

# Seeking Alpha $\alpha$

## Millennials And Boomers: Underinformed And Underserved

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### Summary

- What do they have in common? They have no concept of how to prepare for retirement.
- They are either getting bad advice or no advice. Where are the financial planners?
- April is Financial Literacy Month. What are you going to do about the vast disconnects they each have?

"There is a disconnect between Baby Boomers' current financial status and where they perceive themselves in retirement," says Richard Burns, president and CEO of the NHP Foundation. "This wishful thinking carries potential consequences that will likely have a large impact throughout all areas of the economy." No kidding. The NHP Foundation is a non profit that assists in providing affordable housing. They surveyed one thousand 50+ers and got these answers from the the group, who the NHP identified as "poorly prepared for retirement".

1. 70% said they are at least confident they will experience the retirement to which they aspire.
2. 73% are planning to delay retirement, and most of that group are at least somewhat confident in the retirement lifestyle they will be able to enjoy.
3. 31% haven't thought about a retirement budget.
4. Apparently overlooked is the idea of considering unforeseen health events and expenses. Where in the world are the financial planners; and why is there not a free service from a financial nonprofit? (Actually, may be coming soon says Valentin Sabuco of the Financial Literacy Awareness Foundation).
5. According to the Consumer Financial Protection Bureau, older homeowners owe almost double on their current mortgage that the same group did 10 years ago. Nonetheless, 60% said the most essential housing aspect of retirement is affordability. 85% said they would like to continue living in their current home.
6. How is that going to add up, pray tell? Especially since, of the 66% who rent or have a mortgage, 76% either have no retirement budget or will rely on Social Security for at least half of their monthly income. Half!

7. 83% believe they will be able to age in place, and only 17% of those with no retirement budget or who expect to rely on Social Security for at least half of their income think they will have to move.

8. This disconnect and lack of consistency point to 3 fundamental problems:

a. They have no guidance in retirement matters. No Helpers. No financial plan, no estate plan for sure.

b. They do not get that there is a Grand Canyon Gap between their wants and their financial capabilities.

c. They need help: education and guidance.

(That's where our charity comes in, but later.)

Let's look at the other end of the spectrum at the YOLO generation (You only live once). You may know them as Millennials. With 80% not considering retirement savings now, they're in the spend what you have and worry about it later phase. Do you think they will be better off than their Boomer parents? Not a chance, across all demographics.

The biggest problem facing Millennials is a mountain of student loan debt.

But, don't worry, the House of Representatives is on their white horse to save them. Of course, they promptly fell off Old White Paint because they can't ride without a responsible adult with a lead rope.

Still, somehow a Bill got proposed in the House that would provide student loan forgiveness - to any student that would be willing to delay taking Social Security.

Isn't that mixing apples and oranges you say? Sure, but that's Congress.

So how would this work?

The Government would grant \$550 in student loan forgiveness for each month a student debtor was willing to raise his or her full retirement age, or up to \$6,600 per year. The maximum level of student loan forgiveness is \$40,150, amounting to forgoing six years and one month of Social Security benefits. Just to put that in perspective: Suppose the retirement age down the line is 68. A SLF (student loan forgivee) would not start taking retirement until they were 74.5 years old.

Basically, The Government is placing a chip on Red (You won't live long enough to collect \$40K) instead of Black (Show me the money!). It's the Roulette Wheel of

life, playing with your money. Think of it as mortgaging your future, kind of like a Reverse Mortgage.

The Social Security Administration's Office of the Chief Actuary projects that such a program would save \$725 billion over 75 years. So, wait! I thought the purpose of the proposed legislation was to reduce student debt. That wouldn't just be a "hot button" byproduct of the proposed bill, would it? Nah; you don't think our politicians would use bait and switch sales tactics to create better optics on a measure, do you?

At least the good news about the proposed legislation is that only 1% or so of the 5000-6000 bills introduced ever become law.

I'll leave you with this quote from Mike Brown from LendEDU, a student loan lender. Draw your own conclusion. "At a time when a minimum of a bachelor's degree is almost always a prerequisite for any entry-level job, getting a college education is paramount for so many younger Americans, even if that means getting buried in student loan debt."

Can you say Trade School?

April is Financial Literacy Month. What are YOU going to do to fix these problems?

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