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Boomers Defy Forecasts and Choose Work Over Retirement

They may be eligible for retirement, but many boomers are staying on the job. (©istockphoto.com/Jacob Wackerhauser)

By Adam Aston
Provided by BusinessWeek

Last October, Kathleen Casey-Kirschling made headlines as the first of an estimated 78 million baby boomers to file for Social Security benefits. Born on New Year's Day, 1946, in Philadelphia, the retired teacher seemed to herald a gray tsunami of Americans born from 1946 through 1964 who would soon be exiting the workforce.

Companies from cruise lines to retirement communities and financial consultants have been planning for this mass retirement. They hope to profit grandly by selling goods and services to tens of millions of relatively young boomers with bulging nest eggs and decades of free time ahead.

But demography is not destiny -- and it may not even make for a good business plan.

It looks like fewer of those 78 million will be either rich enough or young enough at retirement to meet the expectations of businesses catering to boomers released from the workforce. This shortfall, and how it may dash such hopes, is the focus of a new study co-authored by Kevin P. Coyne of Atlanta's Coyne Partnership. In coming decades, "the size and growth rate of the U.S. retirement market will be much smaller than is widely believed," he says.

Other experts are reaching the same conclusion, at least for the short term.

"It's no secret that some are delaying retirement," says Bruce Schobel a vice-president and actuary at New York Life Insurance and a former adviser at the Social Security Administration. After all, boomers face falling stock and housing values plus skyrocketing health-care and energy costs. These are all reasons to stay on the payroll. Meanwhile, stock losses have led 14% of retirees to consider returning to work, according to the AARP. (Of course, any slowdown in the rate of retirement will also postpone the predicted insolvency of the Social Security Trust Fund.)

It's the long-term perspective, however, that sets Coyne's analysis apart. He sees permanent shifts taking hold. And the implication is that some portion of the billions companies are spending on services aimed at retirees could be misspent. Experts are bound to disagree on the scale of this investment, but in light of Coyne's report, creators of such services may need to rethink some of their assumptions.

For financial and social reasons, the propensity to delay retirement is increasing, Coyne says. The total number of retirees over the next two decades will grow by less than 3% per year, on par with the overall population, and could fall to as low as 1%, he says. By 2017 this will lead to some 5 million to 10 million fewer retirees than some marketers have been counting on.

Certainly, a shift is under way. In the first four months of 2008, about 30% of 65- to 69-year-olds were either employed or looking for work, up sharply from 24% in the last business-cycle peak in 2000, according to the Bureau of Labor Statistics. Look one rank down, at 60- to 64-year-olds, and 54% are in the labor force, up from 47%.

Social forces are also keeping workers on the job, says Joyce Manchester, an analyst at the Congressional Budget Office. With divorce rates up, more boomers are depending on one income.

Many have children just entering college. And a greater number of women now hold white-collar jobs, which are less physically taxing and so easier to stick with than jobs women held in the past. What's more, boomers make up the first generation to fund retirement partly from finite pools of savings instead of wholly from guaranteed-for-life pensions. Says AARP's director of financial security, Jean Setzfand, "That makes them fundamentally more cautious."

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