

Say Goodbye to Granddad's Retirement

Tony Walker, Retirement Specialist, examines the history of retirement, from its inception in the late 19th century to the reality of present day. Introduced as Otto von Bismarck's solution to the high rates of unemployment among the young in the late 19th century Germany, the pension plan depends on the number of workers exceeding the number of retirees. However, as the proportion of the population age has changes, and life expectancy has risen, the retirement system has undergone significant changes. Since the 1980's, companies realized they cannot afford the guaranteed income in the form of a defined benefit pension plan to their employees, and have begun to offer a defined contribution (401K) plan instead, that offers fewer guarantees but more flexibility in case that the employee changes their place of work.

Our host tells us the story of his grandfather, who worked for the same company for 43 years and upon retiring in 1978, proceeded to receive two monthly checks—pension check from the employer and social security check from the government. The Social Security system was introduced by the Social Security Act of 1935 as part of Roosevelt's New Deal, when USA was faced with high unemployment. Interviews with a great number of people from the generation that grew up in the Great Depression illustrate the significant differences in financial realities then and today. The baby boomers approaching retirement today face the danger of being fired without a pension or savings, and the significant challenge of looking for work in the technology-driven society, having no computer skills. With health care costs increasing more rapidly than inflation, the stress of a job loss has led to a great number of bankruptcies attributed to medical problems.

Interviews with people of college age show how little this segment of the population knows about financial planning or retirement, and also the challenge of saving with the high costs of day to day living and college tuition rates. The dilemma of working or pursuing a degree is examined in depth. The importance of credit score has become a reality since the adoption of credit cards in 1958, but hasn't been accompanied with proper education in financial management. The generation gap is seen in the approaches to work too, with young people giving more importance to the end result rather than time clocked in.

Entitlement and consumerism are examined alongside frugality and saving. And finally, the realities of a flexible work force, entrepreneurship opportunities and the idea of continuing work over lonely retirement are discussed as more pertinent to the generation of today.

Featured Interviews:

Brian Stow, Economics Professor at Western Kentucky University

Dana Bradley, Gerontology Professor at Western Kentucky University

Bill Medley, VP of Market Segments Farm Credit Services of Mid-America

Skip Wirth, Health Care Expert and Motivational Speaker

Social Security Act 1935
Social Security Trust Fund

Credit score:
900 – the highest
676 – average

1984 - \$404 billion spent on Health care
2005 - \$1 trillion (National Coalition of Healthcare)

How much to save in order to retire on 1 million at the age of 65?
A: \$100 a month, starting in the early 20s

Bureau of Labor Statistics
<http://www.bls.gov/>