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Here's another way Baby Boomers are screwing the rest of us

By Pamela Gwyn Kripke

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Sorry, millennials! Don't expect a huge inheritance from your baby boomer parents. Sure, they're working longer, but they'll also be spending more now and during their retirements.

NY Post composite/Mike Guillen

When Ira Antelis graduated from the Manhattan School of Music in 1980 as an aspiring composer, his parents helped him financially as he found his way into the industry.

“The support they gave me was invaluable, and it allowed me to do the things I needed to do to nurture my career until it happened,” says Antelis, now 60, a father of two, and an award-winning composer and producer based in Chicago. He wants to do the same for his two children, a 9-year-old and a college senior, but they need to prove themselves first.

“My philosophy is, ‘Get a job, show me that you are working hard, and we are here to help you get from point A to point B.’ Balance is so important. If you give your kids too much too soon, it could backfire.”

Antelis is talking about “gifting,” in which money is bequeathed to heirs by older generations while they’re still alive. And baby boomers, the generation to which Antelis belongs, have accumulated an astounding amount of wealth — according to the Boston College Center on Wealth and Philanthropy, they have amassed an estimated $20 trillion to $30 trillion to pass along over the next three decades.

As they get older, Antelis and others like him are thinking about their money and how they should save it, when they should spend it and whether they should share it. But, for a number of reasons, the younger generations can’t bank on a huge windfall.

About 75 million boomers — those born between 1946 and 1964 — are alive and well in America, comprising the nation’s second-largest age demographic, according to the US Census Bureau, just behind millennials. Because the youngest boomers are in their early 50s and the oldest just reaching 70, they represent a wide swath of lifestyles — the youngest could have high-school kids while the oldest could have 40-something children, plus grandchildren and even great-grandchildren.

As with any group at any time, some have a lot of money and some don't, determining what kind of inheritance, if any, they will transfer to their kids. In total, though, boomers are the nation's wealthiest-ever generation, with a 50.2 percent share of net household wealth projected for 2020, according to a 2015 Deloitte Consulting study.

Almost 20 percent have investable assets of about $500,000, and 37 percent have about $50,000 in liquid cash, the study says.

What sets boomers apart from their age mates in the past is their longevity — an expected 78 to 92 for women and 76 to 89 for men, says the National Academies of Science, Engineering and Medicine, citing the ranges as a function of wealth. Their increased life span creates a financial puzzle: They have more time to work (earn money) and enjoy life (spend money), while also incurring health-care costs and other expenses.

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"It used to be, anyone who was 66 was the same as someone who was 86, according to the census. Now, someone who is 66 is not young, but he is not old either. This period is not a transition anymore to old age, but rather a new stage of adulthood," says Phyllis Moen, Ph.D., sociologist at the University of Minnesota and director of its Advanced Careers Initiative. By 2029, when the youngest in the boomer age bracket turns 65, the US Census Bureau predicts, more than 61 million boomers will still make up about 17.2 percent of the population. "So, they ask, 'Will my money extend to the number of years I'm going to be living?' " says Moen. "This is different from what previous generations were asking."

As the oldest boomers are turning 70, talk of financial gifting has consumed wealth advisors, who counsel parents and prepare their children for what they think could be a potential windfall of cash, unearned yachts and second homes. But wealth managers don't expect boomers to transfer their entire $20 trillion to $30 trillion nest egg.

“It’s making the headlines because it’s a big number,” says Scott Mahoney, CPWA, executive director at Morgan Stanley Wealth Management. “But the story is, ‘First, do I have enough as a retiree to sustain my lifestyle and second, I’ll think about transferring money to my kids.’ ”

Before the recession of 2008, said Mahoney, a person could put $1 million into a money-market account and get a 3 to 4 percent annual return on their investment. Now, he says, the account would be lucky to get three-quarters of a percent. Add health-care costs that are far outpacing the rate of inflation to the mix, and the pot dwindles even further. “A lot of that $30 trillion will be spent during their lifetimes.”

Plus, not every boomer is flush with cash. About 50 percent of boomers have a nest egg of less than $100,000, according to a PwC survey. Meanwhile, the average 55- to 64-year-old spends a mean of $18,006 per year — 32 percent of his or her annual household income — on housing (mortgage, repairs and all else), according to the Bureau of Labor Statistics, while the average 65-year-old couple spends $260,000 on health care and $130,000 more for long-term care from retirement until death, reports Fidelity’s family and finance survey. (Social Security as of January 2017 provides a maximum of $2,687 per month or $32,244 a year for a person of normal retirement age. The average benefit, though, is just $1,391 per month, according to the National Academy of Social Insurance. Typically, additional retirement income comes from retirement-account withdrawals, part-time jobs and employment benefits.)

“Prior generations of clients have been able to be pretty comfortable between Social Security benefits and a pension,” says Marcy Keckler, vice president of financial advice strategy at Ameriprise. “Now people may have to tap into accumulated life savings to pay for retirement, so it becomes important to replace that money.”

Despite these conditions, boomers still want to help their kids, a combination of Gen Xers, born between 1965 and 1976, and millennials, born between 1977 and 1995. (Sixty-five million people are classified as Gen Xers and 83 million as millennials, though their parents may not all be boomers, based on

Pew Research Center data.) According to an Ameriprise survey of 2,700 people with investable assets of at least $25,000, 83 percent of boomers said they want to leave money for their kids and grandkids, yet four out of five reported they didn't tell their heirs how much that would be. "In some cases, they didn't know for sure, and in others, they could be thinking that they, themselves, might need it. So they want to remain flexible," says Keckler. Sixty-four percent said they were not on track to leave an inheritance.

Because boomers have current and future expenses, and because they have decades in which to continue to work and feel engaged, they are delaying retirement. "There is a combination of need and want," says Chris Farrell, author of the book, "Unretirement." "There has been a shift in the upper-middle professional class, even. It's very clear that working longer is happening, particularly among women, who have made less than men, gotten less Social Security and have less in retirement savings."

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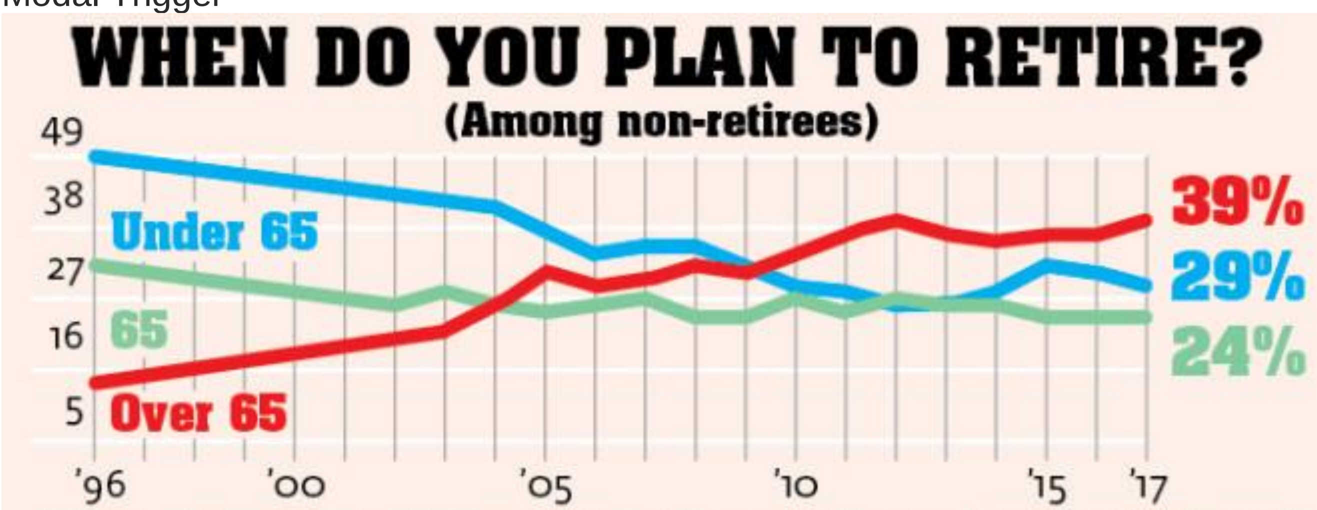

Many Americans plan to continue working well past retirement age (but much of the money they earn will be spent on living costs, potentially leaving less than expected for their heirs).

Wealthier boomers, who "didn't have a cubicle but had an office," are helping to pay for their children's specific and often substantial needs, such as grandkids' educations, student loans and down payments on homes while continuing to work themselves, Farrell says. "But a $30 trillion windfall? I don't see it."

Whatever Gen Xers and millennials inherit in the coming decades, they could use the financial boost. Some are still paying off student loans as they raise families, according to Pew. Their salaries haven't increased much — 23 percent of Gen Xers received no raise in 2015, the Economic Policy Institute says — and about 38 percent of Gen Xers have more debt than savings, more than any other generation, reports a Northwestern Mutual survey.

While their parents had generous pensions, Gen Xers are rapidly seeing rich employment benefits diminish. "There's been a scraping away of middle management and benefit plans. They'll be the first generation, at least in the private sector, that is completely 401(k)," says Farrell. "Plus, they are squeezed, with having children later and parents who live into their 80s. Gen Xers will ask . . . Do my parents move in with us? Can we afford assisted living? Do I have to build a ramp to the front door? They're dealing with a lot of the pressures that have been accentuated because of the restructuring of the economy over the last 30 years."

Millennials, meanwhile, face their own struggles. With the first of them now turning 35, they've entered their prime spending years for goods and services, though they are less likely than Gen Xers to own a home, use credit cards or get married, according to Morgan Stanley research. Also, they're carrying more student debt, from higher college tuitions, than their predecessors. From 2005 to 2012, average debt for people under 30 shot up to $24,897 from $13,340. In June, it surpassed $30,000.

To offset this bleak economic landscape, some members of the younger generations rely on the dream of inheritance. Nearly 70 percent of people aged 35 and under expect their parents to put away money for them, according to the Natixis US investor survey.

But, while some still hope for the jackpot, many assume they're on their own.

Elizabeth Fischer, 29, is a Dallas entrepreneur in the throes of launching ZerCareer, a company that makes industry-specific planners and desk accessories. She does not have an inheritance.

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"And I'm grateful for that," she says. "My parents raised me to work hard and earn everything I've got. Sure, it's really frustrating sometimes, but it pushes me to work smarter and make every dollar count. It also allows me to own every ounce of success without having any strings attached or expectations for the choices that I make."

It's true that inheriting a large amount of money can sometimes be detrimental to children, leading to reckless spending, a lack of motivation to work and a sense of entitlement, financial advisors warn. They say parents have a duty to teach their kids how to handle a sudden windfall.

"Just like teaching good manners and values, there is a way to educate people on the role that wealth can play," says Roger Hobby, executive vice president of private wealth management at Fidelity. "Parents don't want to set up a scenario such that someone doesn't have to work. They want to pass down values of being a good person, a responsible adult. The money is their investment in their children's dreams; it's not to fund a lifestyle."

Those parents who do aim to gift money to their heirs should make a plan for it while they're healthy and well, rather than coping with a stressful event such as an illness or death, financial advisors say. They recommend that heirs learn about potential tax complications, set up educational funds and adjust their own estate plans, if appropriate.

Despite the caveats, Antelis, who recently launched 60.life, a website for people his age, thinks gifting something to one's children — even if it's a small amount — is the right thing to do.

"If you can, you leave money for your children. If you're principled in how you help them, you'll have kids who go on to do well."