Boomers reach a milestone

THE OLDEST BABY BOOMERS WILL BEGIN TURNING 60 and approaching retirement in 2006. These estimated 76 million people are sandwiched between aging parents and their own adult children.

A unique group, they face personal issues including whether they will help finance a grandchild's education, concern that former employers will curtail or reduce their pension benefits, as well as changes in Social Security and Medicare. Changes in federal estate tax law are unlikely to immediately affect how they take care of their loved ones, but shifts likely will affect their own inheritance.

The rising real estate market offers unique challenges and opportunities for boomers—how to escape any bubble, what to do with gains, where they can afford to move, and whether they should consider reverse mortgages (where they can borrow against the value of their homes), continue living there and have their estates settle the debt. Another issue is whether to use the proceeds to help offspring buy larger homes or expand existing property with a mother-in-law suite.

Work, be it consulting or part time, is on the horizon for many retirees. The Bureau of Labor Statistics expects the number of workers age 50 and older to increase by 34 percent from 2003 to 2012. Some career coaches, human resource executives and demographers expect a labor shortage as boomers retire, which means security for those who do choose to stay on, especially in their own fields.

As they approach retirement, boomers have options to navigate financial challenges and remain financially secure.

CREATIVE OPTIONS EXIST FOR LATE SAVERS

Although retirement is on the horizon for many baby boomers, not everyone is ready. According to the National Endowment for Financial Education, there is good news for those on the verge of retirement without adequate savings: It's not too late.

One way to build a nest egg is to participate in an employer-sponsored 401(k) or other retirement plan. Another is for a nonworking spouse to take a job and save that income. According to AARP, nearly 50 percent of its members work full- or part-time, or would like to do so.

Assuming a conservative annual return of 6 percent, a 53-year-old investor, for example, who puts about $10,000 into a 401(k) each year (or $833 per month) for the next 14 years will have about $220,000 when he/she retires at 67. Taking out a prudent 5 percent, so as to not outlive savings, would translate to about $900 per month. To further boost savings potential, those who are 50 or older can make additional catch-up contributions of $500 in 2005 and $1,000 in 2006 and beyond.

By evaluating expenses, managing debt and saving properly, late-saving boomers won't enter retirement unprepared.