

# Baby Boomers Shift Priorities: Part 2—Baby Boomers Picture Retirement

*Affluent baby boomers have shifted their financial focus towards the future and retirement planning, according to the latest AXA Nest Egg Study, commissioned by AXA Financial, Inc. The study, which was first conducted in 1993, revealed there is a new focus on retirement planning, an increase in financial sophistication and a greater belief in the American dream of success among baby boomers compared to 10 years ago.*

*... those who have prepared well financially for retirement are most likely to place a high importance on a privately created financial plan as a source of retirement income with many citing this as the most important source.*

## **Sources of Retirement Income**

Once in retirement, what do baby boomers see as their source(s) of income? An increased number of baby boomers placed a high importance on their employer's pension plan (57% in 2003 vs. 40% in 1993) and privately created financial plans (49% in 2003 vs. 33% in 1993) as sources of retirement income. Indeed, those who have prepared well financially for retirement are most likely to place a high importance on a privately created financial plan as a source of retirement income with many citing this as the most important source.

Although respondents did not characterize Social Security as a key source of retirement income, they did indicate that it had some importance in planning for retirement (56% in 2003 vs. 44% in 1993). Those who have prepared poorly for retirement are most likely to rely on Social Security and most likely to believe they will have to sell their home in order to maintain their lifestyle in retirement.

These findings are mirrored in respondents who reported not having a financial plan. In AXA's 2003 Nest Egg Study, those *without* a financial plan were more likely to rely on Social Security (11% of those with a plan vs. 24% of those *without* a plan) and were likely to say that they expect to sell their home in retirement (17% of those with a plan vs. 23% of those *without* a plan).

## **On Their Own**

As they age, married baby boomers face increased chances of finding themselves on their own. In the AXA 2003 Nest Egg Study, a large majority acknowledges that their own lifestyle would decrease upon their spouse's death (87%) and that their spouse's lifestyle would decrease upon their death (82%). Women especially believe their lifestyle would be severely diminished upon their spouse's death—19% versus 3% for men.

Respondents with less than \$100,000 in household income who do *not* have a financial plan are more likely to believe that their spouse's lifestyle would decrease severely (2% of those with a plan vs. 14% of those without a plan) upon their own death.

## **Looking to the Future**

Despite the political and economic events of recent years, nearly three-quarters of respondents to AXA's 2003 Nest Egg Study believe "the American dream of success is alive" (74%). This increased by 17% from 1993, when 58% believed this to be true. And as with generations before them, more baby boomers believe the future will be better for their children with 53% believing

*(continued on page 27)*



it is realistic to think that their children will be better off than they are (an increase from 41% in 1993).

### In Closing

As the baby boom generation continues to mature, financial needs, goals and expectations will evolve and change. Results from AXA's 2003 Next Egg Study indicate that this process is underway. Preparing financially for retirement has become significantly important for the generation that declared it would never trust anyone over 30. Having adequate resources in retirement has replaced paying for the children's college education as the single greatest economic concern for a considerable portion of baby boomers. Compared to 1993, more baby boomers expect to assign a higher priority to providing a financial base for retirement.

Yet some things haven't changed. In both 1993 and 2003, more than 60% of respondents reported that they had a formal financial plan. Results further indicate that having a plan means a greater likelihood of achieving financial goals.

Overall, baby boomers seem to be anticipating retirement and have begun to face the task of building a nest egg for their future.


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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