

Ogan Financial Group, Inc.  
True Wealth Management



980 Enchanted Way Suite 206  
Simi Valley, CA 93065  
805.527.8806 Office

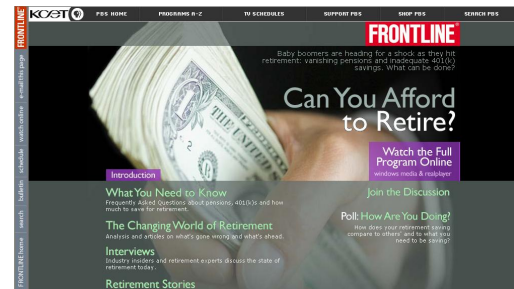
In the News...



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The baby boomer generation is headed for a shock as it hits retirement: many of them will be long on life expectancy but short on savings. The two main strategies for funding retirement -- [lifetime pensions](#) and [401\(k\)-style savings plans](#) -- are in serious trouble. In "Can You Afford to Retire?" FRONTLINE correspondent Hedrick Smith ("[Is Wal-Mart Good for America?](#)") investigates this looming financial crisis and the outlook for middle-class Americans.



"I think this is a crisis in the making," says [Alicia Munnell](#), director of the Boston College Center for Retirement Research. "I think 10 or 15 years from now, people who approach their early 60s are simply not going to have enough money to retire on."

"I would say, unless you're fortunate to be in the upper-income quartiles, that you're probably going to be in for a very rough ride," adds [Jack VanDerhei](#) of the Employee Benefit Research Institute (EBRI). "You're not going to have sufficient monies to pay the predictable expenses -- your housing, your utilities, your food -- plus the potential catastrophic medical care costs."

Half of America's private sector workforce has no employer-sponsored retirement plan; among the half that does, twice as many workers have contribution plans like 401(k)s than have lifetime pensions, a complete reversal from 25 years ago. The move from lifetime pensions to 401(k) plans has meant that employees now bear much more of the cost -- and risk -- for saving for retirement. According to the U.S. Department of Labor, in 1978 workers put in only 11 percent of total contributions to retirement plans, while corporations put in 89 percent; by 2000, the employee share had leapt to 51 percent and the company share had fallen to 49 percent.

**“The typical baby boomer is approaching retirement with only three times annual salary -- enough to last seven or eight years.”**

A major driver behind this shift is a corporate bankruptcy strategy that enables companies to terminate lifetime pension plans through [Chapter 11 bankruptcy](#). "Chapter 11 has become an effective tool for reorganizing a business," says Elizabeth Warren, a Harvard Law School professor and specialist in bankruptcy law. "It's like a knife on the surgeon's table. Bankruptcy is the official, federal, formal way to take legal promises and just slice them off."

FRONTLINE takes viewers inside the Chapter 11 bankruptcy of United Airlines. United dumped its pension plans, which were underfunded by nearly \$10 billion, on the [Pension Benefit Guaranty Corporation](#) (PBGC), the federal agency insuring pensions that is running a \$23 billion deficit. Because the PBGC only insures pensions up to a certain amount, many United employees and retirees saw their pensions slashed dramatically.

[Robin Gilinger](#), a 42 year-old United flight attendant, has seen her pension drop by nearly 30 percent and her other benefits cut. Gilinger says she now expects to have to work five to 10 years longer than she originally planned. "I feel very uneasy about where I'm going to be in 20 years," Gilinger says, "And I'm afraid that I'm going to end up having to work my golden years doing things that I didn't necessarily want to be doing."

With their lifetime pensions gone, the current workers of United have joined the millions of Americans trying to save for retirement in 401(k) plans. "Most people we interviewed have no idea what it costs to replace a lifetime pension," says Hedrick Smith. "And they don't realize that as they're living longer, there is an impact on their nest egg."

To maintain their standard of living, [experts say](#) Americans will need to save ten times their annual pay in their 401(k)s by the time they retire. That means saving 15-18 percent of their salaries, every year, over an entire career.

By this standard, most Americans are simply not saving enough. According to VanDerhei of the EBRI, the typical baby boomer is approaching retirement with only three times annual salary -- enough to last seven or eight years. But with life expectancies after age 65 approaching 18 years, many retirees may be living on nothing but Social Security for a decade or more.

"The nightmare I have," says pension expert [Brooks Hamilton](#), "is the vision of people ... outliving their retirement income and being down to Social Security." And the shock waves may reverberate through the entire economy. "What holds up our economy," says Hamilton, "is consumer spending. When retirees are 20 percent of the population and run out of money, then 'poof,' there goes the economy."

The change is already happening, as retirees find they are having to go back to work to make ends meet. [Pat O'Neill](#), a retired United Airlines mechanic, is now driving a truck after his pension and benefits were cut. [Winson Crabb](#) and [Gil Thibeau](#), two National Semiconductor retirees with widely different financial results from their company's 401(k) plan, are both still working in retirement.

"What is the meaning of retirement if the only way you can live is to work?" asks Notre Dame professor [Teresa Ghilarducci](#) "The answer is there is no meaning to retirement anymore. We are now shifting from lifetime pensions to lifetime work. It's the end of retirement."



**OFG: This article clearly exploits the growing crisis in America relating to Retirement. "What is the meaning of retirement if the only way you can live is to work?" This is what the majority of retirees are facing. With Social Security and Pensions insufficient to maintain their standard of living, retirees have two options: 1) Go back to work, or 2) Live on the equity in their home that they spent the last 30 years paying-off.**

**Homes were meant to store families, not cash. By repositioning their position, idle home equity can be their nest egg that is leveraged into a safe, liquid side account that offers Tax-Advantaged Contributions, Tax-Free Accumulation, Tax-Free Withdrawal and Tax-Free Transfer.**