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Baby Boomers and financial planning. All you need to know.

If you were born between about 1946 and 1964 you are classed as a Baby Boomer, named after the surge in babies born after WWII. From an investing point of view, Boomers tend to share a lot of similarities and – depending on their age – some very marked differences. Read on if you'd like to find out whether the stereotypes are true for you.

Not all Boomers are created equal

Baby Boomers are now aged somewhere between 53 and 72 years old – quite a broad spectrum. This is why the generation is often divided up into younger and older groups which tend to display similar characteristics and tendencies:

- The older group (aged between 64 and 72) came of age during the Vietnam War and – closer to home – the dawn of apartheid. This group is known for its idealism (in the States, they're more likely to vote Democrat) and tends to be experimental, individualistic, and free-spirited.

- The younger group (aged between 53 and 63) was affected by the fall-out from Vietnam and Watergate and, in South Africa, the political sanctions and economic recession brought about by international opposition to apartheid. If you're part of this group, you're most likely to be less optimistic, distrustful of government, and generally cynical.

While not a homogenous group, Baby Boomers share many of the following traits:

- They're generally well educated
- They've worked hard to achieve whatever success they have
- They earn well, on average
- They've invested in property – many have second and third homes
- Contrary to popular belief, they do spend a fair amount of time online
- They take the time to travel – with many having children scattered around the world
- They're generally in better shape – physically and mentally – than previous generations

How do Baby Boomers invest?

Despite being relatively well educated and earning well, Baby Boomers have tended to fall short on investing, and in getting proper advice. This is because this is the first generation having to deal with living longer and therefore spending more time in retirement. It's simply not realistic to expect a company pension plan on its own to sustain a retirement that could be as long as one's working career. Additional savings, such as retirement annuities and tax-free savings accounts, are a necessity.

Baby Boomers in South Africa have typically prioritised property as an investment. Those lucky enough to retire bond-free can enjoy the additional rental income these properties generate.

Although Baby Boomers are planning to continue working, it's important not to rely on this alone. Unexpected health issues could hamper these plans, making sufficient retirement savings and medical provision essential.

Other considerations for Baby Boomers

- Living longer means that **medical costs** in retirement need to be factored in when saving for retirement. These could be much higher than during your working years
- If you've never **consulted with a financial planner** – and many Baby Boomers haven't – it's never too late. If you're starting a second career in retirement, you'll still need advice around investing, tax planning and healthcare.
- Don't neglect **estate planning.** Many Baby Boomers have invested in property. This will attract capital gains tax when you pass on. Proper estate planning will ensure that your estate has sufficient liquidity to cover this cost so that your dependents don't have to sell assets to cover any potential shortfall.
- Many Baby Boomers will be wondering if they should **downsize their homes**. Whether you want to release the capital tied up in your home or simply to cut back on maintenance (in the process creating more retirement income and leisure time), do factor in all the costs of moving before you make this big decision. The capital released needs to be sufficient to justify the big move.
- Selecting the **correct retirement income product** can be daunting – don't make the decision alone – get advice from a financial planner. Living annuities and guaranteed annuities each have their own advantages and disadvantages, so take the time to find out which is best for your situation.

You *can* teach an old dog new tricks

Apart from actual age, one of the main differences between Baby Boomers, Generation Xers and Millennials is the use of technology. If you aren't already one of the 'Boomers' already connecting with your friends on Facebook, now's the time to get started. Instead of nagging your grandchildren to get off the computer, why not use the technology as a bonding opportunity?

Boomers are known for making savvy financial decisions that reinvent accepted norms. To ensure that this continues well into your golden years, speak to your financial adviser or contact us at query@prudential.co.za.