CHAPTER
1

The Wave Is Coming

It is coming. You cannot stop it. Neither can the government. It will transform virtually every American's retirement and lifestyle. We already have seen changes in health care, housing, the cost of retirement, the financial markets, pension programs, and much more. Because of key, unstoppable trends that already are in place, in the coming years changes in these and other areas affecting retirement will continue and accelerate. Even those who already are retired have felt the effects of these trends and will feel them in the future.

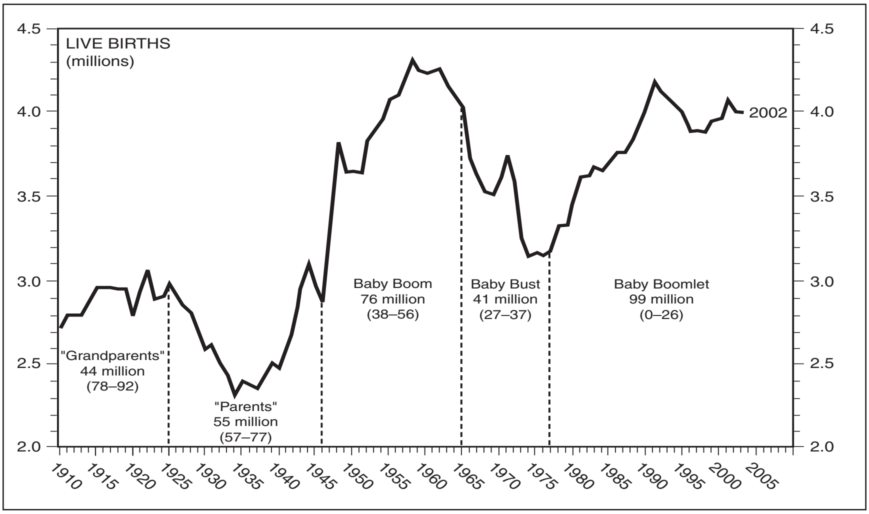
The trends are not bear markets, recessions, terrorism, war, or any of the other headline grabbers. The effects of those events on retirement will turn out to be relatively small and short-term. I'm not talking about a technology revolution, either. There are larger, more powerful trends at work, trends that are much stronger than any that have tested retirement plans so far.

These trends collectively can be called the Wave. They also are called the Retirement Wave or the Age Wave. The Wave can be summed up as: the aging of the large Baby Boom generation, longer life spans, and fewer offspring. Together, they amount to an aging population that has tremendous effects on the economy, the financial markets, and society. See Chart 1.1.

Where Will the Wave Take Us?

There's no doubt that demographic changes have an effect on the economy and society. Accurately forecasting the exact changes, however, can be difficult. Those who study the effects of population changes don't agree on the consequences of the Age Wave. In addition, there never has been an

CHART 1.1 Live Births



*Numbers in parentheses are the youngest and oldest ages of group members during 2002.
**Baby boomlet estimates for 2001 and 2002.
Source: National Center for Health Statistics. Reprinted with permission from Dr. Ed. Yardeni, *Consumer Handbook* (with Baby Boom Charts).

aging population of this size and scope. An additional complication is that retirement itself is a relatively new development. Forecasting the future of a new phenomenon would be difficult enough in itself. Mix in the effects of the Wave and the difficulty is greatly compounded.

Nevertheless, it is possible to sketch a general picture of the effects of an aging population on society and the economy. Certainly, there are many analysts who have put their forecasts on the record. Let's review the most prominent forecasts. Then, we'll consider what other events or trends should be considered before making a final prediction of the effects of the Age Wave.

Slower Economic Growth

An aging population usually means less robust economic growth. There are a host of reasons for this. One reason is that a higher percentage of the work force is past its peak productive years. With improvements in health care and lengthening life spans, we cannot be sure when the Boomers' productivity will peak. It is likely, however, that most Boomers will continue to work past their peak productive years. Because the Boomers will be a large portion of both the population and the work force, at some point productivity and economic growth are likely to fall as the Boomers age, unless there are offsetting factors.

Savings also are likely to decline as the Boomers age. This is because retirees generally don't increase their savings. They start to spend what they have accumulated. Reduced savings could lead to higher interest rates. Again, that usually means lower productivity and lower economic growth.

Another result of an aging population is that a lower percentage of the population will be in the work force. We will have fewer workers supporting each non-worker. Fewer workers for each non-worker typically leads to slower economic growth. That is because a higher portion of the income and taxes of each worker supports the non-workers. When there are fewer younger workers for each older non-worker, there is less wealth available for other expenditures, some of which would lead to more productivity and economic growth. Social Security and Medicare are the two most prominent programs through which younger workers support older non-workers. These programs are not funded in advance by taxes. Instead, they are essentially pay-as-you-go systems.

Taxes from those working during the Boomers' retirement years will fund payments to the Boomers. If there are fewer workers when payments to the Boomers are due, tax rates may have to be raised in order to foot the bill. Higher taxes cause lower fiscal efficiency and reduce economic growth.

Payments to the older non-workers possibly might be funded with debt instead of taxes. This increased debt would occur at a time when overall savings are likely to decline. A lower national savings rate coupled with higher debt could lead to higher interest rates or inflation—or both. The result of either higher interest rates or inflation would be lower economic growth.

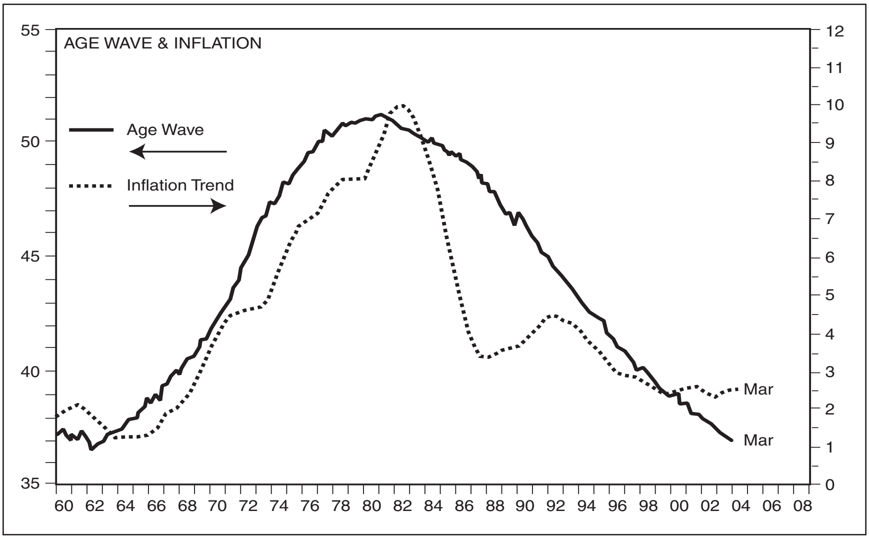
Whether taxes or debt (or a combination of the two) are used to fund the government payments to seniors, the transfer of economic resources from the working population to the large group of Boomer retirees is likely to result in a decline in economic growth.

Higher Inflation

The United States has been blessed with declining inflation in the years since 1982. The dramatic decline in inflation began at a time when many were forecasting that high inflation was a permanent part of America's future. The disinflation also began when there were large federal budget deficits that many economists said precluded a decline in inflation. Those budget deficits eventually lessened, for at least a few years, but not until long after the disinflation took hold. See Chart 1.2.

There are several explanations for the decline in inflation. International monetary authorities became more educated about the dangers of inflation and how an increasing money supply leads to inflation. As a result, they became more vigilant about preventing inflation than they were prior to the 1970s. Also, the emergence of a truly global economy put a natural lid on prices as companies had to compete with goods and services from all

CHART 1.2 Age Wave and Inflation



*Percent of labor force 16–34 years old.
**Five-year moving average of yearly percent change in CPI.
Source: U.S. Department of Labor, Bureau of Labor Statistics. Reprinted with permission from Dr. Ed. Yardeni, *Consumer Handbook* (with Baby Boom Charts).

over the world, not just from their own countries. Production in low-wage countries kept prices down worldwide. Technology, competition, and more efficient work methods also combined to increase productivity. This higher productivity allowed businesses to produce more goods and services at lower costs, which holds down prices and inflation.

Some analysts, however, point to demographics as a key to disinflation. They say that since World War II, there has been a close relationship between inflation and the percentage of younger employees. A low percentage of younger workers (those under age 34) is tied to lower inflation. But a high percentage of younger workers is associated with higher inflation. The theory is that younger workers are less productive, and lower productivity leads to higher inflation. As the Boomers entered their early adult years, inflation soared. As the Boomers matured, inflation declined. If the relationship holds, then as the Boomers retire and the work force again becomes younger, inflation should increase.

The tie between demographics and inflation could be coincidence. An alternate theory is that the age of the work force is similar to the age of the voting population. Older voters generally prefer low inflation and more conservative economic policies. Younger voters traditionally are less concerned with policies that keep inflation low. It could be that inflation rose and fell because of the demographics of the electorate.

The answer isn't clear. But it is possible that the aging of the retiree population and growing youth of the work force could lead to higher inflation in the coming decades.

Crumbling Real Estate Prices?

Owning a home has been the great American investment for decades. Housing prices exploded as the Baby Boomers entered their home-buying phase of life. The best financial advice for the early Boomers and their parents was: Buy the most expensive home you can afford and borrow all you can to finance it. People who followed that advice were rewarded throughout the 1960s and 1970s. The real estate boom paused in the late 1980s and early 1990s, then resumed. More recently, second homes and vacation homes joined the boom. Once again, that seems to be because of the Boomers. Many now have the money and time to enjoy second homes.

How will the next phase of the Boomers' life cycle affect real estate prices? The first generation of American retirees reached a point in life when many of them wanted less real estate to be responsible for and maintain. People get less active as they age, and some luxuries become burdens. Traditionally, as people age they sell large homes to move into smaller homes, condominiums, or some kind of senior housing coupled with medical assistance, such as assisted living or a nursing home. Many Boomers believe that a large portion of their retirement income will come from tapping their home equity through downsizing. They plan to sell their homes and use part of the equity to buy a smaller home and the rest to fund retirement.

The question many ask is "Who will buy the Boomers' homes?" If there are fewer people in the following generations, how could there possibly be enough buyers for the homes sold by the Boomers? Couple the smaller number of potential buyers with the possibility of higher taxes and lower economic growth, and the subsequent generations won't be able to pay the prices Boomers have come to expect for their homes.

Some economists have tried to forecast the effect of the Wave and the subsequent "Baby Bust" generation on home prices. In 1989 one study predicted that housing prices would begin falling by about 3 percent annually over the next 20 years. It predicted a real (after inflation) 47 percent decline in home prices by 2007. In 1993 a study sponsored by the National Institute on Aging reached similar conclusions. In that study, economist Daniel McFadden developed a model that identified 1980 as the peak for average U.S. home prices, adjusted for inflation. This model forecast that in 2020 home prices would be 19 percent below their 1995 levels, adjusted for inflation. By 2030 the decline should be 30 percent.

Others argue that even if there are enough younger people and immigrants to buy homes in the future, they will neither want nor be able to afford the homes the Boomers want to sell. Being older when they bought homes, the Boomers could afford large homes. In the 1990s, mini-mansions with two- and three-car garages were the home of choice in many suburban areas. Younger workers, possibly facing lower economic growth and higher tax rates, might not be able to afford such homes. With smaller families, they might not want the large homes.

A decline in housing prices could seriously undermine the financial health of the Boomers and the U.S. economy. Home equity is a major portion of the wealth of many Americans. For many older Americans, home equity is the only wealth they own or, at least, it is a substantial part of their net worth. For many people, home equity is a big part of their retirement plans. A number of those Boomers living in expensive urban areas plan to sell their homes at retirement and move into less expensive homes. They expect part of the sale proceeds to be available to help pay for retirement. Many others count on their home equity as an emergency reserve to be tapped in their later years or when needs arise. A home might be sold or mortgaged against to pay for nursing home care, for example.

If the aging Boomers sense that their homes won't be as valuable as anticipated, they are likely to reduce spending. That would reduce economic growth. The Boomers also might rush to sell their homes, hoping to salvage whatever value they can before the slide accelerates.

Home mortgages also are the largest part of the U.S. debt market. Major changes would be forced on the debt markets if demand for mortgages declines and people start prepaying mortgages in anticipation of housing price declines. Mortgage interest rates could drop dramatically. That would be good for those who want to borrow. But for older Americans who might use safe, interest-paying investments for their income, lower interest rates could be a disaster. If housing prices were to slide below the value of the outstanding debt, lenders would have to write off bad loans and take over ownership of homes for which there would be few buyers and steadily declining prices.

Homes and other real estate are an important part of the retirement nest eggs of many Americans. A decline in home prices or even a significant slowdown in appreciation could disrupt many financial plans.

The Great Financial Market Liquidation

The stock and bond markets in the United States began their greatest bull market in 1982. It continued through March 2000, with a few short interruptions along the way. The bull market coincided with the time that the Boomers became established in their homes and entered their peak earning years. Consequently, this is the time when one would expect this generation to increase its saving and investing.

It could be coincidence that stocks and bonds became attractive investments just at that time. Maybe the Boomers simply followed the markets and began investing heavily in stocks and bonds after those investments generated a few years of solid returns. Perhaps the Boomers would have invested heavily in real estate if inflation had remained a problem. Or it could be that the Boomers' life cycle caused them to buy more stocks and bonds during that period, and this flood of cash was a major cause of the bull market.

Whatever the cause of the bull market, what happens to stocks and bonds as the Boomers get older? In many instances, these investments were purchased to fund retirement. Presumably in retirement the investments will be sold to pay for living expenses. If so, over time the Boomers will be cashing in their investments. As with real estate, one has to wonder who will buy the Boomers' stocks. Further, the Boomers aren't the only ones in the markets. There are a number of employer-sponsored pension funds controlling trillions of dollars in stocks and bonds. As the work forces of these employers age, these funds will be taking in less money than they send out in benefits. That could mean they will sell stocks to make benefit payments.

Using demographic data, economists John Shoven and Sylvester Schieber prepared a forecast of stock market cash flows (Center for Economic Policy Research, Publication No. 363, September 1993). They found that cash should continue flowing into the markets until 2010. After that, they forecast that the markets will become stagnant. Finally, beginning in 2025 the value of America's pension plans should decline as they sell investments to pay benefits to the Boomers. The decline of pension fund values and stock market cash flow is estimated to accelerate through 2040.

If cash flow helps determine the prices of stocks, Boomers might need to revise their retirement plans. Most plans assume stocks will continue their historic average annual total return of 8 percent to 10 percent. Once cash flows into stocks flatten, stock prices also would stagnate. When big money begins to flow steadily out of pension funds, stock prices could steadily decline. The economists guess that stock prices could decline by 45 percent from this demographic effect. They point out that each generation at some point experiences a stock market decline of this extent, but government policies, rather than demographics, have been the culprit in the past.

Some forecasters think the decline due to the Boomers' cashing in could be worse. Their theory is that as the long-term price decline becomes apparent, many Boomers will sell quickly to avoid future price declines. They believe that eventually there will be an overwhelming rush to the exits rather than a steady decline in prices. In addition, the cash flow from demographics won't be the only problem weighing on the markets. If the other effects of the Wave also take hold, there would be serious economic problems in the United States and elsewhere, which also would spur investors to sell stocks.

Straining the Government

The demise of Social Security and Medicare has been forecast for some time. We are nearing the days of reckoning for these programs. Exact dates of their demise depend on the rates of economic growth and inflation. The stronger the economy, the more tax revenues that flow into these programs and the longer bankruptcy is delayed. Lower inflation reduces the growth of the benefits the programs pay each year, which also delays their demise. Most forecasts anticipate that Social Security will begin paying out more than it takes in around 2018. The program will run out of money around 2042. Medicare's collapse is forecast to occur much sooner. Its Hospital Insurance Trust Fund already is paying out more than it takes in. It might run out of money around 2019. You can get the latest official forecasts from the trustees of these two programs on their web sites at www.socialsecurity.gov and www.medicare.gov.

Social Security and Medicare might be only part of the problem. Much of the federal budget is allocated to older Americans. In 1965, according to the Congressional Budget Office, 16 percent of the budget was slated for the elderly. This rose to 24 percent by 1980 and 29 percent in 1990. By 2000, 35 percent of the budget was devoted to senior programs. Factor in Social Security benefits paid to retirees aged 62 to 64, plus pensions to civil service and military retirees, and 40 percent of the federal budget is going to senior Americans. The share of the budget allocated to programs for seniors will increase as the Boomers age. It will increase even more with the addition of new programs, such as prescription drug benefits for seniors.

If an older population leads to lower economic growth, then the government will have less tax revenue than is now forecast. That would leave the federal government with a choice to make: should it raise taxes on the younger generations, reduce benefits to older Americans, incur more debt, or reduce spending for all other parts of the budget (or some combination thereof)? Each of those actions could further reduce economic growth and tax revenue.

It is no wonder that there is a low level of confidence in Social Security. One survey found that more people under 30 believed in UFOs than believed they would collect anything from Social Security. Congress repeatedly has delayed addressing these problems. Ultimately changes will be made in both Social Security and Medicare. In the coming years, Americans can expect to see some reduction in Social Security and Medicare benefits. Most likely, the programs will be "means tested." Those seniors above a certain level of income will have their benefits reduced while those less well off will continue receiving benefits as promised. The eligibility age for these programs also might be raised. The extent of these changes will depend on how powerful the other possible effects of the Wave are—such as lower economic growth.

Nowhere to Hide?

In the 1970s when the U.S. economy was in sad shape, it was common for Americans to at least consider physically leaving the country for havens in other countries or shifting part of their assets overseas. There was a small but booming industry devoted to advising Americans how they could move some of their wealth out of the United States and invest in non-dollar-denominated assets. It seemed a prudent move. Other countries offered stronger currencies, lower inflation, more affordable lifestyles, and more stable societies. Some had lower tax rates. Japan's stock market was booming, while the U.S. market was stagnant. The interest in overseas havens decreased through the 1980s as the domestic financial picture improved. There was a brief uptick of interest in the early 1990s that was significant enough to cause Congress to pass a law that discouraged wealthy Americans from leaving the country for tax reasons.

But as a general rule, since the mid-1980s the U.S. has been the most financially desirable country in the world. Few want to leave, and many want to emigrate here. The dollar reigned as the world's strongest currency through 2002. Overseas, money consistently flowed into the U.S. financial markets through the 1980s and 1990s.

If the negative effects of the Wave are realized, Americans might once again consider seeking shelter overseas. Retirement in a foreign land might seem attractive. Even those who don't want to leave the country might consider placing some of their wealth outside the U.S. markets as they search for a way to avoid the steady declines in U.S. stocks and housing prices that some are forecasting.

Think again. If the U.S. has problems from an aging population, many developed foreign countries also will have severe problems. Japan probably is in the worst shape, with its population likely to age more rapidly than any other country's. Indeed, some analysts ascribe Japan's economic problems since 1989 to the fact that its Age Wave began then. They say that Japan is facing what the United States will experience beginning around 2010 to 2014. Most Western European countries also are aging faster than the United States.

Factors other than an aging population could well make the effects of the Wave worse in other developed countries. Together, they could contribute to economic disasters in those countries. Consider the following statistics:

- The other developed countries are aging faster than the United States. In addition to low birth rates, they have much lower immigration rates. While in the United States immigrants might help make up for a low birth rate, that is not likely to be the case in other developed countries. For example, by 2030, Italy will have three workers for every two retirees, under current forecasts. Other developed countries also will have much older populations than the United States.

- With the exceptions of Britain and Ireland, there is very little private sector retirement financing to provide a cushion for the coming retirees. In the European countries, retirement is paid for almost entirely by governments. For decades, the European system has been to impose high taxes on businesses and current workers in order to pay pensions to current retirees. In addition, there is virtually no advance funding of the government retirement programs in Europe. Workers are not expected or encouraged to set aside a portion of their income to help pay for their own retirement. One estimate reported in *Barron's* is that 84 percent of retirement benefits paid in the European Union are from unfunded government programs.
- Europe and Japan have been beset with stagnant economies and steadily shrinking tax bases for many years. As the Wave hits, unfunded government programs will need steady sources of increasing revenue. The revenue can come from a growing economy. Individuals and business making more money will pay more in taxes. A growing population and work force also could fund the programs. More people working means more people paying taxes.

  Unfortunately, those options don't appear to be available to much of the developed world. Heavily regulated economies are growing slowly, if at all. There seems to be no intention to deregulate the private sector or to privatize government-owned entities. Tax rates already are so high in most of the countries that additional taxes likely would further reduce economic growth and erode the tax base. Unemployment is generally high by U.S. standards. Government policy does little to encourage the unemployed to aggressively seek work and instead ensures that for an indefinite time the unemployed are well provided for.
- Retirement occurs earlier in much of Europe. In both Europe and Japan, early retirement is encouraged to make scarce jobs available for younger workers. A strong incentive for early retirement is a very generous pension at a relatively young age. Unlike in the United States, there aren't many financial penalties for taking early retirement. Japan's official retirement age is 55. In Germany, the average retirement age dropped below 60 in the 1990s. In France, 60 percent of the labor force aged 55 to 65 is not employed. Only recently have a few European governments realized that this situation is unsustainable. They have belatedly increased retirement ages and encouraged employees to invest in private pension plans.

Whatever problems the United States might face from the Wave, it is evident that you won't be able to escape them by seeking a haven in other developed countries.

You may, however, seek either a personal or financial haven in countries with younger populations and higher birth rates. Such countries are numerous in Latin America, Eastern Europe, the Middle East, and some parts of Asia. But you'll face trade-offs. These countries are less developed, and in many of them the pace of development is slow. Governments tend to be unstable, as do the investment markets and currencies. Many of these economies depend on the wealthier populations of the United States and Europe to buy their products. If the developed economies falter, these developing economies also most likely will suffer.

The Wave is not unique to this country. In fact, the United States is likely to experience some of the mildest consequences from the Wave of any of the developed nations. Possible exceptions are Britain and Canada.

Beware False Prophets

I keep a couple of books within easy reach on my shelves. One is *Facing Up* by Peter G. Peterson, Touchstone Books, published in 1993; the other is *Bankruptcy 1995* by Harry E. Figgie, Jr. with Gerald J. Swanson, Ph.D., Little Brown & Co., published in 1992. I keep the books handy, and I recommend them to you, not because I believe their arguments. Rather I refer to them, and call your attention to them, because they serve as reminders that long-term forecasts usually aren't terribly reliable. The factors that a forecaster identifies as the key trends might not influence the future nearly as much as expected. Other factors could intervene to alter the forecast. Or perhaps the correlation the researcher found between the factors and past trends was just a coincidence. There might not be a reason for the correlation to continue.

Each of these books argued that the United States was in sad financial shape in the early 1990s and the situation was about to get worse—much worse—very quickly. The key factor, according to the authors, was debt. High, relentlessly increasing debt was taking over the economy and government budgets. They were especially concerned about the federal budget deficit. The authors forecast severe consequences in just a few years if drastic steps, such as large tax increases and sharp spending reductions, were not taken quickly. Peterson subtitled his book *How to Rescue the Economy from Crushing Debt and Restore the American Dream*. On page 18 he summarized the "Reagan–Bush years" as follows:

> Our savings rate was going down, our capital investment was disappearing, our productivity was stagnant. To the degree we were achieving economic growth it was coming at the expense of the future—in the form of the most massively un-Republican bloating of government expenditures, deficits, and debt in American history.

Figgie and Swanson introduced us to the "hockey stick chart" or J-graph. This is a graph, usually of government debt, in which the debt level initially increases gradually much like the slightly-angled blade of a hockey stick. Then, compounding causes the line to shoot sharply upward, like the handle of the hockey stick. The authors' charts forecast that the federal budget deficit and debt levels would be rocketing up the handle by the late 1990s.

We know now that things turned out quite differently. At a minimum, the days of reckoning envisioned by these authors were delayed. Federal budget deficits rapidly turned into surpluses for a few years. The recession that began in 2001 and the stock market collapse of the early 2000s caused the federal budget to revert back to a deficit, which now is forecast to continue for at least 10 years. But, though the peak deficits will be higher in dollar terms than the previous record, they still are a lower percentage of the economy. In addition, a resumption of economic growth or some spending restraint or both would erase those deficits.

The federal budget deficit disappeared without any of the extreme actions recommended in these books. The growth rate of federal spending was restrained a bit. Thanks to technology, productivity in the private sector accelerated at record levels. Productivity, coupled with better management that was spurred by greater competition, allowed corporate profits to grow at record levels. Tax revenues, especially those for capital gains, soared beyond all projections. Policymakers quickly turned from how to handle "budget deficits as far as the eye could see" to dealing with unexpected surpluses. It now appears that some of the corporate profits and capital gains were the product of fraud and manipulation, but not enough to account for the bulk of the boom.

This doesn't mean the books were nonsense. Many of the facts reported in the books still are true. Health care spending by the federal government increases at a high rate, a rate that probably cannot be sustained indefinitely. Social Security still is likely to run out of money toward the middle of this century if changes are not made. Medicare probably will run out of money much sooner if experience matches current assumptions.

The point is that many variables make up the economy and the financial markets. Even when the trends that appear to be the fundamental forces remain the same, other factors could override them and make a forecast obsolete. Keep this experience in mind when considering how the Wave will affect your retirement. Readers who want additional examples of forecasts gone wrong should read *The Fortune Sellers* by William A. Sherden, John Wiley & Sons, 1997.

What Might Go Right

The worst consequences of the Age Wave simply might not occur, despite the amount of research and thought that has gone into the forecasts. Other factors could intervene to alter the effects of the Wave. Here are some possibilities:

- Technology could continue to improve productivity, allowing the economy to grow at a healthy rate despite an older population. Productivity grew at an unprecedented rate through the 1990s and even through and after the early 2000s recession, despite many forecasts that the productivity increases could last only a few years.
- Immigration could increase, bringing younger workers into the country and the workplace. The United States continues to be one of the most desirable countries in which to live. Many people from other countries clamor to enter the United States and participate in its economy. An increase in immigration easily could make up for the low birth rate of current Americans.
- The younger generations might save and invest more than prior generations. (That already seems to be the case.) This higher saving could offset the investment liquidation by Baby Boomers and pension funds.
- For a number of reasons, the older generations might not liquidate their stock portfolios as fast as some forecasters anticipate. If Baby Boomers work longer and accumulate larger nest eggs, they won't need to draw on their retirement plans until they are older. Investments might perform better than anticipated, which also might result in lower sales by the Boomers. There is reason to believe that many older people consider their portfolios primarily as an inheritance to be left to their children and grandchildren whenever possible.
- Older Americans probably will continue to work longer, at least on a part-time basis. That will keep tax revenue flowing into the general fund as well as into the Social Security and Medicare coffers of the federal budget. As mentioned previously, longer working lives also means that investment sales will take place later in life. It also is likely that older Baby Boomers will be more productive than were people of similar ages in prior generations as a result of better health care and better and more efficient use of technology. The decline in productivity that many forecasters anticipate may not occur, or might occur later than expected. (See the next chapter for details about Boomers extending their careers.)
- In response to forecasts of the worst consequences, Americans could change their spending, saving, and investing patterns in ways that avoid the big problems. Many forecasters assume that any anticipatory changes would make the situation worse, such as selling homes and stocks a few years before the huge price declines are anticipated. But Boomers might prepare for the Wave in ways that don't make things worse, hence, the purpose of this book.

Any one of the aforementioned preemptive measures could provide a significant, positive counter to the forecast consequences of the Wave. If the Boomers continue working beyond age 65, the effects would be dramatic. Government revenues, especially Social Security and Medicare taxes, would soar above current forecasts. The windfall would avoid or delay many of the worst effects of an older population. Portfolios would stay invested longer. The Boomers would retain their homes for years. They might even be active in the housing market. Those are just a few of the many possible outcomes.

The Wave already has affected your retirement and will affect it further —whatever your age. But don't structure your retirement around the worst-case forecasts. You and I don't know how all the possibilities will play out. It would be a mistake to bet on either the extremely optimistic or extremely pessimistic scenarios. Instead, plan on the most likely changes and also plan ways to protect yourself if things get worse. Also, look for opportunities to take advantage of better-than-expected developments. I'll show you how to implement these new rules for retirement in the chapters that follow.