

RISKY TIMES AHEAD

Baby Boomers Face Three New Risks In Coming Decades, But There Are Answers

by Robert Powell / MarketWatch / 11 December 2008

Over the next 20 years, boomers will face many risks. Some are well-known and documented, such as the risk they'll outlive their assets and spend their life savings on long-term care. Some are less understood, such as the risks resulting from a rapidly deteriorating environment.

But what's unknown is this: How will 77 million boomers deal with these and other unique risks as they move into their 60s, 70s, 80s and beyond?

Richard Adler of the Institute for the Future is among those who know the risks boomers will face. More importantly, Adler understands how boomers will marshal what he describes as conventional and unconventional resources to deal with their unique problems.

"The boomers' retirement years won't be anything like their parents," said Adler in an interview. Adler is the lead author of "Boomers: The Next 20 Years," a report published by Institute for the Future, MetLife Mature Market Institute and AARP.

According to the report, the laundry list of risks include: "A rapidly deteriorating environment, shifts in global economic power, the decline of legacy institutions that [boomers] have both opposed and worked within, the meteoric advance of technologies that confer advantage on the youngest members of society, and perhaps even the loss of faith in science as the basis for a rational society."

Boomers "may face growing opposition to entitlements by younger workers who feel burdened by the seemingly privileged lifestyles of boomers. They will stand divided by the great gap in wealth within their own ranks."

Among those risks, three are particularly worth noting:

1. The environment

"We face real environmental issues over the next 20 years," Adler said. "And just as the debt issue has come home to roost, so too will the environmental issue."

According to the report, "Boomers face the real possibility of cascading collapses of living systems in their lifetimes. Food, energy, and materials will all undergo major disruptions and innovations in the coming two decades as the world scrambles to respond to climate change and water crises."

2. Stress

"The sheer number of boomers promises to stress all systems that touch their daily lives, from retirement policies and pensions to health care, Medicare, and other services," Adler wrote.

He's especially worried that Medicare cannot survive in its current form, given that the number of people age 65 and over will double over the next 20 years. "It's evident that many of the systems and structures that are in place now won't scale," he said.

3. Wealth disparities

"Boomers face the widest rich-poor gap in recent generations, both within their cohort and across the population at large," the report noted. "While median boomer household net worth has grown steadily over the past two decades, from \$36,000 in 1989 to \$149,500 in 2006, the absolute gap in net worth between those in the top and bottom quintiles more than doubled over the same period."

According to the Adler, this uneven distribution of wealth will create the pressure to innovate solutions.

So what then are some of the ways boomers will deal with these and other risks? Adler said boomers have amassed personal, social, experiential, economic, and even spiritual assets that they can call on as they age.

And "they will use these assets to craft distinctive ecologies of resources to respond to highly individual ecologies of risk," he wrote. Here's a look at what's coming.

1. The Web

Boomers are starting to use social media to identify like-minded people and to build new kinds of support for shared needs. For instance, boomers who are dealing with chronic diseases and other health-related issues are now using such Web sites as PatientsLikeMe.com, DailyStrength.org, and Care.com.

Others, worried about dementia later in life, are turning to a new generation of computer-based products that offer the prospect of “building general cognitive fitness based on the concept of neural plasticity — the ability of the brain to generate new capabilities in response to mental stimulation.” BrainAge2 is one such example. See the Brainage.com site. <http://www.brainage.com/launch/index.jsp>

Meanwhile, boomers interested in socially-responsible investors are turning to Web sites such as Solari. See the Solari.com site. <http://solari.com/>

2. Living

Boomers who are looking to strike a balance between aging in place and getting their health-care and other needs met are creating communities such as Beacon Hill Village, a version of what some call a naturally occurring retirement community or NORC. Beacon Hill Village was created in 2001 by a group of long-time Beacon Hill residents as an alternative to moving to retirement or assisted-living communities. Adler envisions more communities like Beacon Hill Village sprouting up across the country over the next 20 years. See the Beacon Hill Web site.

<http://www.beaconhillvillage.org/>

Adler also said researchers are exploring ways in which technology that supports “personal life stories” might extend individuals’ ability to function independently. Adler says that these Web-based tools allow people to record their experiences of everyday life and store personal artifacts to help them stay in touch with their own past — for instance when facing loss of memory from dementia. See YourTrumanShow.com. Or see Gordon Bell’s MyLifeBits project. <http://research.microsoft.com/~GBell/>

3. Sharing risk

Boomers are starting to distribute the stress and burden of managing risk across networks of people, according to Adler’s report. He envisions, for instance, that boomers will form networks of “bio-citizens” in reaction to the risk of aging and that health-care offerings will be re-organized as a result. Bio-citizen, a term coined by the Institute for the Future, describes a medical patient who works with other people to share information and sometimes advocate for research on treatment options, side effects and other medical concerns.

Also, he says that peer-to-peer networks of people are starting to perform some of the same financial services that banks and others typically perform. According to Adler, this kind of social lending enables members to lend and borrow money at rates favorable to all parties.

“Boomers have defined every stage of life they have moved through,” Adler said. “And they will leave their mark on this stage too.”

Over the next 20 years, boomers will face many risks. Some are well-known and documented, such as the risk they’ll outlive their assets and spend their life savings on long-term care. Some are less understood, such as the risks resulting from a rapidly deteriorating environment. But what is unknown is how boomers will deal with these and other unique risks.