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What We Can Learn from Baby Boomers About Managing Our Finances

This article is the third and final in a series that explores what people from one generation have to teach others about managing their money and their financial lives. The series concludes here with a look at what we can learn about financial responsibility from members of the Baby Boomer generation.

Seventy-five million strong, the Baby Boomer generation (born 1946 to 1964) has seen and experienced plenty: multiple wars, including a Cold War, varying extremes of economic prosperity and distress, the Summer of Love, Watergate, the emergence of the Space Age, the rise of television, the ascendance of computers and the Internet, America's first black President — the list is a long one.

It is against this backdrop that Boomers have developed their own unique sense of how to conduct their financial lives. What do they have to teach us about how to handle our money and our finances? Here are some qualities, habits and practices common to Boomers that, according to personal finance experts, may be worth applying to our own lives:

How not to retire. Baby Boomers are reinventing the concept of retirement. Many don't see themselves following the path taken by past generations, where a certain age, like 65, brought a hard stop to their career and a new beginning: retirement. Some plan to keep working through their 60s and beyond because they want to, others because they need to. In a 2016 survey of employed Boomers, two-thirds (66%) plan to or already are working past age 65 or do not plan to retire at all. Only about one in four (26%) plan to immediately stop working when they reach a certain age. Half say they plan to continue working because they'll need the income and the employee benefits.

"My most stress-free Baby Boomer clients are those who continue to work in their later years, even if by choice rather than need," observes Geoff Owen, a Certified Financial Planner™ with Greer Walker in Charlotte, NC. "Baby Boomers who continue to work beyond need, even if in a limited capacity, appear to have a lot of happiness stemming from preservation of their retirement assets, a continued sense of personal achievement, and the social engagement of a workplace."

Continuing to work also helps provide the means to live a certain lifestyle, as well as access to health insurance and other valuable workplace benefits. What's more, it may allow you to continue to build your Social Security benefits, which can be an important source of retirement income.

How to handle a sandwich. Baby Boomers — and younger members of the generation in particular — are most likely to find themselves "sandwiched" by the competing pressures to provide financial support to their aging parents as well as to their children, while still trying to meet your own monetary goals and obligations. A Pew Research Center study from 2015 found that 47% of Americans age 40 to 59 not only have one or two parents age 65 or older, they are also either raising a young child or provided financial assistance to a grown child in the preceding 12 months.

As difficult to handle as the financial and family dynamics created by those competing priorities can be, Baby Boomers are providing members of other generations with some semblance of a blueprint for handling Sandwich situations. That blueprint includes putting the myriad Sandwich-related issues out on the table for discussion among the involved parties, then creating a plan to address them. The issues Boomers are grappling with include care for an aging parent (determining how that care will be paid for and who will provide it), support for an adult child who encounters some sort of financial difficulty and/or wants to move back in with the parents for a period of time, and funding a child's college education at the same time they're trying to save for retirement.

How to pay yourself first. Baby Boomers on the whole have managed to stay focused on their own financial priorities, notes Certified Financial Planner™ Brett Anderson of St. Croix Advisors in Hudson, WI, even in the face of other competing priorities, such as those presented by a Sandwich situation. Paying yourself first essentially means making meeting your financial goals and obligations top priority. For example, with retirement looming closer, Boomers in general realize they should make saving for their own retirement a higher priority than fully funding a child's college education, for example. In this case, the child has more time to pay off a student loan debt than their parents do to build an adequate nest egg for retirement. Unless their financial resources are vast, these tough either-or choices are part of life for Boomers.

How to be good retirement savers without the benefit of a pension. Unlike their parents, many Baby Boomers don't have access to an employer-sponsored pension plan, and the guaranteed lifetime income stream that accompanies it, notes Larry Ginsburg, a Certified Financial Planner™ who heads Ginsburg Advisors in Oakland, CA. As a result, Boomers "learned to spend less than they earn, to save for their future and invest consistently."

Essentially the responsibility for funding retirement has shifted in recent decades from the employer to the employee, and Baby Boomers stand at the crux of that shift. Today, according to EBRI, only about 2% of workers in private industry are participating in a defined benefit plan — a pension plan. That share stood at 28% back in 1979, and was even higher prior to that. The ascendance of "defined contribution" retirement plans such as the 401(k) in the past several decades has forced Boomers (and members of subsequent generations) to develop good retirement savings habits with less (or no) help from their employers.

How to maintain focus on the big picture. "Boomers tend to have the mindset that the future is greater than the past, so they can see and plan for a bright future," observes Certified Financial Planner™ Jamie Bosse of KHC Wealth Management in Overland Park, KS. "Many people in younger generations view the future in the short term, making it difficult to see past next week. If you can picture a prosperous future and understand what it takes to get there, then you are more likely to make good choices today that will impact the future in a positive way."

How to enjoy retirement. Baby Boomers are seizing the freedom that retirement provides, says Ray Giese, an Arlington Heights, IL-based Certified Financial Planner™ with Fiscal Fitness Clubs of America. They view retirement "more as [providing] the financial freedom to pursue your dreams or give back to society, rather than spending time in the proverbial rocking chair." Retirement spending habits suggest that to be the case. One study found that in the first two years after retirement, 46% of households spent *more* than they had in the year before retirement. Even by the sixth year of retirement, one-third were still spending more.

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