



“Stressed States Are Forcing Workers to Retire Later”

-Wall Street Journal, August 1, 2010

Call it a “solution” of sorts to the states’ budget and pension crises. Facing no other alternative, new state workers are being forced to work longer in order to receive their still quite generous pension benefits. In 2010 alone, ten states have voted to raise the respective retirement ages for their workers. President Obama’s home state of Illinois—generally considered to be among the most labor friendly—recently raised the retirement age for new workers from 60 to 67. For Illinois teachers, the increase is even more dramatic—from 55 to 67!

Generally speaking, these changes affect only new hires, as existing workers are protected under union contracts. But should the states’ fiscal woes continue, expect the unions to come under pressure to negotiate.

With the newspapers full of stories of cities and states cutting back services and in some cases laying off vital personnel like police officers and firefighters, it’s hard to justify paying an able-bodied man or woman in their early 50s not to work. Nationally, we see the same debate taking place. There is constant talk about raising the age for Social Security and Medicare benefits.

Internationally, the story is the same. The European “social model” has come under relentless attack as crisis-wracked governments look for ways to pay their bills. Even France, the proud fountainhead of the welfare state, have proposed raising the retirement age from 60 to a still quite generous 62.

So what are we to take away from all of this?

As we like to say, with crisis comes opportunity. City and state pension benefits had gotten out of control during the boom years. Now, they are being brought under control. This is a good thing for the long-term fiscal health of our country.

The same could be argued at the household level. The last three years have been hard, but Americans as a whole have used this time to bunker down, trim some fat out of their budgets, and pay down their debts. The housing bust also stopped the inexorable growth in size and energy inefficiency of American “McMansions.” New homes, when they are sold, tend to be smaller and more modest.

So, I will close this letter with a challenge to you: Sit down and write a way in which we can turn these times of crisis into an opportunity. The opportunities are out there. We just have to find them.

Sincerely,

Jeremy E. Portnoff

Jeremy E. Portnoff, CFP[®], AIF[®], CRPS[®], CES[™], CFS[®], CTS[™], CAS[®]

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Ed Slott Master Elite IRA Advisor

HS Dent Master Certified Advisor

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