Harry's Take

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Retirees' Financial Assets Would Look Better Ahead, if not for 'The Crash of a Lifetime'

A decade or two ago, it looked like the younger Boomers were not saving enough for retirement. But now, it looks like the unprecedented surge of stocks, over such a long time and to such a high magnitude, has bailed them out.

Financial Assets Wouldn't That Look Bad for Retirees, but for the Crash!

Age	Financial Assets
20s	$80,043
30s	$272,852
40s	$591,385
50s	$964,545
60s	$1,052,269
70s	$956,433

Source: https://www.fool.com/the-ascent/personal-finance/articles/here-are-americans-financial-assets-by-age-how-do-you-compare/

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Boomers in their 60s have on average $1,052,269 in financial assets. That's $50,000+ annually, and expected continued returns over the next 20 years could drive that number up to $60,000–$70,000. Those in their 50s, at $964,545, are even better off, with 8 years on average to continue to invest before they retire, at age 63 on average today… as are those in their 70s, who have on average $965,433 and are expected to live only a bit over 10 years.

Only 3%-4% Is in Cash, So Rest Is Subject to the Crash of a Lifetime

ACCOUNT TYPE	CASH	CRYPTO	EDUCATION SAVINGS PLANS	ESPP/ ESOP/ STOCK OPTIONS	INVESTMENTS	RETIREMENT INVESTMENTS	TOTAL
20S	$9,233			$14,711	$17,500	$38,599	$80,043
30S	$20,485	$13,600	$23,719	$30,487	$45,555	$138,646	$272,852
40S	$28,684		$65,169	$43,959	$89,758	$363,816	$591,385
50S	$34,347		$74,511	$47,909	$144,208	$663,570	$964,545
60S	$45,662				$211,654	$794,953	$1,052,269
70S	$30,784				$282,603	$643,045	$956,433

Source: Personal Capital; https://www.fool.com/the-ascent/personal-finance/articles/here-are-americans-financial-assets-by-age-how-do-you-compare/ www.hsdent.com

Aging investors are much more invested in stocks than they have been historically, as they have done so well in this area for so long—and only 2%–4% of their financial assets are in cash or near-cash investments. Hence, they are vulnerable as hell to a major crash, especially to the first crash to hit almost all sectors of investment.

So, what happens when almost all financial assets, led by the stock market, crash as much as I am forecasting and are slow to come back, as we saw after 1929 and 1968? That would change the financial positions of those aging Boomers back to very questionable in just a few years… And I am forecasting that the S&P 500 could go down as much as 86% and bonds could go down 40% to 50%+. Since the first stock bubble started in late 1994, the S&P 500 has gone up just over ten times. That has never before happened so strongly and over such a long period, and it's mostly courtesy of the unprecedented levels of stimulus…

Well, stimulus, like magic, is not real, when it comes down to it. Now you see it, now you don't. I see that financial assets on average will drop by at least 40% and probably by more like 50%–55%, with bonds and real estate helping to soften the blow a bit. But I predict that even everyday real estate will go down by 50% or so.

Cut these numbers in half and they don't look good enough at all to support retiree households for 20+ years. If you are in this age group, there's only one solution: get into the highest-quality Treasury and corporate bonds. And, yes, have a little in cash… or maybe a lot.

Harry

Got a question or comment? You can contact us at info@hsdent.com.