



Boomers' big inheritance: Is it enough?

By Mark Trumbull, Staff writer of The Christian Science Monitor / January 23, 2007

The coming cycle of inheritances is billed as the greatest wealth transfer in US history. But don't expect it to finance the retirement of baby boomers or their children.

The reality, according to one new survey, is that when people do receive an inheritance, it's typically well under \$100,000. And most people will receive no inheritance at all.

It's true that US households are richer than ever. Thanks largely to a boom in home prices, net worth has been rising for families across the income spectrum.

But even as the pool of wealth has risen, the cost of retirement has been rising. Longer life spans, coupled with the rising cost of medical care, mean that many older Americans will use their wealth rather than pass it on to children.

"In many cases, because of increasing longevity ... it goes the other way.

Instead of inheriting wealth the children wind up having to spend considerable wealth taking care of their parents," says Zvi Bodie, an expert on personal finance at Boston University.

This doesn't mean inheritances are a thing of the past. But it does amplify the notion that today's working Americans need to focus on saving for their own retirements – even as they also devote resources to caring for their parents and their own children.

The inheritance factor is just one reason. For years, corporations have been shifting from promising a guaranteed pension toward offering 401(k)s that are largely do-it-yourself savings plans.

And government programs for older Americans – Social Security and Medicare – could soon face some belt-tightening.

Last week, Federal Reserve Chairman Ben Bernanke issued a blunt warning to Congress that the burgeoning costs of these entitlement programs, if untamed, could harm the US economy. Any "fixes" that evolve may not be dramatic, but benefits could become a bit less generous in the process. The eligibility age for Social Security could rise, for example.

Given all this, perhaps it's not surprising that only one-third of adult Americans feel confident about being financially ready for retirement, according to the results of a nationwide poll just released by Putnam Investments in Boston.

"It's true that there will be trillions of dollars transferred" among generations, says Beth Segers, director of market planning for Putnam. But "we cannot count on inheritance as the panacea to address the inadequate discipline of saving."

There is a good-news element to the story, she says. People are living longer lives, and younger generations are showing a strong propensity to care for their family members. The tough part, simply, is that this often involves financial strain.

"Boomers are often kind of dismissed as the 'Me Generation,' " Ms. Segers says. "What we find is that people are putting their families first."

Among the survey's findings:

- Only 24 percent of adult Americans expect to get an inheritance. And of those adults who have received an inheritance, the median amount received is \$37,700.
- For working Americans over age 45 who have living parents, half are providing some assistance to their parents. Often it's nonfinancial – helping with chores and the like. But just as often these boomer kids are spending money on their parents.

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