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Baby Boomers Delay Retirement

Declines in Assets Force a Generation to Face New Reality

By KELLY GREENE

Nancy Davis, a 59-year-old senior marketing manager for a law firm in San Diego, had hoped to ease into her retirement after her son finishes college in two years.

But "I may be 70 before I retire at this point," she said Friday, after watching the markets take their toll on her 401(k). "It's very unnerving."

For millions of Americans approaching retirement, events of recent weeks are delivering a clear message: Not so fast. With nest eggs shrinking, housing prices still falling and anxieties about their financial future growing, the oldest members of the baby-boom generation are putting the brakes on plans to leave the office.

"We'll see more and more people postpone" their retirement dates, says Helga Cuthbert, a certified financial planner in Decatur, Ga., who spent a good part of last week fielding telephone calls from nervous investors. "Their expectations about the future and the kinds of returns they would get were simply unrealistic."

As discouraging as that message might sound, it's exactly what many baby boomers need to hear, according to financial planners and researchers. Most people underestimate how much money they will need for retirements that could easily last two or three decades, and are leaving the work force with nest eggs that are likely to expire long before they do.

Consider: Less than one-quarter of workers age 55 and older -- just 23% -- have savings and investments totaling \$250,000 or more, according to a study published in April by the Employee Benefit Research Institute in Washington. About 60% have less than \$100,000.

The average retirement age in the U.S. is 63 -- but most investors don't recognize the benefits from working even just two or three additional years, financial advisers say. According to research from T. Rowe Price, the Baltimore-based mutual-funds company, a 62-year-old with a \$100,000 salary and a \$500,000 nest egg will see his annual retirement income from investments and Social Security rise by 6% for every additional year he remains in the work force.

Working longer "gives people time to build up their 401(k) balance, can result in a bigger benefit from Social Security, and reduces the amount of time people will have to depend on their savings," says Alicia Munnell, director of the Center for Retirement Research at Boston College and author of a recent book about the

value of extending time in the work force. "The arguments in favor of working longer are overwhelming. We just need to convince people."

Even before events of the past two weeks, some older adults had begun adjusting their sights. In a survey published in May, 27% of surveyed workers age 45-plus said the economic slowdown had prompted them to postpone plans to retire, according to AARP, the Washington-based advocacy group.

John Dougherty is among them. "Two weeks ago, it was frustrating; last week it was scary," says Mr. Dougherty, a mortgage broker in Raleigh, N.C. who estimates that his nest egg has lost 20% of its value in the past 18 months. He had planned to retire at age 62 -- but now, like Ms. Davis, he says 70 might be a more realistic target.

"Time will tell if my physical capabilities will allow me to continue to work that long," he added.

Patrick Hayes, a 58-year-old physician in Columbus, Ohio, was hoping to retire in two years. "But I'm watching my funds getting smaller and smaller, and I keep hearing this is the worst thing since the Depression," he says. "It's particularly tough if the market gets hit in your early years of retirement. If you're about to retire and something like this happens, maybe you should stay working.

"What I don't want to do is take 10 years off, be 70 years old -- and have to go back to work if I've lost my technical skills," he added.

That story -- retirees returning to work -- is also being played out in the wake of the market turmoil. At RetirementJobs.com, an online job search provider, "the volume of visitor traffic to our online résumé writing service doubled in the past week," says Tim Driver, chief executive officer. "The common motivation we've heard from these people is that they need to go back to work due to the economy."

Jack Pogalz, a 63-year-old project manager in Cottage Grove, Minn., was laid off last year from a medical-device maker and has been looking for part-time work as a grant writer in the nonprofit sector. But he recently shifted his job search to full-time employment after realizing that his 401(k) has dropped 16% since December. "That translates into about four years of income" in retirement, he says. "It's either get back into the work force or retirement's going to be cut that much shorter."

So far, he has had a number of interviews but no offers. "The age thing I think is hurting a little bit," he says. "With the job market increasingly getting tighter, I think it's going to get more difficult."

Even retirees who have been prudent with their nest eggs say they're facing tough times -- and tough decisions. "We weren't extravagant people. We didn't go on cruises. We didn't buy a Cadillac. And here we are, we thought we could retire, but our savings are just going too fast for us," says Noreen Hilinski, a 67-year-old retiree in Madison, Conn. Her financial planner told her recently that she and her husband, a 69-year-old retired engineer, have used about 10% of their investments.

That news has her considering asking the catalog-company where she used to work to let her come back for the holiday season. Her husband is looking for odd jobs, perhaps in a hardware store, she says.

"There's a lot of people who are going to go back to work in my age bracket," Ms. Hilinski says. "More and more of my friends are talking about going back to work."

Jack Wolfe, a 64-year-old retiree from a natural-gas-pipeline company, moved to a lake between Houston and Dallas last year. Now, he's trying to go back to work, "and the closest we are to anything is 60 or 70 miles," he says. "I'm probably going to have to go to work for a few months at a time. What I'd really like to do is inspection work on new pipelines."

After nearly a decade in retirement, "I'm trying to go back to work and let our portfolio build back up," he explained. "We've lost such a big amount of money lately, we're going to get to the point where we can't recover."

He and his wife, also retired from the same company, lost about half their savings after Sept. 11, 2001, he says. "We were building it back up really slow. Then this thing hit, and it put the nail in the coffin."

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