet the demands of family and work. Several years ago, the Administration on Aging conducted focus groups with baby boomers, and heard over and over, "I'm so busy working, my wife's working, one of my kids is having trouble in school and my mother needs help. I have so many things that I'm dealing with and juggling now, I'm just not able to plan for the future." This is reinforced by a recent study conducted by the research group Public Agenda that found that only 20 percent of working-age adults are "planners" who conscientiously save toward a specific financial goal. The rest of the population is made up of "strugglers," "impulsives," and "deniers" who don't plan for their future at all.

Boom Markets Ahead: If You Know Where to Look

The steady aging of the boomers will continue to produce many demographically motivated revolutions in the consumer marketplace. As we have seen, with each stage of life into which this massive generation migrates, products, services and entire business sectors become engorged with new opportunity and growth. As the boomers pass through their middle years and on to maturity, six key factors will reshape supply and demand:

1. Their concern about the onset of chronic disease and their desire to do whatever is possible to ***postpone physical aging***.
2. ***Increasing amounts of discretionary dollars*** (for some—but not all) as a result of escalating earning power, inheritances, and return on investments.
3. Entry into ***new adult lifestages*** including empty-nesting, caregiving, grandparenthood, retirement, widowhood, and rehirement—each with its own challenges and opportunities.

4. A psychological shift from acquiring more material possessions toward a ***desire to purchase enjoyable and satisfying experiences.***
5. The continued ***absence of "disposable time"*** due to complex lifestyles.
6. The need for ***sufficient financial resources*** to support the longer, more complex lives that tens of millions of men and women will be living.

Demography is Destiny: From Baby Boom to Age Wave

We live in a remarkable moment in history. Life expectancies are steadily elevating, wealth and demography are shifting toward maturity and America's largest generation is aging – albeit with a new and more expansive model of maturity than we've ever seen. Critical to the personal and national success of this "age wave" will be whether or not the financial planning so necessary to insure a hopeful future will be able to gain traction in the years ahead.

In youth, boomers were self-indulgent in their priorities. In their late teens and twenties, many shared an idealistic commitment to bettering society. During the past several decades of career building and child-rearing, many of their early ideals have been submerged. In the decades ahead, the boomers will complete America's transformation into a gerontocracy, as they take control of the nation's social and economic power.

If they can step outside their generational tendency toward self-centeredness and wield this power with wisdom and compassion, they could rise to their greatest height and make a remarkable success of history's first multi-ethnic, multi-racial, and multi-generational melting pot. Or if they use their size and influence to bully younger generations and gobble up all of the available resources, political "age wars" could erupt in which the young lash out in anger and frustration at the weighty demands placed on their increasingly strained resources.

However, if this generation can learn to exemplify a new kind of wise, mature leadership, when the boomers' time on earth is over, perhaps they will be remembered not just as the *largest* generation in history, but the *finest*.

The choice is ours.

Adapted for State Street Financial from Age *Power: How the 21st Century will be Ruled by the New Old* by Ken Dychtwald, Ph.D. (Tarcher/Putnam)

Dr. Ken Dychtwald is widely viewed as the nation's most original and sought-after thinker regarding the personal, social and economic implications of the longevity revolution and the aging of America. Renowned public speaker, best-selling author, founder of Age Wave LLC, a fellow of the World Economic Forum and a frequent

guest on television and radio shows nationwide, he is the author of ten books including *Age Wave* and his latest Age *Power: How the 21st Century will be Ruled by the New Old.* He can be reached at www.AgeWave.com.