CHAPTER 1

Your Worst Nightmare

It's 2050 and you are surprised to still be alive. You actually feel pretty good and the combination of a new titanium hip and your daily regimen of a customized Corrective Cocktail of diuretic, beta-blocker, statin, and a few new nanobots seems to keep you on a pretty even keel. You worked longer than many and both did well professionally and saved regularly, but at 96 you have been formally retired for one-quarter of your life. Your children are hoping to set a time frame soon for retirement and your grandchildren are in the peak of their careers, starting to focus on the cost of putting your great grandchildren through college.

You are one of the lucky ones. Your savings have lasted and you live comfortably. Many of your friends are still around, though mostly those who could afford the Corrective Cocktail market since Medicare and many private health insurers simply could not afford the preventative regimen. You sleep reasonably well thanks to increasing doses of soporifics in the Cocktail, but you wake thinking about all the others and what will become of them.

Your old high school buddy Rob, who was a fireman for 30 years, was just on the news. It seems he was accosted at the supermarket by young blue-collar workers who took offense at his buying steak and beer. Illegal websites highlighting state pensioners drawing pensions over certain amounts have proliferated, and groundswell movements of overtaxed and put-upon young workers are banding in community pension vigilante groups. This particular group underestimated Rob's belief that he deserved every ounce of red meat and beer. For their righteous trouble, they got doused in Michelob Light by one ornery ex-fireman.

THE FAMILY

Linda and Barbara

In 2050, you have one sibling left, an older sister, Linda, who is 98 and lives on the outskirts of Las Vegas. She moved there in 2015 when the real estate oversupply caused home sales to go begging and banks were so tired of carrying foreclosed properties in bulk that they sold entire tracts of too-long-vacant homes to hedge funds positioning to make a killing on distressed property. Those hedge funds were funded by large pension funds and sovereign wealth funds. When the markets simply did not recover in certain areas, the pension funds attacked in a manner akin only to what *Wild Kingdom* would describe as the antelope taking down the lion. Pension funds have been forced to take on more aggressive tactics just to try to keep up with the massive cash demands on their dwindling resources.

Nowhere was this more notable than in the gambling capital of the world, since gambling had become a ubiquitous revenue generator for all but the most puritanical of states, and you could get better slot machine odds on the West Side of Manhattan than you could in Las Vegas. The hedge funds had to suspend distributions and finally distributed assets in kind . . . causing the sovereign wealth funds to dump their allocation of single-family homes into the hands of the pension funds. The pension funds cut a deal with an insurance company that was shifting its business model into retirement community management. Today some stronger pension funds seem to have moved to the top of the food chain while the more wounded ones are ruthlessly and sometimes foolishly forced to be active risk-takers.

Linda likes Las Vegas, but due to the heat she seldom leaves the house, except to go to the outdoor pool in the townhouse complex. She has her daughter, Barbara, nearby to watch over her. Barbara does the bookkeeping for her son's garage door business and several of his friends' local support service businesses. Linda has enough to survive, but there is an interesting dynamic underway. Barbara juggles Linda's lifestyle (certainly providing the necessities), but tries to preserve what little capital is left since she is the logical inheritor . . . and she does have people who depend on her. The condo gets properly maintained since that is a preserving asset, but the slot machine allowance has clearly suffered . . . as have gambling stocks in general.

Barbara is brilliant. She found an old used video poker machine for $100 and put it in Linda's living room. Linda plays it all day, but regularly asks Barbara why, when she wins, it doesn't pay out so many coins. Barbara hasn't figured out how to explain that it is set to continuously recycle the 50 quarters she puts in it, and only that. It's not clear Linda would grasp the economics of the situation anyway, but Barbara figures it saves $500 per month in gambling losses. Given that Linda needs a cane to walk now, saving her from the long casino treks that are no longer broken up by high-end retail shops, seems like a blessing . . . at least to Barbara.

Dave and Sharon

Your older brother, Dave, who never went on for graduate work like you did, never really left your old hometown. He worked for years for the municipal zoning department and retired at 62 with a decent pension, supplemented by his Social Security and his wife of many years' teacher's pension. He moved to the west coast of Florida 38 years ago, in 2012, to take advantage of the soft real estate market. He rode his sedentary lifestyle to the age of 85, but died in 2035, and was survived by his second wife, Sharon, who lived out her life until 2040 going for her daily pilgrimage to the Nordstrom in Sarasota. His pension survivorship benefits made that possible and Sharon, who always said in the last 20 years of their life together that she would wear a red dress to his funeral, did just that . . . and it was bought at Nordstrom. When you arranged for her funeral a few years ago, you had her buried in that red dress.

Michael and Beth

Dave's son, Michael, followed in Dad's footsteps and joined the local municipality after college. The difference was that where Dave had gone to a state school that was virtually tuition-free, the government could no longer afford to offer state and federal tuition subsidies. So, even though Michael attended the same state school as his father, he graduated with $180,000 of student loans accruing at 3.4 percent. Free higher education is not over with altogether; you just have to achieve it via defaulting on your student loans, killing your credit rating for seven years, and then hoping Congress doesn't legislate bigger penalties, which has been a regular op/ed topic in more militant newspapers. It has occurred to you that Michael may soon suffer the same fate as Rob if these anti-pensioner groups proliferate.

Michael's municipal salary level is enough to live a decent local lifestyle and pay interest on the loans, but he is unsure how he will ever pay off the principal. Michael always joked about how he hoped Dave would remember him in his will. By the time Dave died, "remember" was about all he was able to do for Michael since there was not much else left.

Michael is now staring at an inability to service his old student debt, an inability to fund anything for his own children's education . . . and then there is his own retirement to worry about. Years ago, the municipal workers' union was forced to trade off future employee pension benefits just to retain job levels and living wage salaries. The Faustian bargain they struck was about preserving Dave's cost of living adjustments and spousal survival and Michael's wage levels in exchange for dramatically reduced funding obligations into a 457 Plan [the municipal version of 401(k)]. The whole concept of a defined benefit plan like Dave had gotten was taken completely off the table, but when Michael was 25 that seemed okay, since his plan was to save enough in his 457 to make up for it.

That was a nice concept, and Michael did save, but he kept putting his funding allocation into whatever funds did well last year. You've heard that called "cocktail party investing," and things never seemed to work out very well with his choices. He once tried to calculate what would have happened if he had just picked the low money fund option. When he realized his return rate was almost 6 percent below that (yes, that meant he had actually *lost* money), he decided to stop calculating and just put all his allocation in money funds even though they never seemed to provide much appreciation at all.

Well, at least he had his wife Beth's defined benefit plan to lean on, or so he thought. She has worked for years as a flight attendant for a major airline . . . until it went bankrupt and they got a notice that her pension was being taken over by the Pension Benefit Guaranty Corporation in Washington, DC. That notice said that the **PBGC was a "quasi-governmental" entity that did not carry the full faith and credit of the United States Government** (emphasis added into the letter). Michael did not know what that ultimately meant, but he did note that the PBGC had turned down one merger proposal from another airline and each monthly statement now showed funded and unfunded amounts. There was an asterisk next to the unfunded portion and a disclaimer at the bottom of the page. This did not make Michael feel better when he went to sleep at night after clocking out of his second job as a security guard.

Kim

Your wife, Kim, is five years your junior, and has had dementia for the better part of a decade. She is as sweet and beautiful as ever and you love her dearly, but her joints gave out due to her years as a musical theater dancer. After two knee replacements and continuous bone degeneration from a combination of osteoporosis and rheumatoid arthritis, the surgeon said it was best that she simply use a wheelchair. The insidious thing is that while every athlete knows that the legs and knees go first, they do not necessarily realize that without the legs the exercise level and reduced ability for aerobic exercise takes its toll on reduced blood flow to the brain to ward off the demon dementia for as long as possible. The slippery slope of aging has everything to do with staying active, and anything that reduces that ability increases the risk of dementia.

You keep playing and replaying that old movie, *The Notebook*, for her (or maybe for you) and you realize that Nicholas Sparks, the author, was onto something that was very prescient. You also find yourself replaying the song from *The Highlander* in your head: Who wants . . . to live . . . forever. . . .

Pete and Geoffrey

Your kids (Pete, age 68, and Nancy, age 64) have their own issues to worry about. Pete kicked around in his twenties and finally got a job with benefits, but only a 401(k) plan without company match. It was not until he was almost 40 that he began even thinking about retirement savings. But the retirement income issue gets lost behind the health-care cost issue for Pete. Pete is gay and he and his partner Geoffrey have wended their way through the domestic partnership liberalization trend of this century. They feel they have that mostly worked out, but there's the whole retiree medical benefit issue. The good news is that they have a level playing field with heterosexual couples. The not-so-good news is that health-care costs have continued to skyrocket over the past 50 years.

This has had a strange double whammy for the Generation X crowd like Pete. Not only does he have to suffer rising health-care costs, but he also has a lot less coverage than you had! He also has been paying the Health Care Surcharge that started 40 years ago during the Obama administration at 3.8 percent of virtually all income . . . even capital gains and dividends. That surcharge has had to gradually rise to 8.5 percent to support the combination of rising health-care costs and "deteriorating" demographics, with fewer wage earners supporting more retirees on Medicaid. The dynamics of pension costs and health-care costs turn out to be pretty similar.

As for retirement income security, Pete and Geoffrey have pretty much decided that their only solution is to simply not retire. Pete sat down with a retirement specialist when he turned 60 (pretty much when everyone starts to wonder what their retirement picture looks like). The advisor did the math on a retirement calculator program and was just rude enough to state quite bluntly that, like the motorist asking for directions in the little Maine coastal town, "You can't get there from here." The rub was that Pete had simply started saving for retirement too late. He was saving the right amount. He was allocating his investments well. He was not fiddling and trying to time the market only to be chasing his tail. But he had started too late.

For the past 100 years, business school students have lost this bet to learn about the time value of money: "Would you rather have \$1 million or \$0.01 (a penny) doubled every day for 30 days? How about doubled for

27 days?" The answer has not changed in 100 years (or, actually, since the time of the Phoenicians). That is, that a penny doubled for 30 days is worth over $5.37 million, but a penny doubled for just 27 days is only worth $671,000. What is the point of this age-old example? Well, for retirement purposes, the benefit of compounding has always been the Holy Grail. If you started soon enough, if you saved enough, and if you have been able to compound (invest) at a decent rate, you could have multiplied your retirement nest egg to a size that could have indeed lasted you for your natural life span and could have left your other savings for their intended purposes (gifting, wealth transfer, health care, etc.). While all these things were necessary ingredients for a good retirement outcome, the *key* element has always been the retirement cycle of 40-plus years. That was the power that needed to be harnessed for retirement planning to work whether at the personal, institutional, or national level.

Nancy and Anthony

Daughter, Nancy, and her first and only husband, Anthony, are in a very different place. They fell out of love many years ago, but have stayed together out of economic necessity. They are both conservative and fiscally responsible sorts who are frugal and oriented toward planning. Nancy is no financial wizard, but she instinctively knew that starting to save while young was sensible. Ask her to answer the B-School time value of money question and she would tell you to go away, but in her gut she understands the importance of time and the accumulation of savings.

Nancy runs a retail store for a large chain and gets full benefits. Anthony is a local trust and estates attorney who makes a decent living, but the overabundance of lawyers has clearly brought the hourly rate down to minimal levels and the combination of Internet virtual lawyering and less wealth transfer to worry about has made his practice the modern-day equivalent of the ambulance chaser. In fact, he thinks of himself as sort of a mall scooter chaser. But he does understand money, investments, and the perils of retirement.

Nonetheless, they have enough for retirement even now, if they choose a frugal spot like the Blue Ridge area of North Carolina, an area they are both fond of for its hiking trails and laid-back way.

Neither Nancy nor Anthony is bound to their area of suburban Baltimore. They figure they can transfer their work to wherever they choose to live in retirement, but they are drawn to staying in the area mostly to help their kids out as much as possible. They have a boy, Jesse, and a girl, Valene, who are both married and have kids of their own.

Jesse and Sofia

As your oldest grandchild, Jesse has been the apple of your eye. He and Sofia met in Brazil, where Sofia is from. Jesse is an engineer who got a scholarship to Carnegie Mellon and chose to focus on structural engineering. He graduated in 2017 and, during an internship with Cargill, he went to Brazil to work on a series of high-tech and massive grain elevators.

Brazil has spent its oil and natural resource wealth wisely by reinvesting it in developing its vast agricultural lands in the south where the climate is more like the Pampas of Argentina than the jungles of the Amazon. While the jungle topsoil of the north is denuded of nutrients and makes productive agriculture challenging, the southern area of Brazil provides the potential to feed the world. Major commodities companies like Cargill are the new GMs of the world. The old adage, "As goes GM, so goes the nation," can be updated to "As goes Cargill, so goes the world."

Sofia comes from an old, Portuguese rubber baron family that migrated to Porto Alegre 150 years ago and still has holdings in the hundreds of thousands of acres of fertile farmland. They are on the list of Brazilian billionaires, but only modestly so, given that 40 of the top 100 billionaires of the world are now of Brazilian descent. Nevertheless, like many families of great wealth, they live modestly and focus locally, so Sofia's decision to return to the United States with her *marido* was frowned upon, but eventually accepted.

Jesse and Sofia both work in Washington, DC. He is rising in the engineering department of Cargill and doing quite well, and Sofia focuses her attention on international human rights work. It is interesting to her that her family controls the lives of perhaps 300,000 local families in southern Brazil and here she is working to make sure they all have a voice in their destiny. Her father doesn't understand her thinking and keeps saying that one needs to be firm but fair with the workers. He provides retirement plans for his workers exactly as is minimally required by the Brazilian government. Every worker has post-retirement health-care benefits, a guaranteed and fully funded defined benefit plan with spousal survival, and even a small wealth transfer bucket. Sofia feels it is not sufficient.

Meanwhile, Jesse is working hard to save enough from his salary and bonuses for their only child's education. He is determined to pre-fund all of Thomas's college and graduate school costs and refuses to discuss taking money from Sofia's trust for that purpose. Cargill has a 401(k) plan with a generous match and Jesse was smart enough to put 20 percent of it in Cargill phantom equity (Cargill remains a very large private company), but too conservative to put more than that in one stock . . . too bad since Cargill has gone 11X over the 10 years Jesse has worked there.

Valene

Valene is your granddaughter, and you never thought you would be faced with a family rift over prosperity or lack thereof. In the movie *The Man in the Iron Mask*, Leonardo DiCaprio plays both the prince and the pauper, who was his twin brother destined for no reason other than lack of birthright to a dreadful life in an iron mask. If Jesse is the family's prince, Valene is living in the stifling mask of insufficiency. She is a college graduate working as a programmer for PayPal Bank and Trust as a consultant. Her husband, Zack, is a freelance production assistant for Facebook Reality Entertainment.

Google and Pay Pal are now the biggest consumer banking companies and Mark Zuckerberg is now the Samuel Goldwyn of modern reality programming. Despite working for such prosperous firms, neither Valene nor Zach enjoys benefits of any kind. This gap is compliments of the post-Obama Republican administration when Congress passed, and the new president signed, the Mobile Workers Self-Determination Act. This act makes it unnecessary for big tech companies (especially those threatening to redomesticate to New Zealand, the tax haven of choice since 2025) to provide any benefits to the newly expanded 1099 (independent tax contractor status) consultants.

Valene and Zack can barely scrape together their quarterly tax payable bills, much less fund their IRA and IHC (Individual Health Care) accounts. Those linger in the $60,000 range in total . . . just enough for six months of Corrective Cocktail when they need it.

So let's review the family tree:

- **Linda and Barbara:** One living sibling and her daughter, making do, hoping to save some inheritance money.
- **Dave and Michael:** One deceased sibling and his son, barely scraping by with a big hole to dig out of and no hope for a decent retirement.
- **Kim:** An ailing spouse (let's not even discuss occasional sorties from ex-wives) and a dwindling savings account.
- **Pete and Geoffrey:** A gay son and his partner who are playing retirement catch-up.
- **Nancy and Anthony:** A daughter and her estranged husband staying together by need and reasonably well set for a fair retirement.
- **Jesse:** A grandson who was lucky enough to marry well into an emerging markets family.
- **Valene:** A granddaughter devoid of any sort of retirement security.
- **Thomas:** A great-grandson who may have enough money for his education . . . and let's not even ask about his pension.

THE WORK

You worked almost until your 70th birthday (and found it invigorating). Unfortunately, you are the global exception in many regards. You spent the time with your retirement calculator and made sure you had enough retirement income to keep you going 20 percent past your life expectancy, which at 70 was 88 years old. That meant you budgeted for your savings to last you until you were . . . 93. Oops. But luckily, you are a pretty good investor and planner, and you adjusted as you went so you and your spouse are still good for another three or four years without a problem.

Of course, that won't help your kids since you've pretty well eaten up whatever inheritance you or they were hoping for. You're not sure it would matter much anyway since the government was forced decades ago to reverse itself on the wealth transfer rules, and inheritance tax rates have risen by necessity to almost 90 percent, a trend that has been followed in Europe, where the age-old tradition of inherited wealth has completely gone away. The world is gripped by the need to finance this retirement shortfall, and anything that looks discretionary or is not nailed down is heavily taxed to fill the gap.

What were paternalistic companies in the twentieth century have turned into outsourcing way stations for employees as they literally, but mostly virtually, carry their toolkits with them from situation to situation. In the post–World War II world, employers had just lived through the war years where shortage of raw materials was only eclipsed by shortages of trained labor. The worldwide cultural shift to broaden the workforce to include both men and women was a necessity. Rosie the Riveter proved that women could do the work and the postwar education emphasis, compliments of the G.I. Bill and a peacetime mentality, began preparing women for more and more workplace responsibility. That was a good thing because child labor was becoming increasingly frowned upon, depending on the degree of development of each country.

This all made the growing American corporation an "enlightened" employer of choice long before the term was ever coined. At the top of the list of demands from this bedraggled lot of veterans was the right to a peaceful and prosperous retirement. Security was the goal and now that national and global security was restored, retirement security was a priority. This spawned the proliferation of defined benefit plans that cradled employees in the bosom of the mother corporation. This same security blanket turned out to be the demon spawn for the corporate CFO.

By the end of the 1960s, the Baby Boomers were out of the womb, and it was time to get those growing pensions regulated so that everyone played by the rules . . . peace, love, and happiness for the working man meant being sure that his pension was being properly looked after. By now the paternalistic enlightened corporation was "The Man," and you had to WATCH him every second or he would steal your soul . . . and your pension. So enter ERISA. No, that is not the name of some IBM supercomputer. It stands for the Employee Retirement Income Security Act, and it was promulgated in 1974 and is perhaps the most arcane and devious tool of corporate torture ever invented (though Sarbanes-Oxley would give it a run for its money in 30 years). It would make Torquemada blush, and it was all about making sure Baby Boomers had a new pair of shoes to wear on the shuffleboard court.

The Investment Arena

I need to digress for a moment because it is important to note that the advent of ERISA had many unintended and good consequences besides the pain and suffering it caused CFOs. You have to start by buying into my assumption that, regardless of your politics or your religion, when it comes to retirement income, Pearl Bailey was right. She said something like, "I've been rich and I've been poor, and believe me, rich is better." So to get more retirement income, you need better investment results.

Better investment results do not just happen, and they do not just happen all across the retirement management spectrum. It took years for what is called Modern Portfolio Theory to take root and for investment professionals to shift from banks doing balanced fund management (60 percent "nifty-fifty" stocks and 40 percent government and corporate bonds) to boutique investment firms specializing in everything from small cap equities to high yield debt, and then on to alternative investments that broke the bonds of constrained investing in search of what was commonly called alpha (outperformance).

The road wars in *Mad Max* were child's play in contrast to the road wars in the search for alpha after the Great Recession. Hedge funds and private equity firms morphed, grew, and expanded to the point where they were the dominant financial houses of the twenty-first century. Their hunting grounds became the big game of pension fund management. Pension funds were forced to run as they always had in herds like wildebeests with the predators on their heels. They were so underfunded by that time that they simply had to throw the "Hail Mary" pass every play to have any hope of meeting their obligations. The predators produced modest returns, which had only trace elements of alpha as investment outperformance became the unicorn of the investment veld, but management and incentive fees just kept rolling in.

Pete and Geoffrey's penny is worth a whole lot more in 30 days than it is in 27 days. And if we weren't doubling it (100 percent return) each day, but increasing it by 50 percent, well then, instead of over $5 million in 30 days, you would have only $1,278. It's a lot tougher to retire on that, right? Let's get a little more real than our penny trick. A professional money manager can generally outperform a regular nonprofessional investor by 3 percent (and that assumes you are being fairly intelligent about your investing and *not* trying to time the market). So if a pro can do 8 percent, you can do 5 percent on average. If you put away $10,000 per year for 40 years, that's an absolute total of $400,000 of savings. The professional would turn that into $2,590,565, while the amateur would end up with $1,207,998. The power of compounding has given you a 6.5x multiplier on your money if done professionally and a 3x multiplier if done at home. This should tell you two important things:

1. That the retirement life cycle of 40 years works nicely to magnify your savings.
2. That what you earn on your money makes a whole lot of difference over that 40 years.

Pension Math

I guess the time value of money lessons we discussed with the penny eluded the postwar managers. Let's take a simple look at pension math (stay with me, it's actually VERY simple):

- Calculate how much you will owe employees when they retire.
  - Figure out when those payments start and how long they will last (how long they will live).
  - Add in any spousal survival period.
  - Discount that by a reasonable rate to reflect inflation and investment returns.
    - That equals how much you will need to fund that promise.
- Now, figure how much you must put in the pot every year and how well your investments will perform.
- Now, just be sure those two balance.

This seems easy, but it is actually very hard. It's hard to know what rate to discount the future obligations at and it's hard to estimate how long people will draw benefits, when they will retire, and when they will die. It's also hard to know how much to fund each year since so much depends on the investment returns you achieve over 40 years.

Here's a pernicious example to show you how pension math can bite you. In the second decade of the century, following the Great Recession (some would say *because* of it), interest rates went down to record low levels. This was due to risk perceptions and the flight of capital to the lowest risk investments investors could find. It was also due to pension funds moving out of equities into bonds for both risk and volatility reasons. Bonds are simply safer and less volatile and that seemed like a better fit for many pension managers. Of course, bonds underperform equities over time, and the one thing we know about pensions is that they have very long time horizons. So imagine more money flowing into bonds, driving up the price, and lowering the yield they earn. This was consistent with the slow economic cycle, but guess what else it did?

Remember how we calculate pension obligations by discounting them? Well, the lower the bond yields, the lower the discount, and the *higher* those pension obligations in today's dollars. Then, at the same time, due to the slowing economy and the lower rates, we have had to lower our expectations on investment returns. This is sort of like being hit on both sides of your head with the same stick . . . and somewhat by your own hand!

Remember those predators we left on the savannah? Well, I don't know what sound a wildebeest makes when it senses danger, but whatever it is would be the appropriate sound to make right now. When funding levels deteriorate (as they do when rates drop as low as they did from 2010 to 2020) and the return pools have dried up, the wildebeest finds itself asking the predator for directions to the nearest watering hole.

I am reminded of a great Anderson Consulting ad (remember them?). These wildebeests conquer the lions by getting ATVs (undoubtedly suggested by McKinsey). After getting left in the dust, the lions go to see Anderson, and in the final scene, you see the lions lounging around the gas pump. The moral: There's a consulting solution for every problem if you have the fees to pay for it. And the pension funds paid the fees to get the investment outperformance they desperately needed to get their heads back above water. If only they had done so earlier and if only a pension consultant could make performance happen and . . . if only pigs could fly (other than in insurance commercials).

The States

You and your third wife (you've been together since 2007) were living in a gated community in San Diego until California imposed both a retirement surcharge for anyone with retirement income more than 120 percent of the newly reduced Social Security maximum payment and a wealth transfer surcharge (some hard-hit states like California, Florida, and Illinois are now tacking on a 15 percent surcharge to the federal inheritance tax).

It has been fascinating to see how the states have fared so differently across the country in this century. In the nineteenth century, the sea changed from agrarian to industrialized, and we saw the southern states bow to the might of the northern states. In the twentieth century, we saw the Midwest Rust Belt get smacked due to foreign labor and outsourcing and the Sun Belt boom with the Baby Boom. But the twenty-first century has not been about agriculture, manufacturing, or even home building. This century has been about whether those states have been ants or grasshoppers in the fabled sense of being good savers or spendthrifts. Did they provide for the retirement and postretirement medical needs of their workers and general population? If they did, then their tax rates are low and they have attracted more and more retirement industry business. If they did not, then they have had the double whammy again of having to charge higher tax rates to catch up and cutting services and benefits to state and municipal workers such that overall service and morale levels have made those states disaster zones from a public works and services standpoint.

Here are the losers: Arkansas (unless Walmart hires everyone), Connecticut (Greenwich declares its independence and arms the Stamford and Portchester walls), California (take the 405 to the 10 to the 15 and drive until you get to Utah), Hawaii (in merger talks with Alaska), Illinois (18 governors, mayors, and congressmen now incarcerated), Louisiana (suing both FEMA and the National Weather Service for Katrina), Mississippi (cotton and catfish aren't enough), Montana (Big Sky spectrum slices on sale), New Hampshire (motto changed to *Live Poor and Die*), New Jersey (the Gardener State, since everyone can no longer afford landscapers), New Mexico (nuclear testing and waste disposal now open for business), and Rhode Island (too little to notice . . . annexed accidentally by Massachusetts).

By contrast, the winners are: Delaware (the post office box state), Idaho (Sun Valley is the new home of the Dalai Lama), North Carolina (home of the Blue Ridge condo explosion), Oregon (weather or not), Utah (Mormons now do all their mission work in California via private charter flights . . . and have made a hostile takeover of South Park Studios), Vermont (now more poodles than cows), and Wisconsin (10-year proof of residency required for state citizenship due to overfunding of pension and health care programs).

You've now moved to Southern Utah because, in an effort to attract people to its relatively unpopulated southern areas, Utah has decided to become a retirement Mecca by eliminating retirement and inheritance surcharges. Some say this was driven by the Mormon Church and its strong preference for Republican thinking, which accompanies beleaguered retirement-age folks. The community is also gated and is a Kendal Continuing Care Retirement Village, a wholly owned subsidiary of the Prudential Retirement Corporation. The walls were recently raised from 8 to 12 feet to keep coyotes from getting in and snatching local pets . . . particularly poodles.

The Country

The society in the United States has shifted dramatically over the past 50 years. As a country, we used to be segregated into the haves and have-nots with a large quotient of wannabes in the middle, many of whom were from the immigrant populations. We didn't think in terms of demographics and retirement life cycles. Longer life spans were simply a good thing. There were always "generations" throughout the twentieth century. Gertrude Stein got it started with the Lost Generation, who fought in "The War to End All Wars," World War I, as labeled by H. G. Wells. And then Tom Brokaw tagged the Greatest Generation as those who survived the Great Depression and fought in World War II. Those born in the crucible of the Depression and the Total War of the war years became known as The Silent Generation because they were awed by the gravitas of the moment and generally silenced by events such as the Holocaust and Nuclear Winter. And from this has sprung the Baby Boomers, who are the demographic tipping point of human kind.

That's a big contention. Are the Baby Boomers, just by virtue of their sheer bulk size, the agents of societal change that some purport? Yes, Baby Boomers represent a disproportionately large 26 percent of the population and almost 40 percent of the work force. This would be even larger were it not for the growth of the size of the subsequent generations. Generation X was not quite as large as the Boomers, but the Gen Y/Millennials represent almost 28 percent of the U.S. population. And now the "Always On" Generation may grow even larger still (health care and falling early death rates being big contributors to the natural mathematics of population growth). But it has much less to do with absolute size than it does with extended longevity. This health trend intersects with the "privileged" nature of the Baby Boomer culture and their belief in earlier retirement, such that the post-retirement span has grown and is still growing exponentially.

This "Privilege Gap" is the essence of the financial crisis that has gripped the world for most of the twenty-first century. Under normal demographic cycles, a generation lasts about 20 years. Take a larger generational cohort or pool and extend its life span more significantly than ever before, while allowing it to retire from the productive workforce sooner than ever before, and you now have a 40-year problem. The world has long since stopped thinking that the financial crisis of 2008 was really about Lehman Brothers, AIG, or even Fannie Mae. It is now widely acknowledged that what happened in the crisis was really the first wave of the Baby Boom "shockwave," as it was felt on the housing market in particular. In fact, the 2050 Nobel Prize for demographic gerontology (a new category this year) is going to Dr. Kenneth Dychtwald for his groundbreaking work on the Age Wave theories, which spawned new academic disciplines in gerontological economics and age-related behavioral finance.

The World

You've stopped reading the "paper" (delivered wirelessly and electronically on a simulated paper reader) because the news just gets worse and you have less and less ability to do anything about it. Europe was such a nice place to visit for years, but now what were unified countries have become so xenophobic that it's harder than ever to pass from one to another. Debt abrogation has become the norm. The infrastructure there has all but collapsed and any semblance of eco-consciousness has faded by necessity. Europe is creeping into disrepair and immigration requests for passage to Brazil and even some Central African nations are at an all-time high. The United States is still the most desirable immigrant destination, but the flow is controlled to optimize the economic age-supporting equilibrium. Young is better and young and educable is ideal. Older people in Europe are not faring well with a marked decline in life expectancy due to inadequate restorative pharma supplies.

The "good" news is that Brazil, Canada, Russia, Indonesia, and pockets of Africa are doing quite well. Their biggest problem is producing enough to meet the competing and quite corrupt yaw of China and India, who have imposed long-dated mandatory financing requirements on the net commodity exporters. Military actions are few, but economic bullying and brutality are at record levels. No one bullies better than China and few can resist since India has taken graft to an art form.

WHERE DOES THAT LEAVE *YOU*?

So by now you have woken up from your nightmare in a cold sweat. If you are smart you have realized that, indeed, you can't build your walls high enough to avoid this problem: no matter how wealthy you are, no matter how smart you are, no matter where you live or what you do for a living. Clearly, there are ways to position yourself better for this Anschluss, but can you really outrun or outclimb a tidal wave?

Another favorite joke of mine is the one about the priest (you can substitute pastor, rabbi, or mullah here) who is stuck on the roof of his church as the flood waters rise. A boater comes by and asks him if he wants to be saved . . . he says, "my Lord will save me." An hour later another boat comes by as the waters rise and asks him again, to which he answers, "my Lord will save me." Then as the raging waters are about to engulf the house, a third boat offers and he again simply says, "my Lord will save me." When the poor priest gets to heaven, he seeks out his maker and asks why such a humble and loyal servant as he was not saved. The Lord says, "Well, I sent three boats to save you. . . ."

So salvation may lie in the obvious and not in prayer. We didn't get here quickly, so it's not a quick fix, but the first step in any case of overindulgence and addiction is recognition and acceptance. And make no mistake about it: This is an addiction. It is the addiction of prosperity. Maybe *Star Trek* (or, more specifically, Mr. Spock) misled us when he said, "Live long and prosper." What he should have said is, "Save, live long, and then you might prosper if your investment program works."

Since we didn't go the route of the ant when we could, what does the world do now to fix this problem? Does ignoring the grasshopper pounding on the door looking for a handout solve the problem? Have you ever noticed how much bigger a grasshopper is than an ant? I rest my case.

We tend to like to think that technology and general progress will bail us out of all our global issues. That is simply not the case here. There is no technology fix needed, but there is a redistribution fix desperately needed. Since people with wealth are generally not in the habit of liking the sound of words like redistribution, the trick may be to find ways to make the pie seem bigger for all and with some, but not too much, recutting of the pie.

That probably sounds like alchemy, but let me remind you that lead and gold are not so very different elements. If we alloy a little gold with the lead, we might be able to get through this crisis. Put simply, the five steps toward a possible solution could be:

- **Step #1:** Fill the widening gap in the pension world. This is an asset problem. Find some spare assets, give them to those with the wealth, and use the wealth to plug the hole.
- **Step # 2:** Then, make sure the wealth does not leak out to those in the middle, as always seems to happen, even more so in the less scrupulous places like Russia, China, India, and Illinois.
- **Step #3:** Devise a system to distribute the wealth to the existing elderly. Subsidize retirement villages and medical care and make sure, whatever we do, that we do not sell our souls for the sake of a few dollars. There is no money that can compensate for a lost or shortened life.
- **Step #4:** And then make sure you devise a system for the younger population, which gives the hope that their lives in retirement will be as prosperous as or better than their parents' lives. If you cannot do this successfully, you will never get the buy-in needed for Step #3.
- **Step #5:** Repeat for subsequent generations.