
Stock Losses Won't Hurt 'Early Boomers'

By Editor Test *Wed, Mar 10, 2010*

Those who defer retirement to rebuild their savings may be far outnumbered by those forced to retire early by unemployment, according to National Bureau of Economic Research paper.

The recent stock market crash and its impact on retirement accounts will not force many early Baby Boomers to delay their retirements, according to new research by the National Bureau of Economic Research.

That's because most early Boomers aren't heavily reliant on stocks for future income, and because recession-related unemployment may actually force many people now in their mid- to late-50s to retire early. On average, early Boomers are expected to delay their retirements by only 1.5 months.

The paper, "What the Stock Market Decline Means for the Financial Security and Retirement Choices of the Near-Retirement Population," was written by NBER Research Associate Alan Gustman and co-authors Thomas Steinmeier and Nahid Tabatabai.

For their incomes during retirement, the early Baby Boomers will rely far more on Social Security and defined benefit plans than on the stock market.

Only about 15% of the wealth of workers aged 53 to 58, or \$116,535, was in stocks (directly or in retirement plans) at the time of the crash. More than a quarter of their household wealth was concentrated in anticipated Social Security payments. Early Boomers have relatively little dependence on assets in defined contribution plans.

Households with at least one member age 53 to 58 had an average of \$766,945 in total wealth in 2006, according to the Health and Retirement Study survey of 22,500 households. Social Security was their single largest asset (26% of total wealth on average), followed by pensions (23%) and home equity (22%).

The drop in housing prices is also unlikely to greatly affect their retirement plans. Only 1.7% of early Boomers had negative home equity in 2006. Most had either no mortgage or had positive equity. Nearly half of early Boomer households had no mortgage at all.

If housing prices were to fall 20%, only 6.4% of the households in this age group would be "underwater," according to the study. Typically, it will be many years before these boomers sell their homes to capture the equity in them.

If the pattern evident after the 2001-2002 stock market crash holds true for the latest crisis, those who defer retirement to rebuild their savings will be far outnumbered by those forced to retire early because they can't find good jobs.