Chapter 13

Retirement: A Man-Made Myth

"Retirement at 65 is ridiculous. When I was 65, I still had pimples."
~ George Burns

There are a lot of things I can point to as being wrong with our society today, but one glaringly obvious shortfall is our entitlement mentality. In general, we feel we "deserve" a whole lot of stuff that we really have no right to claim. First and foremost, in my opinion, is the concept of retirement.

Make no mistake about it: this whole notion of retirement is a man-made creation. There's nothing biblical about us supposedly killing ourselves for 75 percent of our years to store up enough assets to live off for the last 25 percent, yet that's the system our society has built. The system is hopelessly broken and our government can do little more than try once again to kick the can down to the next generation. Somebody is going to pay an awful price.

Let me give you a little background on the phenomenon we call "retirement."

In her *New York Times* article titled "The History of Retirement, From Early Man to A.A.R.P.", author Mary-Lou Weisman briefly and humorously outlines the history of retirement from Cave Man to modern day, and gives supporting facts about why retirement is not just man-made, but a twentieth-century creation.

During the Stone Age, says Weisman, we worked until age twenty, then died, usually from unnatural causes. During biblical times, when people lived to be *really* old—the Bible says

Methuselah died at the ripe old age of 969, thus the adage “older than Methuselah”—people worked until they dropped.

This working-until-your-last-breath mentality prevailed through the centuries even after Chancellor Otto Von Bismarck, nicknamed The Iron Chancellor, introduced the concept of retirement. In 1889, Germany’s Old Age Disability Insurance Bill was enacted to provide a pension for all workers at age sixty-five. Sounds generous? Not really. It was proposed by Bismarck as a way of gaining favor among his countrymen, but it wasn’t as sweet a deal as you might think. The average life expectancy at the time was forty-five, so there weren’t many around at sixty-five to collect, and those who did usually didn’t live a whole lot longer.

What Bismarck’s bill did, however, was put in motion the idea that at some point in life we deserve to plop down in our rocking chair and grow mold. Did I say mold? I meant old. As Weisman describes, that single move “set the arbitrary world standard for the exact year at which old age begins and established the precedent that government should pay people for growing old.”

Fast forward to 1905 when world-renowned physician William Osler, in his valedictory address at the Johns Hopkins Hospital, where he had been physician-in-chief, said that workers aged forty to sixty were less productive than their younger counterparts and those over age sixty were “useless” on average. That must have been popular. At the time, around 60 percent of men aged sixty-five and older were still in the workforce.

But it wasn’t until President Franklin D. Roosevelt signed the Social Security Act of 1935, also known as the federal old-age program, that retirement and entitlements, which were mostly available only to white men, became a part of American culture. The average life expectancy in America was just under sixty-two years. Roosevelt’s old-age program was funded by a 1 percent tax on employers and employees on the first $3,000 of a worker’s earnings. Today, the Social Security tax rate is more than 6 percent.

The end result of the retirement revolution? The number of working men age sixty-five and older dropped from around 78 percent in 1880 to less than 20 percent in 1990. When you figure in the increased life expectancy over that hundred-year period, it's clear that we spend a much larger part of our lives *not working* than our forefathers could ever have dreamed. In 2010, nearly 53 million Americans collected Social Security to the tune of $703 billion.

"The retirement pattern we see today, typically involving decades of self-financed leisure, developed gradually over the last century," says Joanna Short, professor of economics at Augustana College, Illinois, in the article "Economic History of Retirement in the United States."

"Economic historians have shown that rising labor market and pension income largely explain the dramatic rise of retirement. Rather than being pushed out of the labor force because of increasing obsolescence, older men have increasingly chosen to use their rising income to finance an earlier exit from the labor force." [Note: she refers only to men because historical data is not available on women.]

Why is this important?

In 2009, I moved into an adult community. Between what I have seen here and what I see in the news, I'm left wondering what happened to the "Golden Years." The "Don't Worry, Be Happy" crowd on Wall Street had for years touted the great wealth transfer (which was to occur when the Baby Boomers started cashing in their savings) as a source of big business for them for years to come. They knew most investors bought into the myth that stocks and home prices would just keep going up over time. They built all sorts of products in hopes of catching the inevitable transfer of wealth from one generation to another but somehow missed seeing a financial crisis that they would like to tout is over. In my opinion, however, the worst is yet to come.

So, seniors found themselves unable to secure high-yielding, safe investments and their prime assets like their homes and stock portfolios no longer simply rose in value over time. This would be bad enough but the last factor that up until now gave seniors critical comfort, affordable and high-quality medical care via Medicare, is about to go the way of the first two. The inability to access the top-notch medical care that this generation has grown accustomed to will not only be the dagger that ends the Golden Years, but perhaps give seniors the biggest cause for fears.

There are other factors that, when combined with the above, make for some social, political, and economical episodes that aren't going to be pretty. Keep in mind that it was just a few years ago when, for the first time in American history, we had more Americans over the age of sixty-five than under eighteen. About 80 percent of the wealth in America is owned by empty-nesters and seniors who also tend to vote more than younger Americans, and in their own interest.

Don't assume, as the financial industry did, that snow on the roof means dough in the pocket. A recent survey conducted by CESI Debt Solutions discovered that 56 percent of American retirees still had outstanding debts when they retired. Retirement is not supposed to be about debt. In fact, it is hard enough to try to survive on a fixed income without having to worry about debt payments. But now the majority of Americans who retire do so with debt still on the books.

A September 7, 2011, *Wall Street Journal* article by E. S. Browning entitled "Debt Hobbles Older Americans" put it like this:

> More Americans are reaching their 60s with so much debt they can't afford to retire.
>
> Most people used to pay off their debts before retiring. But as wages have barely kept up with rising prices over the past 35 years Americans have pushed debt higher, living beyond their means. Now, people are postponing retirement, cutting living standards or both.

Worse yet is that an increasing number of senior citizens are going bankrupt. A University of Michigan study found that Americans who are fifty-five years of age or older now account for 20 percent of all the bankruptcies in the United States. Back in 2001, they only accounted for 12 percent of bankruptcies. In fact, between 1991 and 2007, the number of Americans between the ages of sixty-five and seventy-four who filed for bankruptcy rose by a staggering 178 percent.

Needless to say, many elderly Americans are under such financial stress that they have simply decided *never* to retire. According to a recent AARP survey of Baby Boomers, 40 percent of them plan to work "until they drop." Not because they want to. Because they have to.

Another study, titled "The Impact of Deferring Retirement Age on Retirement Income Adequacy" conducted by the Employee Benefit Research Institute, shows almost all Americans will have to work longer than they had anticipated. Released in June 2011, the study says that most in the US will have to keep working well into their seventies and eighties to afford retirement.

Does that mean we are coming back around to the times of Otto Von Bismarck when all men died with their boots on? Perhaps.

Trust me, I am not the only one pondering all this. An April 2011 Gallup poll showed that 66 percent of Americans are very or moderately worried about not having enough money for retirement. Retirement worries have topped the charts in the annual survey on the economy and personal finance since the early 2000s, but the percentage of people who are very worried about it is significantly higher since 2008. Even the younger crowd is worked up over funding retirement. Seventy-seven percent of Americans aged thirty to forty-nine are very or somewhat worried. In all, the poll says roughly two-thirds of all Americans at all income levels are worried about not having enough money for retirement.

And, then there is the inflation worry.

"Inflation," you ask? "Of all things, you warn us about inflation?"

Absolutely. Journalist Robert Powell said it best in a March 7, 2011 *Marketwatch* article, when he called inflation "one of the most insidious risks Americans will face in retirement." He goes on to say that even though those nearing retirement have witnessed firsthand the devastating adverse effects of inflation (remember when gas was a buck a gallon?), they just aren't factoring inflation into retirement plans. Research published by the Society of Actuaries says, "Compared to other planning activities, only 72 percent of pre-retirees and 55 percent of retirees are calculating the effects of inflation on their retirement planning."

Why is inflation such a big deal? Because though it only sounds like a few bucks, when compounded over many years, inflation adds up to a financial nightmare from which you won't be able to wake.

Here's an example: if inflation rises at a rate of 3 percent on average, in just ten years you'll need 30 percent more money to buy the exact same thing. A $10 item will cost $13 simply because of inflation. Put a few zeros on the end and it becomes even more apparent: a $30,000 car will cost $39,000. And it you're planning on living for twenty years after retirement, that same hypothetical car is estimated to cost *80 percent more* or a whopping $54,000 just because of inflation.

Who among us has anticipates needing 80 percent more money to buy the same goods and services? Those still working will likely see wage increases over the years to keep up with inflation, but the retired likely will not. Though you can try your best to invest in assets that protect your purchasing power, there's no crystal ball. So, the challenge in retirement has become how to spend time without spending money.

My advice?

If you're at or approaching retirement age, don't feel like you're entitled to stop working. Nowhere is it written in the Bible, the Magna Carta, Declaration of Independence, Bill of Rights, Emancipation Proclamation, or any other critical document of knowledge and freedom that

“Upon one’s sixty-sixth birthday, ye shall lay down your shovel and relax.” That isn’t how God intended it. It isn’t even how Otto Von Bismarck intended it. The United States Centers for Disease Control and Prevention estimate the average life expectancy in America to be just under seventy-eight years. If you retire at sixty-five, what exactly will you do for the next decade or so? And then what will you leave to your kids?

> A good man leaves an inheritance for his children’s children.—Proverbs 13:22

Here’s the *Bottomline*:

For years I’ve stated that Wall Street and Madison Avenue have knowingly or unknowingly conspired to create a false premise that more money will equal more happiness. They would like you to believe that a bus driver can never be happier than the guy who owns the bus company. Their typical advertisements show “happy people” doing the things the world says “makes you happy.” They especially prey on the elderly and suggest that their services will render your Golden Years carefree, enabling you to live a life you couldn’t afford when you were working full time. The reality, in my opinion, is that for the most part only the people selling the products and services will be carefree.

As a Christian, I’m especially troubled that our focus on wealth accumulation in order to secure a happy retirement is not only mentally and physically life-threatening, as people literally kill themselves trying to make enough to retire, but a slap in our Creator’s face that trusting in Him is not enough. The Forbes maxim “He who dies with the most toys wins” is really a ploy by the evil one to get us to think “things” will give us fullness and contentment. If that was the case, why are so many Hollywood stars and professional athletes so messed up despite making salaries unheard of to most common folk?

There’s no biblical verse I know of that suggests God wants us to spend our life doing as little as possible between here and Florida in the winter. I am not suggesting you don’t have a financial strategy in place to fund your golden years, because the fact is some of us will not be healthy enough to keep working even if we wanted to. So do your best to plan and save and invest as King Solomon did. Save, watch your LOCs, and employ the velocity of money. And, if in your twilight years you have been blessed with wealth and do not have to work a job, I truly believe those years should be used not as a staging area for our next life but to help those less fortunate. Giving, doing, and volunteering for the causes that help the sick, poor, and disenfranchised is a bare minimum.