

Jane Bryant Quinn

# Retire Early? Think Again.

**P**RETTY CLEARLY, BOOMERS AREN'T GOING TO live their dream of quitting work at 55. For starters, you aren't saving enough, and part of your money disappeared when the stock market freaked. Even if you're still in good shape, you might find yourself tied to a W-2 for 10 or 15 extra years. That's because the looming retirement challenge isn't really

financial, it's demographic. Behind the boomers comes the small generation known as the baby bust. If every boomer retired at 65, the shrunken work force wouldn't be able to support them at their accustomed standard of living.

Naturally, no one is going to fiddle while his or her lifestyle burns. So boomers will feel forced to work longer, like it or not. The sooner you figure this out, the less disappointed you're going to be, says Robert Arnott, chair of First Quadrant, a Pasadena, Calif., investment firm.

Your future, Arnott says, hinges not on the size of your savings or what the government does about Social Security. It hinges on the number of workers producing goods and services compared with the number of people consuming them.

Right now, for example, workers can produce enough apple pie for themselves and for retired people, too. But if all the boomers sit on the beach, the smaller work force won't be able to bake enough pies for everyone.

That's where the question of your standard of living comes in. All those retirees bidding for smaller numbers of goods and services will drive prices up, Arnott says—especially for personal services, leisure activities and medical care. Workers will demand higher wages to keep cranking the goodies out. As retirees raise cash by selling assets (stocks, businesses, homes), real values may decline. Between rising prices and falling asset values, retirees will find it tough to hang on to the lifestyle they'd counted on. You might run out of money or have to retrench.

Unless, that is, large numbers of boomers *don't* retire at 65, because they feel too poor to give up their paychecks. Then the economic apparatus would be producing more. If enough of you keep working to

maintain the current balance between workers and retirees, the "normal" retirement age will rise to 70 or more over the next 15 years, Arnott says.

Currently, the average age for claiming Social Security benefits is 64. Around half of the beneficiaries start taking checks at 62, which lowers their monthly payouts by 30 percent. But "people are waking up to these shortfalls," says Olivia Mitchell, head of the Pension Research Council at the Wharton School in Philadelphia. "This is a generation that should keep working for another 10 years."

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**In 15 years, the normal retirement age will be 70 or more, because that's what it's going to take to keep your lifestyle high, bills paid and wallet full**

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This process appears to have already begun. The plunge in the stock market is keeping thousands of people at work who otherwise might be building birdhouses in their backyards. In your 50s, you see the choice ahead. Retire earlier and poorer or later and richer. Hmm.

The real test will come over the next seven to 10 years, when the first wave of boomers reaches the age when their parents drifted off to Elderhostel tours. Boomers will want to do the same and, at first, they'll probably try. In the past the old have had the clout to grab more of the economic pie, in the form of health and income support, says economist S Jay Levy of the Jerome Levy Forecasting Center in Mt.



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Kisco, N.Y. But Arnott believes that power will eventually tip the other way.

To avoid becoming a generation of Wal-Mart greeters, middle-aged boomers have to plan. It's easier to keep a job at 65 than look for one at 75, when your money is running out. In the market, riskier assets such as stocks will be sold first. Younger buyers might get them cheap. Retirees will hold their safer assets a good deal longer. Inflation-adjusted Treasury bonds are going to look particularly good.

Joseph Quinn, dean of the College of Arts and Sciences at Boston College, says we've already entered a new retirement age. Boomers are saying that some combination of work and leisure is better than traditional retirement and a gold watch. In the 1990s about one third to one half of retirees used "bridge jobs" on the way out—that is, temporary jobs, bridging the gap between full-time work and full-time play.

Retirement is becoming a process, not an event, says Anna Rappaport of Mercer Human Resource Consulting in Chicago. Not like Jack Nicholson as insurance actuary Warren Schmidt—useful one day, useless the next. Before leaving their regular jobs, boomers will look for something else to do. Sometimes one spouse leaves the work force while the other stays in order to carry the health insurance—and the dropout is often the husband, says Judy Mazo of the Segal Co., an employee-benefits consulting firm.

Later retirement also would help the solvency of Social Security. People could take full benefits at their normal retirement age. But if they work, too, they'll still be paying into the system—adding to their benefit at a future date. There's always a time and place for really good birdhouses. Seventy-five, I'd say, is when to get out the saws.

Reporter: DORI PERRUCCI