Boomers Unite

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SPEAKERS

Keith

K Keith 00:00

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting the show! â€“ Keith DeGreen

K Keith 00:07

Boomers unite. Welcome to this edition of As I SEA It. I am Keith DeGreen. And our topic today is something near and dear to my heart, us baby boomers. No, I'm not talking about the world famous Schomburg boomers. They are a professional baseball team in of all places Schaumburg, Illinois. The Boomers play in the frontier League and are named after the dance performed by the male greater prairie chicken. And yes, between innings, their chicken mascot performs the dance. So we wish the Schomburg boomers and their chicken well, but let's talk about us baby boomers. Now, ask any advertising agency, what their primary target target demographic is that is what group they recommend their clients spend their advertising dollars to reach, and they will almost always give you the same answer. Consumers between the ages of 25 and 54. What? Here's some news for those high priced ad agencies. There are still about 68 point 6 million of us boomers living today. We were born during the 19 years from 1946 through 1964. We are the third largest age group in America these days. Now the millennials born between 1981 and 1996. Yes, most of our kids number about 72 point 2 million, and Generation Z, born between 1997 and 2012. That may be many of our grandkids number around 69 point 6 million. And with each passing decade, we get more and more outnumbered because more and more of us hit the road. But here's the deal. We baby boomers are by far the richest group of consumers in the world. And contrary to popular myth, we don't just sit at home watching reruns of Perry Mason or old John Wayne movies. Well, okay, I do watch an old John Wayne movies, but we boomers also spend money, honey, lots of it. And we can afford to let me hit you with some numbers. We boomers control 70% of the disposable income in the United States and we spend $548 billion a year 42% of American millionaires are boomers, our average net worth is between $970,001.2 million. Now sadly, our median net worth is only about 230,000. That is half of us are worth more and the other half are worth less than 230,000. Yet, about 42% of us have a net worth of more than $500,000. Now according to Schwab's 2023 Modern wealth survey, American said it takes an average net worth of $2.2 million to qualify a person as being what they regard as wealthy. About 25% of Boomer households meet that definition of wealthy 25%. According to Forbes, we boomers are expected to leave more than Are you ready $68 trillion to our millennial children. This will be the greatest transfer of wealth in history. But financial market intelligence firm Cirelli and Associates predicts an even greater number. They say that we boomers and what's left of the silent generation. born between 1928 and 1945. Many of our parents will pass down ready at 4.4 trillion in assets through 2045. Now according to Cyrillic 72 point 6 trillion will go directly to our heirs with the rest to charity. So yes, at the funeral, our kids will wipe a tear, look into our coffin and say, Why don't he look good? Or don't she look good? Just before they rummage through the house looking for the will. Speaking of the house, we boomers lucked out. We all know that time and homeownership can be a key to wealth. Now according to the Berkeley Economic Review, 45% of boomers were able to buy their first home between the ages of 25 and 34. Today, only 34% of millennials, those between the ages of 25 and 34 own homes, and incidentally we boomers are industrious. About 25% of us continue to work past age 65 Case in point, so I haven't if I haven't confused you enough. Here's a quick summary. According to Gen X, we boomers are an incredibly wealthy generation, with a median net worth of $1.19 million 42% of us have a net worth of at least half a million dollars, while our average net worth is around $1.17 million, including home equity, or just under $250,000 Without home equity. Now we control 53% of America's wealth, and 70% of its disposable income. We also own 76% of the home wealth in America, the wealth associated with owning homes, also 9.3 of us 99.3% of us are also millionaires. Now all this makes us richer than any group in the US today and richer than any other age group in history. Oh, and we should thank our moms and dads, we inherited 21% More than previous generations. Now finally, we have average cash savings of about $73,000. When let's take a look at how we boomers spend our money. We spent a surprising amount on consumer goods such as clothing, entertainment, and home improvements. And we also spent a considerable amount of money on leisure travel in fact, according to being a AI, boomers spent up to $400 billion annually on consumer goods, and about $120 billion on leisure travel. Now, here's some other ways baby boomers are spending our money housing, we spend an average of $11,159 annually on housing, which is less than gen xers and millennials mainly because a lot of us have downsized. And it's interesting to note, though, that although many more of us who want to downsize, were not eager to leave our 4% mortgages to wind up paying around 7% or more for a smaller place. The situation has hurt the available inventory of used housing in the country. And as many homeowners including boomers wait until interest rates decline. Now if you can wait, that's not a bad idea. If rates decline, home prices are going to likely tick up so you might pay more for the house you buy eventually. But boomers may get more for their existing home and they might need to finance less on their new downsized home. And hopefully they'll get lower rates when they do. Now here's some other things we definitely spend money on. Dining Out. We typically spend $683 a month on non essential expenses such as dining out or getting takeout food. Here's something else gym memberships,

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Keith 08:08

I probably have three. I'm not sure I remember where they are. But that's where the gyms are. But we all most of us have. We often view gym membership as a basic need. And vacations. As I mentioned, we spend a ton of money on vacations and travel, gifts for family and friends. We do tend to be more generous in our later years allocating a portion of our income or our net worth to gifts for family and friends. Here's something else we spend money on. You might be surprised electronics. Yes, we do buy electronics, even if we need to call our grandkids to figure out how they work. In fact, we boomers are mobile, it might surprise you to learn that about 75% of us own a smartphone. In fact, 40% of the silent generation those ages 77 to 95. The generation that preceded us boomers, they also own a smartphone. Now we buy supplements, Oh do we ever makers of vitamin D see veggie and fruit supplements and omega this and that love us boomers. And of course, here's a continuing and often major budget item for us doctors and prescriptions. Now it's also worth noting that let's face it, we boomers often waste money. You know, I manage money for decades, but even I have no idea whether I could get my cable TV and internet for less what subscriptions we have that just automatically renew before I notice the value of food we buy and then don't eat in time, how we could reduce our cell phone expenses and a dozen other little items. It's crazy. You know, I've always thought that someone could make a good living, providing a service for house bowls, especially senior households, that would inventory and eliminate every single one of those wasteful expenses. Well, even if we cannot figure out the recurring credit card charge of $1.78 that we see every month, there's one thing we boomers do extremely well. We vote. You know, according to Pew Research, the US electorate is aging 52% of registered voters are ages 50 and older. That's up from 41% in 1961. This shift has occurred in both political parties. More than half of Republicans and GOP leaning voters that's 56% are ages 50 and older. That's up from 39%. In 1996, Democrats and Democrat leading voters, among them half are 50 and older, up from 41% in 1996. Now another way to consider the aging of the electorate is to look at median age, the median age among all registered voters increased from 44% in 44 years in 1996, to 50 years, in 2019. It rose from 43 to 52, among Republicans, as registered voters, and from 45 to 49, among Democrat registered voters, and remember, this increase in the average age of registered voters has occurred at a time when the boomer generation is now only the third largest age group in the country. But how many boomers actually vote? I'm glad you asked. According to a report by Pew Research Center, in the 2020, US presidential election, baby boomers and members of the silent generation, those a little bit older than we are made up 44% of the electorate. That's not the majority we once held, but a huge percentage based on the relative sizes of our generations. Now Quite obviously, boomers do not vote as a bloc. But it's interesting to note that older people tend to register more as Republicans. Now that's not really surprising is it? You know, the old adage, a person in their 20s, who is not a liberal has no heart, a person in their 30s, who is not a conservative has no brain. Now, in every election year, the left attempts, often with some success, to frighten seniors into voting against those who they allege want to and I put quotes around this, destroy Social Security or destroy Medicare, etc. But the numbers I just shared with you, the very high percentage of seniors who vote would make damaging those programs political suicide. Yet, even when someone suggests ways to save the program long term, for example, that we let younger workers have small self directed Social Security accounts or that we raise the retirement age for younger workers, or that we invest perhaps 20 to 30% of the Social Security taxes we collect in broad based US stock indices to raise the return on your social security contributions over decades. Well, whenever ideas like these are proposed, the left goes apoplectic and tries to scare the hell out of seniors. Yet, I'll admit, it is probably easier to rile up seniors over Social Security and Medicare than perhaps any other issue. So the left will continue to use this tactic until Social Security and Medicare truly are bankrupt. Now let's take a closer look at the hot button issue of social security. Now, we're releasing this podcast just before the Feds announced in October the new 2020 for Social Security cola. That's the annual cost of living adjustment Social Security recipients will receive. Now the COLA is always based on the average rate of inflation during the third quarter, the three month period of July, August and September each year. The 2023 COLA increase was one of the largest in history because during the months of July through September in 2022, the Consumer Price Index peaked at an average inflation rate of 8.7%. Now that produced a nice bump in everyone's Social Security checks for 2023, although it did not keep up overall with real inflation. But this year, we expect only about a 3% increase for 2024 Even though the CPI increased much faster than earlier in the year. Now, as I mentioned The Social Security benefits increased by 8.7% and to 2023, which is the largest cost of living adjustments we've seen since 1981. And again, we'll know the exact amount of 2024. It's a security cola on October 12, when the final inflation numbers of the third quarter July through September are released, so mark your calendar. Now, the maximum Social Security benefit, the maximum benefit you could receive in 2023, ranged from $2,572 to $4,555 per month, depending on the age at which you retire. Now, here's how that breaks down $2,572 Max for someone who files at age 62 $3,627 Max, for someone who files at full retirement age 66 years and four months for people born in 1956, and 66, and six months for people born in 1957. And the maximum monthly benefit of $4,555 is paid to folks who maxed out contributions during their working lives, and who waited to collect social security until age 70. So the maximum benefit amount is about two and a half times more than the average Social Security benefit for retired workers, which was $1,837 per month, as of June 2023. Now, that might sound unfair two and a half times what the average is, but, but that person receiving the max might easily have paid three to five times more into Social Security than the average worker. This is because the maximum possible Social Security benefit is calculated based on the number of years you've worked, and the amount of money you have earned over your lifetime. But the overall benefit is capped. Let's spend a moment on what we pay into the system. You know, the Social Security Administration limits the amount of earnings that are subject to Social Security taxes each year, in 2023, for example, the limit was $160,200. But there is not only no wage cap for the Medeco tax, the tax rate for Medicare actually increases for higher income earners. You know, on a personal note,

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Keith 17:41

I started contributing to Social Security in 1965, when I was 16. Well, I turned 16 that year. And I started paying into Medicare the year it started in 1966. Now higher income folks, and I was not always a higher income folk. But higher income people wind up not getting much of a return on the money they pay into Social Security. I'll give you an example. I was almost entirely self employed during my working years. So my companies and I were the contributors to My Social Security account. Put another way, I made both the employee and the employer contributions. Now if you take what I paid into the system over my working life, and you can see this on the Social Security website, if you look deep enough, if you take what I paid into the system over my working life, and if starting just this year, you took that lump sum that I paid in and invested at, say a mere 4% per year. It would take 42 years for my current monthly payments to run out. Yes, I would beat the system when I turned 116. So unless you're Methuselah, higher income folks really do not get our money back. But we understand. We don't want our neighbors living on cat food, even if they didn't make much money during their working yours. My sincere hope is that you do not rely on Social Security for a substantial portion of your monthly income, savings and investments. You heard this all your life savings and investments were always supposed to be the other two legs of the three legged retirement stool. Now meanwhile, even though the checks may see modest Social Security benefits are paid disproportionately to folks in the lower income levels. That is they receive back more in retirement benefits per dollar contributed, then those at the upper levels of Social Security taxed income. Now there is talk from both Republican and Democrats that perhaps we need to Somehow means test Social Security. But I asked you, how the heck would that be calculated? And where would it end? Do we include the equity in someone's home to conclude they don't need social security? Do we include the value of their undistributed and not yet taxed? IRA accounts or 401 K plans? How do we readjust the value of their net worth their means when markets decline, or when they must suddenly spend large amounts on health care? No, a means test for Social Security is a tough sale. It opens a Pandora's box of issues that essentially lead to the confiscation by other means of property that people have worked their entire lives to acquire. Yes, we 68 million baby boomers, those of us still living that were born between 1946 and 1964. We make up 20.6% of the US population, despite how much more of the wealth of our country we own. But with each passing year, there will be fewer of us remembered we hope by those we raised in love. Ours is a mixed legacy. But what we can say for sure, is that we will leave our children, our country and this world. Much, much richer. Hey, thanks for joining me today. I am Keith DeGreen. And this is As I SEA It!

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Keith 21:29

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