

Baby Boomers Shift Priorities: Part 1—Planning and Saving

Are you a member of the baby boom generation? If so, you're probably focused on paying your children's college tuition, while at the same time, saving enough money to fund your own retirement. You may even be concerned about the health and well-being of your parents or in-laws. And you may be balancing all of this while maintaining a full-time career. If this sounds like your personal profile, you're not alone.

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In 1993, AXA Financial conducted its first Nest Egg Study to discover what financial and economic concerns baby boomers expected to encounter. We wanted to learn what you were doing to prepare for your future; if you had mapped out a plan; were you achieving your goals.

Ten years later, in 2003, we turned our attention again to this important demographic group. In the latest study, we sought to determine how attitudes towards personal finances, setting priorities and achieving financial goals for yourself and your children have changed since 1993.

Retirement on the Horizon

When asked in 2003 what was their single greatest economic concern, 43% (compared to 26% in 1993) responded that their greatest concern was having adequate retirement resources. This is mirrored in how they are setting their priorities. Compared to 10 years ago, more affluent baby boomers expect to assign a higher priority to providing a financial base for their retirement (55% in 2003 vs. 43% in 1993). Fewer respondents cited balancing savings and financial security as their single greatest financial concern (only 9% in 2003 vs. 17% in 1993). This perhaps indicates that this area of financial management is under control.

There are other indications that priorities are being rearranged. This generation, also known as the "sandwich generation," now expects to assign a higher priority to providing for their parents or in-laws (19% in 2003 vs. only 9% in 1993), as paying for their children's education recedes from being their number one economic concern (21% in 2003 vs. 28% in 1993).

Having a Plan Helps

The AXA 2003 Nest Egg Study results indicate that having a financial plan improves one's chances of attaining financial goals. Those with a plan are more likely to achieve their goal for setting funds aside (86% of those with a plan vs. 74% of those without a plan) and believe they will achieve their goal of leaving an estate to their heirs (80% of those with a plan vs. 68% of those without a plan). Those without a financial plan are more likely to say they did not try to save any money in the past year or two (9% of those with a plan vs. 25% without a plan). Those who have made poor financial preparations have saved the least and report the lowest amount of assets.

Saving to Secure Retirement

Baby boomers continue to recognize the importance of saving for their future. More than eight in 10 have attempted to set aside some form of savings over the past year or two (84% in 2003 vs. 81% in 1993). Results from the AXA 2003 Nest Egg Study indicate baby boomers are utilizing more sophisticated financial products that offer diversity, long-term growth potential and tax-deferred benefits.

(continued on page 31)

Indeed, the use of IRAs increased dramatically with four in 10 respondents (40%) in 2003 calling it a primary investment compared to less than half as many who did so in 1993 (17%). Use of CDs or money-market accounts as primary investment has decreased over the past 10 years (14% in 2003 vs. 23% in 1993).

In Closing

In the past 10 years, as baby boomers have approached retirement age, they have begun to think more about their financial futures. There are indications that priorities are being rearranged. Retirement savings plans are being created and savings are being set aside to provide for a secure retirement. And those who plan and prepare well will, perhaps, have the secure retirement they seek.

If you would like to learn more about what you can do to build or enhance your financial nest egg, please contact your financial professional.



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