

RETIRING DURING THE GREAT RECESSION

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Baby Boomers Are Retiring

The baby boom generation is starting to retire. Some have been following good financial advice and preparing for retirement. Others have not! Those that have been preparing have saved, bought a home, and participated in various retirement plans (403b's, IRA's, etc.) They are now beginning to experience the many unknowns and uncertainties of retirement. These may include, sources of retirement income, cost of living increases, family health issues, increasing health care costs, educating children, caring for aging parents, and raising grandchildren.

Add the Great Recession

The bankruptcy and disappearance of Lehman Brothers September 15, 2008 was the largest bankruptcy in U. S. history and is seen as the start of the Great Recession. The economy was on the brink of disaster. There was a huge failure in the housing market as a result of the subprime debacle. There were also bankruptcies of numerous major corporations such as General Motors, Chrysler, AIG, and many more. This led the general economy down the road to the worst disaster since the Great Depression. This situation resulted in numerous attempts by government policy makers to fight the recession and restore economic normalcy. Chief among these policy makers was the Federal Reserve System that attempted to stimulate the economy by adding liquidity and reducing the general level of interest rates.

Results of the Great Recession

The Great Recession resulted in a housing market in chaos. Numerous home owners lost their equity. It also resulted in huge losses in most equity investments. Economic stimulus endeavours resulted in the lowest interest rate levels in history. The yield of safe instruments fell close to zero; government bonds, CD's, savings accounts, etc. This combination of losses in equity investments and very low returns from safe investments made it extremely difficult to generate retirement income.

There is also a fear the Social Security system will fail and the U. S. Pension Benefit Guaranty Corporation cannot protect existing private pension plans. There are few, if any, safety nets left for Baby Boomer retirees. They can easily borrow to finance the education of their children but they cannot borrow to finance retirement.

Successfully Retiring During the Great Recession: Some Suggestions

Those currently looking to retire should adopt a realistic, pragmatic attitude about retirement. Plans to pass on a legacy to the next generation may have to be foregone. Retirees may be forced to work beyond their desired retirement date to provide current income and reduce or postpone the drain on retirement income. Many other possibilities exist for someone approaching retirement to bolster finances; downsize housing, sell vehicles, and careful "toy" selection.

Phased retirement could also be a worthwhile consideration. It offers some of the advantages of retirement but at a reduced level. Continued employment will also provide some transitional income. This all provides a period of adjustment and may replace the part-time job you were getting after retirement. With these suggestions and a bit of adjustment of expectations retirement may turn out to be quite enjoyable.

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