

Tea Leaf

...weekly since 1976

March 1, 2006

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The Big Three

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No...not U.S. automakers

...the three guaranteed American growth industries of the next 30-40 years, compliments of me and 78 million other Baby Boomers

Presented in alphabetical order...

...financial planning ...health care ...leisure & recreation

FINANCIAL PLANNING

Baby Boomers *en masse* have not saved aggressively enough for our Golden Years. Such a painful reality is one that, in my mind, will drive millions of Boomers to save more diligently in coming years. In fact, recent data from various stock mutual funds has shown a sharp rise in investments, most coming from Boomers.

Millions of Boomers will also shift more aggressive investment money from residential real estate back to stocks, as news and anecdotal evidence suggests that most of the surge in real estate prices on both coasts and in the nation's SW has run its course. This reality is one that drives my continuing view that the Dow will reach 12000 later this year.



At the same time, the Congress is likely to adopt more savings-friendly legislation in coming years to help both Boomers and younger generations put more money away for retirement. For example, new legislation now allows companies to roll out Roth 401(k) plans to their employees.

A new kind of 401(k)?...yes, indeed

The Roth 401(k) provides the means to put after-tax dollars into an account for the future. The advantage?...After age 59½, withdrawal of both the principal and the interest is tax free. This program should appeal primarily to those who expect to be in a higher tax bracket in retirement. Those expecting lower tax rates in retirement might be better off with traditional 401(k) and IRA programs.

More and more Boomers will acknowledge that they may not have the necessary skills to develop a sound investment program for the future.

- How much should I save?
- What kind of investment return assumptions should I adopt?
- How much can I withdraw annually in retirement?
- What if I outlive my money?

These anxieties will translate into greater use of investment experts, financial planners, trust departments, etc. In addition, the ongoing shift within corporate America from offering workers "defined benefit" programs to "defined contribution" programs puts the onus on workers more than ever before to manage their money...

...The wise among us will increasingly turn to financial experts for help

HEALTH CARE

Common sense would suggest that Boomers will play a major role in the expansion of health care services over the next 30-40 years. Such services will include the traditional combination of public and private sector health care providers, clinics, pharmacies, and hospitals.

In addition, you can add greater demand for plastic surgery of all types:

...make these bigger or smaller...build this up or trim this down...tighten this up...raise this...lower this...the list goes on and on



Boomers will not go willingly into our senior years...we will fight it constantly...

Vanity of the Boomers? Off the charts!

Rising demand for health care services by Boomers, our parents, and indigents, as well as those with and without health care insurance will strain the system as never before. A recent study from the Centers for Medicare and Medicaid Services projects that total health care spending will rise from 16.2% of GDP in 2005 to 20.0% by 2015 (*USA TODAY*). While such a rise will be "good news" in regards to U.S. job creation, it will be "bad news" in terms of trimming overall productivity and optimizing utilization of resources.

Answer this question quickly...

What is your largest monthly payment obligation?

Most respondents would logically say a mortgage payment. However, for many, the answer is, or soon will be, their monthly premium for health care. A 2005 Kaiser Family Foundation survey recently estimated the average premium for family medical coverage is now \$10,880 per year...or \$906 monthly (*The Wall Street Journal*)...

...Ouch!

As we know all too well, monthly premiums have been rising faster than incomes for many years. As health care costs continue their unrelenting march higher, we are slowly, but surely, moving unavoidably in the direction of a government-sponsored, nationalized health care system...

...I find the thought truly scary

LEISURE & RECREATION

Travel, golf, cruising, hiking, spas, motor homes, second (and third) homes, etc., etc., etc....you get the picture...

Boomers will redefine retirement, just as we redefined all other aspects of life. Stronger dedication to the first two growth industries discussed above will provide greater flexibility than ever before to enjoy life in our Golden Years.

Boomers will travel the world as no group before them. The sharp rise in

ownership of additional homes, timeshares, motor homes, etc. will continue.



One major change that is now underway and will escalate in coming years in a big way is the idea of bridging between full-time employment and retirement. Too many of us have seen a parent, family friend, or neighbor be forced to retire at age 65, when staying on the job was desirable.

Too many of us have seen skilled workers be forced out at 65, only to soon re-emerge as a greeter at Wal-Mart or as one serving fries at a burger joint...

...not so in coming years

Roughly 85% of Boomers say we never want to "retire," but instead engage in a process where we work fewer hours in our skills area. The reality today of tightening labor markets, combined with the slowest projected growth of the U.S. labor force in history over the next 20 years, will give older workers more bargaining clout than ever before.

Millions of Boomers will politely "inform" their employers that as they approach age 65 they will wish to work perhaps three days weekly, or only mornings, or two weeks on...two weeks off, for as long as they choose. Intelligent employers, facing the loss of valued employees, and with limited ability to easily replace talented workers leaving the company, will quietly agree to reasonable worker requests.

Those companies and public sector employers who wish to remain viable and competitive will by necessity soon modify their approach to flexible hours and part-time employment...even for senior people within the organization.

...those that do not will simply cease to exist

"TEA"ser

From 1978 to roughly 1986, I actively competed in Golf's National Long Driving Championship, moving through state, regional, and national semi-final levels to finish in the Top 10 in the nation in 1982 and again in 1983.

Having just reached the ripe old age of 55, I am considering entering again this year...

...I would compete in the *Super Senior Division*...Ouch!



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