

The baby boomer generation's spending will reflect its values

By Michael Adams and David MacDonald

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Baby Boomers have left their mark on society at every stage of life, from their stampede through the education system to the “echo boom” they produced in their own fertile years. Now, as they move into the second half of their adult lives, they will make their presence felt again—and not only by their sheer numbers but with the manifestations of their values. Values are motivated cognition: the deep beliefs that shape people’s perspectives and behaviour as parents, consumers, workers, citizens and spiritual beings. Had Boomers’ values been the same as their parents’, Boomers would have made a difference in some ways (for instance, needing lots of school desks when they were young) but they would not have driven so much social, cultural, and political change.

A key theme of Michael’s 2010 book *Stayin’ Alive* was that not all Boomers are alike: there are four main segments of Boomers, each with distinct values. As Boomers move into later life, society will feel their sheer demographic size but it will also feel their values—particularly the values of the two segments most unlike their parents. These Boomers are autonomous, experience-seeking, and insistent about personalizing everything (up to and including their funerals).

Boomers have driven an evolution in Canadian society from materialism to post-materialism: people are less likely to brag about their cars or watches, and more likely to mention their adventuresome vacations and the restaurants they’ve recently visited. It is no coincidence that the idea of a “bucket list” has become ubiquitous in recent years. The 2007 movie by the same name may have spread the term, but the concept of racking up long-desired experiences in later life is more psychologically potent (and more plausible from both a health and a financial perspective) for postmaterial Boomers than it was for previous generations.

The fact that Boomers will be around to tick off bucket-list items for many years to come is a boon to them and their families, and a challenge for Canadian public sector finances. Health care is already one of the largest line-items in the Federal budget, and will grow as the ranks of those over 65 continue to expand. With fewer working-age Canadians paying into general revenues, it’s not obvious who will keep Boomers’ hips swiveling and hearts pumping. Something may have to give in the form of tax increases, deeper deficits, or diminished health care offerings (although Boomers won’t take the last lying down).

Many Boomers—especially those with knowledge jobs—will not retire in the traditional sense. They will mentor, consult, and work on projects they find interesting or meaningful. Still, they will change the pace of their lives and have more free time. As they move into this quasi-retirement, Boomers will seek experiences that offer them fun, learning, and meaning. The business opportunities will be great in the fields of travel and education, and in enterprises that combine the two.

Although inequality affects Boomers as it does other Canadians, generally speaking Boomers can expect decent standards of living, derived from a combination of inheritance, personal savings (including RRSPs), home equity, the Canada Pension Plan, Old Age Security, and its Guaranteed Annual Income Supplement.

The business pages often feature ominous news about Boomers' debt loads. It's true that Boomers are carrying more debt into retirement than previous generations, but most Boomers have taken steps to ensure their financial wellbeing in retirement. Some will have to tap into their illiquid real estate wealth by downsizing, or considering reverse mortgages or home equity loans or other means of drawing on capital without losing their homes. Our research also indicates that Boomers are preparing to spend more modestly as they exit their peak earning years. This scaling back will put a drag on an economy that relies on consumer spending for GDP growth, but it means that Boomers should be able to navigate the decades ahead with reasonable equanimity.

Some Boomers' secular, autonomous values will put another kind of drag on their financial lives in the form of "grey divorce." Environics found that the proportion of Canadians aged 65+ who say they are divorced rose from 4% in 1981 to 12% in 2011. About a fifth of early Baby Boomers (born 1955 to 1965) tell us they are divorced, and an additional 14% are remarried. Boomers are also the generation most likely to say they think retirement will introduce significant stress into their marriages. Whereas the Elders (Boomers' parents) were more likely to "make it work" in marriage no matter what, whether out of religious conviction or fear of social stigma, Boomers want authentic connections—and are less likely to believe there is any reward in the afterlife for staying in an unhappy relationship while still breathing. Even a divorce with low legal expenses is costly for both parties: it splits pensions, RRSPs, and other savings, and typically increases both partners' cost of living. But values are powerful and Boomers have not historically hesitated to make theirs manifest in this world.

More affluent Boomers will move into later life with wealth to spare, some of which they will transfer to their children and grandchildren for things like education and a down payment on a condo. Many will do this while they are living rather than in their wills. There are a couple of reasons for this: one is that Boomers will live longer than their parents, and so will be around to witness life-stages of subsequent generations that their parents would have missed. Another is that more secular Boomers are more likely to believe that whatever satisfaction they will gain will happen in this life: they won't be looking down from a fluffy cloud as their bequests flourish after their deaths. They want the gratification of seeing the effects of their gifts with their mortal eyes—on their families, their alma maters, or the hospitals that saved their lives or the lives of loved ones. For the foreign-born and their kids, many of whom are doing exceptionally well in Canada, there are myriad opportunities to invest in family, communities, and projects both in Canada and "back home." Boomers will be much less likely than their parents to write a will that divvies up their money between family and a religious institution, put the document in a safe place, and call it a day. In their "bequests" as in so many previous stages of life, Boomers want to help drive the project and they also want to be around for the party afterward, to enjoy a glass of chardonnay or a newly legalized joint.