

Yes, Boomers are OK!

Over the Christmas holiday break, my reflection turned to the Baby Boomers (or those of us who now find ourselves the butt of internet memes and jokes) and it seems to me that Boomers have been the most successful generation – ever.

The main areas for criticism of Boomers is that they now own everything, housing is too expensive and university education is no longer free (although in reality, free university education really only existed from 1974 to the mid - 1980s)!

On balance, the arguments are correct.

Yes, Boomers are the wealthiest generation ever.

This cohort is primarily responsible for the saving of Australia's three trillion dollars in retirement savings¹. Boomers invented superannuation – and have continuously improved it. Dignity in retirement used to be the privilege of the very few 'self-funded' retirees, usually former politicians, bankers, insurance workers and public servants – and this included very few women. Now it is for everyone (although with women retiring with around half the long-term savings of men, the gender divide is still a significant issue).

Boomers also own the majority of our six trillion in real estate² so in total they own a big chunk of nine trillion dollars... or expressed another way \$9,000,000,000,000... twelve zeros! And this doesn't include the assets Boomers hold outside of super and real estate. No wonder Australians awoke on November 23, 2018 to find they had nudged Switzerland from the pole position as the world's wealthiest country in terms of median wealth³. In addition, over 74 years, the 'Boomerisation' of Australia has seen unprecedented improvements in access and quality of healthcare (there was no Medicare bulk-billing system before Whitlam), the National Disability Insurance Scheme did not exist and education past year 10 has exploded.

Yes, housing is more expensive today, with an average nationwide drain of 29% on income (versus 23% in 1984), but that six percent increase is also buying a very different, more sophisticated, product⁴. I am constantly amazed that Gen Y and Millennials complain that they can't afford to buy a house like their parents live in (but perhaps they need to get on the real estate escalator like their parents did 30 years ago and buy what they can afford, and move up or improve what they have).

What the detractors also fail to take into account is human mortality. According to the ABS, at the start of the Baby Boomer generation, a male born in 1946 and who lived past age 24, could expect another 45 years and female 48.7 years⁵.

Therefore, we are already experiencing the demise of the Boomer generation. However, as wealthier people tend to be healthier and live longer, we are seeing many healthy Boomers, the youngest of whom (including me) are hoping for another 30 years or so.

This has caused two interesting phenomena; for the first time in history we have financially comfortable, elderly people who are consuming and creating wealth for other people – as well as contributing to the world's biggest intergenerational wealth transfer.

Boomers are passing on their real estate, unused super and other assets to the next generation. As we have heard all our lives "you can't take it with you!"

It will be interesting to see how Gens X, Y, Z and Millennials handle this unearned wealth. Will they invest it and grow it, or will they 'blow' it?

I've never been an advocate of giving children (or relatives) money. My advice is, if you do want to do this, put up to \$300,000 into their superannuation* – at least they will be retired (and maybe, somewhat wiser) before they can access it.

Hopefully, Australia will also see an increase in philanthropy. The recent bushfire crisis in Australia has brought an interesting change in society with the wealthy prepared to give publicly (including the Forrest Family and the Gandels putting their names to donations) when traditionally, public generosity has been relatively quiet in our country.

Boomers have taken the inheritance they received from a stable democracy to improve health, science, and wider spread education. This has also led to the overthrow of Nazism and Communism (China excepted) and building of a thriving society. Remember too, the so-called 'Invisible Generation' like my dad, many of whom had to bury their parents during WW2 and migrated here from the ashes of their community. They gave us education, life experience and optimism – and the Boomers ran with it.

The challenge for the next Gens is – can they improve on this legacy, or can they just make silly jokes about the 'builders' who went before them?

OK kids, what are you going to do?

¹ <https://www.superannuation.asn.au/resources/superannuation-statistics>

² <https://propertyupdate.com.au/guess-how-much-all-the-land-in-australia-is-worth>

³ <https://www.abc.net.au/news/2018-11-23/australia-tops-median-wealth-per-adult-list/10518082>

⁴ <https://www.finder.com.au/owning-a-home-in-the-80s-vs-today>

⁵ <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features10Mar+2011>

**There are rules and limits applicable to this strategy; I recommend you seek personal advice before implementing any changes.*

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