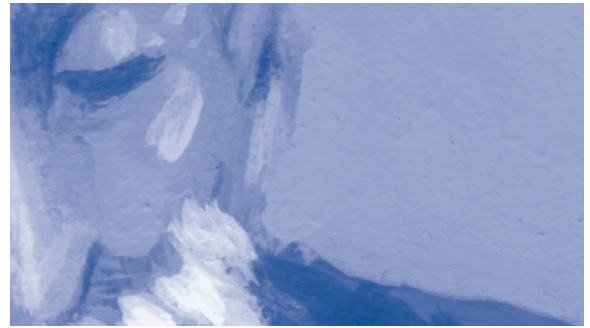


Ready or Not— Here They Come!

by Laurie Lachance



Laurie Lachance, Maine's state economist, outlines the economic implications of the "tidal wave" of aging baby boomers that will shortly be hitting Maine, and what we might do to prepare for it. She asks whether Maine has appropriate housing, transportation, and health care services to care for the needs of an aging population, and how Maine will fund the needed infrastructure with a smaller labor force. But all is not doom and gloom. Lachance notes that we have time on our side to prepare. Seniors are and will be living longer, healthier lives; they are and will be increasingly engaged in social, cultural and educational activities; this and future generations of seniors will have greater financial resources than seniors of the past. In addition, a new group of relatively wealthy, early retirees are choosing Maine as a retirement destination. Future growth of the retirement industry in Maine may become somewhat of a positive economic force, as the boomers seek a safe, clean retirement location with opportunities for an active lifestyle. 🐟

Like the nation, Maine is facing a tidal wave of change as the baby boom generation approaches the golden years of retirement. This age cohort, born between the years of 1946 and 1964, has absolutely dominated the nation's social and economic fabric as they have passed through the various stages of life. In the 1950s and 1960s, boomers flooded the school systems across the nation, leading to a massive shift in public spending priorities toward building school systems to accommodate the crowding as well as training teachers to alleviate shortages. In the 1970s and 1980s, they poured into the job market, enabling unprecedented business expansion across the United States, creating a housing boom as they purchased their starter homes, and propelling a national spending spree as they entered the part of their life cycle where they were buying cars and furniture, and giving birth to, raising and educating their children (the baby boomlet). This age cohort is now soundly in their 40s and 50s—traditionally their peak earnings years—a period of time when they redirect spending toward retirement investments, leisure, luxury and travel, altering national spending and investment statistics. And before we know it, the boomers will crash on the shore of retirement. It is under way. It is inevitable. Ready or not—here they come!

To the extent that the aging of the nation's population will create challenges for labor markets and housing markets, transportation systems, and the public financing of social and health care services, the challenges that Maine will face will be magnified. Currently, Maine is already home to the third oldest population in the nation. We also are the fourth most rural state in the nation (measured by the percentage of our land base in non-metropolitan areas—95.2%), the 16th poorest in terms of per capita income, and among the highest in overall tax burden. What this means is that as this huge age cohort enters the golden years, the impact on Maine will be felt earlier and more fully than in other areas of the United States, and our ability to simply redirect public resources to soften the blow will be constrained.

Figure 1 highlights the huge differences in the projected growth of the various age cohorts. As with the prior 25 years, the school-aged population is

expected to decline through 2025. There also are projected declines in the numbers of college-aged and young working-aged adults. Meanwhile, the number of folks aged 65-74 will double, and those aged 75-84 will grow by 55%.

Figure 2 illustrates the fact that these changes significantly alter the composition of Maine's population. In the year 2000, there were approximately 175,000 people (or 14% of our population) over age 65 living in Maine. By 2020, it is estimated that there will be nearly 260,000 senior citizens, comprising fully 21% of our people. As we contemplate a future where one out of every five residents is over age 65, a number of questions arise, not the least of which is whether we're ready to serve this aging population. Do we have the appropriate housing to meet the needs of an older population? Given the rural nature of our state, do we have a transportation system and the services necessary to enable the infirm to have access to the critical health care and social services they need? Do we have adequate health care facilities, doctors and

FIGURE 1: Percent Population Change by Age Cohort, Maine 1999 to 2025

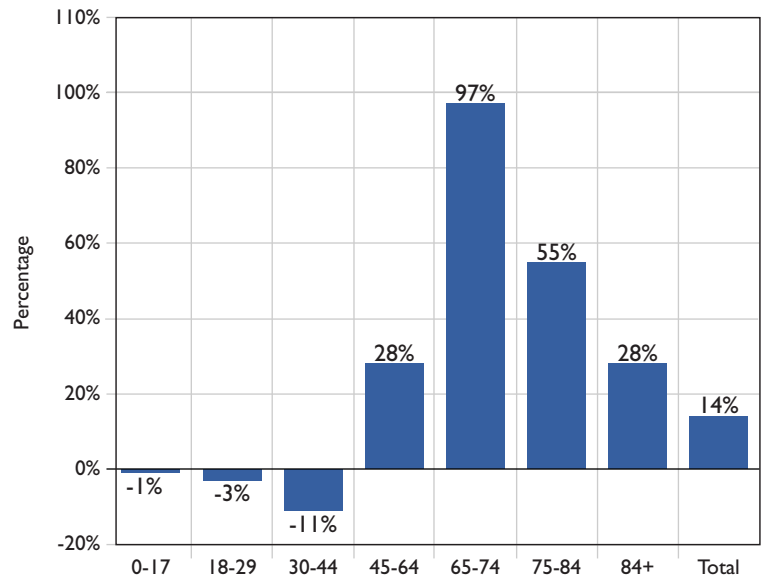
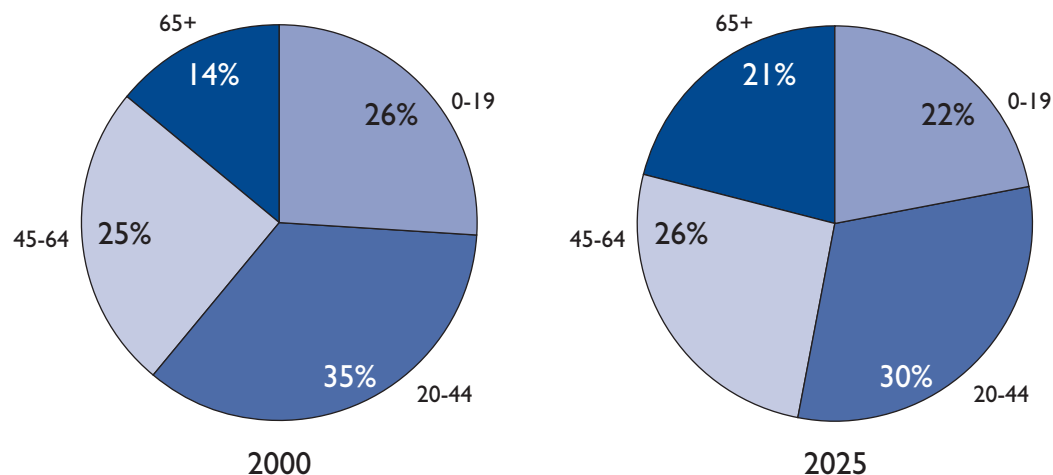


FIGURE 2: **Age Composition of the Maine Population in 2000 and Projected for 2025**



allied health professionals to care for the needs of an aging population? As school-age populations decline and elderly populations rise, how will government spending priorities shift? How will we fund necessary changes to our infrastructure and service offerings once a sizable portion of our labor force has partially or wholly retired? Who will fill our college seats and take our entry-level jobs?

These questions are meant to challenge us and to spur us to action. However, lest these issues only serve to terrify and immobilize, it is important to understand that there are many things working in our favor:

- Time is on our side. If we begin work today, we have 10 to 15 years to plan and prepare for these huge changes. Like a sound personal savings and investment plan for retirement, a thoughtful “investment plan” at the state level for long-term investments in strengthening health care systems, training health care professionals, creating age-friendly transportation and transit systems, building smaller, senior-friendly housing options near critical services, and building school systems that we can afford to sustain as school-age populations decline and budget priorities shift, would help to secure a more vibrant future for Maine. In this issue, Stephen Golant suggests some of

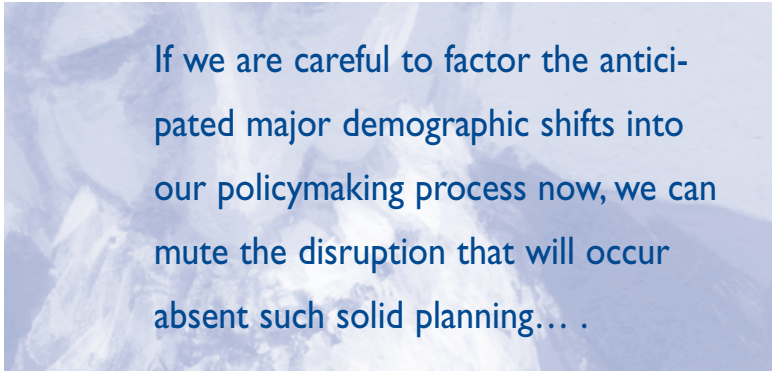
the needs and solutions for elders’ housing needs. Also in this issue, Paul Saucier and Julie Fralich provide an analysis of the policy and financing challenges in Maine’s long-term care system. If we are careful to factor the anticipated major demographic shifts into our policymaking process now, we can mute the disruption that will occur absent solid planning and implementation.

- Seniors are and will be living longer, healthier lives. Life expectancies in the United States have increased over the past decades as both men and women are now expected to live into their eighties. This extension of life span is projected to continue in the years ahead as nutrition, exercise, safety standards and disease controls prevent earlier mortality. And not only will the senior citizens of 2020 live longer lives, they will likely live much fuller lives, with far fewer functional limitations. According to Dr. Richard Woodbury of the Maine Center for Policy Research in his article “The Changing Landscape of Aging America,” the rates of functional limitation such as seeing, lifting, climbing and walking, have all decreased in recent years for each age group over the ages of 50, 65 and 80.

Dr. Woodbury wrote, “The economic implications of declining disabilities are potentially enormous. People without disabilities use less medical care, on average, require fewer care-giving services, and face fewer physical impediments to continued work.”

- Seniors are and will be increasingly engaged in social, cultural and educational activities, vastly improving their quality of life. As the writings of Nancy Grape, Willard Hertz, Lois Lamdin and Rabbi Harry Sky in this issue of *Maine Policy Review* demonstrate, Maine’s older residents are fully engaged in cultural and elder learning activities across the state. Seniors’ involvement in arts, culture, recreation and education brings tremendous enjoyment to the retirement years and fends off loneliness and depression. In addition, Dr. Lamdin’s research has shown that active elderlearning actually strengthens the brain in much the same way as exercise strengthens the body. The rapid growth in Maine’s Senior College bodes well for keeping Maine’s older population engaged and emotionally healthy.
- This and future generations of seniors will have greater financial resources than the seniors of the past. With the advent of 401k plans, the creation of a myriad of retirement savings instruments, and an increased focus on the importance of financial planning, savings and investment, retirees are becoming increasingly able to supplement pensions and secure appropriate insurances to ensure a comfortable lifestyle in their golden years. This is not to suggest that there will be no demands for government social services—quite to the contrary. Still, it would certainly be misleading to just extrapolate the current senior citizens’ dependence on such programs as Medicare and Medicaid into the future. Not only are the baby boomers more savvy investors than those of prior generations, they stand to enjoy the largest inheritance of any generation before, further strengthening their personal

balance sheets. Also, the increased offerings of long-term care insurance will help to protect the resources that this generation has worked so hard to accumulate.



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- Relatively wealthy, early retirees are already choosing Maine as a retirement destination. According to the American Association of Retired Persons (AARP), in 1998 Maine was one of only 24 states that experienced a net in-migration of retirement-aged people. The research prepared for the December 1999 Maine State Planning Office Report, “A Golden Opportunity: How Maine Can Enhance the Retirement Industry,” showed that people who choose to move in retirement tend to be healthy, active and financially secure. Their movement into Maine has created a demand for housing options suitable for older residents, access to specialized health care services, and for cultural, recreational and educational activities. They also have become actively engaged in their new “hometowns,” providing untold hours of volunteer time, civic involvement, and, at times, offering relief to tight labor market conditions. The so-called “retirement industry” is green, demands little in the way of government services, and has, particularly in coastal Maine, become somewhat of an economic force. Future growth of this industry in Maine can be expected as the



Since 1993, **Laurie Lachance** has served as Maine's state economist. She is responsible for managing all aspects of the economics team at the State Planning Office, and serves as an advisor to the director and state agency department heads on the economic aspects of public policy formulation in Maine. Prior to 1993, Ms. Lachance worked as an economist for Central Maine Power Company.

boomers seek a retirement location that is safe, clean and offers opportunities for an active lifestyle.

In all, there is no need to panic at the thought of Maine's population aging, but there certainly is a need to recognize and prepare for the dramatic shift well before it occurs. The fact that we are a relatively poor state demands that we invest our limited resources wisely in preparing to serve an older population. The fact that we are relatively rural demands a creative approach to finding alternative delivery systems for the provision of essential services. The fact that we are relatively older than the vast majority of other states suggests that we had better begin the preparation now, as there will be few for us from whom to learn. Ready or not, the baby boom generation

is headed toward retirement. Let's begin the hard work of preparing for these inevitable changes, seizing the opportunities they offer, and taking steps to ensure that Maine will be the place for all ages. 🐟

