

## Baby boomers: who they are and how they are facing retirement

The first cohort of baby boomers turns 65 in 2023 and in the coming years this entire generation will retire en masse. In this article, we will assess the state in which the baby boom generation is approaching retirement in Spain, both from a financial perspective and in terms of their emotional state and their health.

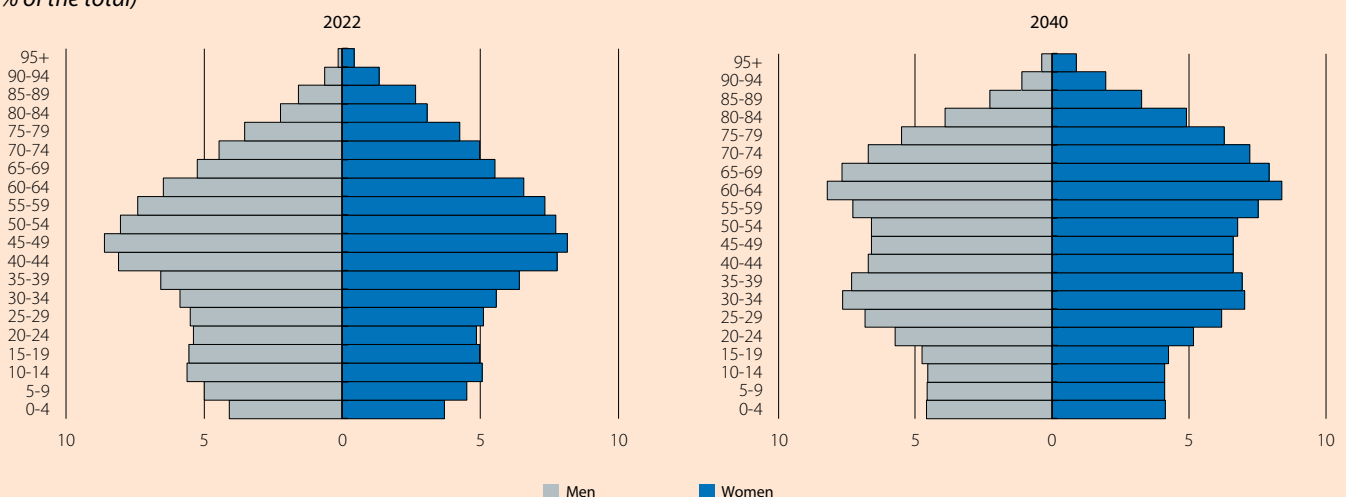
The baby boom generation was born in Spain between 1958 and 1975, a period that corresponds to the birth rate boom; a phenomenon which occurred later in Spain than in the US (1946-1964).<sup>1</sup> These years also correspond to a period of social, economic and political changes, with the turning point in the Franco regime marked by the end of autarchy and the announcement of the Economic Stabilisation Plan in 1959, as well as the oil crisis, high inflation and Franco's death in 1975. This generation began their professional careers during the early years of democracy and developed them during a period of modernisation and rapid growth in the Spanish economy, albeit one also marked by severe economic crises (1993, 2009).<sup>2</sup> The population pyramid projected by the National Statistics Institute shows how this generation, the most numerous group in Spain's population, will turn 65 years of age between 2023 and 2040 (see first chart). This generation will also experience the longest retirement, since those retiring at 65 will be able to look ahead to the longest life expectancy of any generation to date, amounting to 23 years in 2021 for women and 19 for men. In addition, by 2040 this life expectancy is set to rise further still, reaching 25.5 years for women and 21.6 years for men,<sup>3</sup> far exceeding that of the year 2000 (20.5 and 16.6, respectively, for women and men).

Thus, this generation will need resources to tie them over during what will be an increasingly long phase of their lives. In this article, we analyse the financial situation of the baby boomers as they approach retirement and compare it with other generations, as well as the situation of past generations when they were the same age.<sup>4</sup>

In particular, the gross income of households where the head of the family is between 46 and 64 years of age (predominantly baby boomer households) amounted to 39,500 euros on average in 2019 (latest available data). This exceeds the income level for all other age groups, as one would expect for the generation that has been working the longest. However, this value represents a loss of -19.3% in real terms compared to the income of households whose head of the family was between 46 and 64 years of age back in 2001. The rest of the population groups that are of working age also experienced reductions in their income in real terms between 2001 and 2019 (-25.6% for young people aged 18 to 29 and -5.1% for those aged 30 to 45). The only population group to have experienced improvements over this period was that of households with a head of the family aged over 65, almost all of whom are already retired, as their income improved on average by 37.0% in real terms (in 2019, they earned 36,800 euros).

### Spain: population distribution by age group, 2022 and 2040

(% of the total)



Source: CaixaBank Research, based on data from the National Statistics Institute.

1. See M. Delaunay (2019). «Le Fabuleux Destin des Baby-Boomers». Éditions PLON.

2. See G. Tortella and C.E. Núñez (2014). «El desarrollo de la España contemporánea». Alianza Editorial (content available in Spanish).

3. National Statistics Institute, 2021 Ageing Report. EU.

4. Analysis performed at the household level, based on data from the Bank of Spain's Survey of Household Finances. Generations are classified according to the age group of the head of the household in order to facilitate comparisons between the years 2002 and 2020.

All in all, baby boomers are approaching retirement with a good level of accumulated financial resources. A household where the head of the family is between 46 and 64 years of age in 2020 had a median net worth of 129,000 euros,<sup>5</sup> which is above the 119,500 euros in real terms which the generation aged 46 to 64 years in 2002 had. However, it is the households over 65 years of age that have seen the biggest improvement in their wealth between 2002 and 2020: the median net worth of households over the age of 65 amounted to 191,000 euros in 2020, far higher than that of retirees 20 years ago (+129%). On the other hand, today's youth have hardly been able to accumulate wealth at all, with a median net worth of 10,500 euros in 2020. This represents a decline of 24,700 euros compared to the situation of the generation of the same age back in 2002.

Differences in wealth between different generations at the same point in time are logical, as they are the result of the accumulation of wealth over the course of one's lifetime.

However, the change experienced between 2002 and 2020 for groups of the same age at each time shows that things have got much better for older people but much worse for younger people. For the generation aged 46 to 64, the change has been positive. Firstly, the median net worth among these cohorts in 2020 is higher than among the same age group in 2002. Secondly, wealth inequality within the baby boom generation, measured using the ratio between the mean average net worth and the median, stood at 2.2 in 2020. This is similar to the degree of inequality that existed within this same generation in 2002 when they were younger (1.8) and also within the generation that was their age in 2002 (2.1).<sup>6</sup>

### Spain: financial situation by age group, 2020

(% or EUR in 2020, as indicated)

	18-29	30-45	46-64	65+	Total	18-29	30-45	46-64	65+	Total
	<i>Mean value (EUR in 2020)</i>					<i>Medium value (EUR in 2020)</i>				
Annual income	25,456	38,634	39,557	32,386	36,783	23,937	33,155	30,802	22,347	28,490
Net worth	68,173	135,558	286,537	379,911	272,966	10,547	69,880	129,071	191,205	122,153
	<i>Proportion of households</i>					<i>Median value for households that own it</i>				
<b>Assets</b>										
<b>Real assets</b>	50.8%	76.9%	85.3%	91.4%	84.4%	91,438	150,000	170,248	182,377	165,083
Primary home under ownership	34.8%	60.8%	76.6%	83.7%	73.9%	90,030	140,000	130,000	126,813	130,000
Other real estate properties	14.9%	33.1%	45.6%	56.8%	45.3%	99,000	96,221	85,597	98,393	92,952
<b>Financial assets</b>	93.9%	96.1%	96.2%	97.8%	96.6%	2,000	8,787	14,953	16,678	13,011
Payment accounts	90.7%	94.7%	95.0%	97.4%	95.6%	1,580	5,000	6,000	10,000	6,958
Equities	5.1%	8.5%	11.8%	16.6%	12.3%	4,000	4,000	5,000	10,000	6,000
Investment funds	2.2%	5.2%	8.3%	11.8%	8.5%	–	5,000	20,440	41,848	25,000
Pension plan	3.7%	22.1%	38.9%	19.8%	27.9%	–	3,672	11,000	22,853	10,000
<b>Liabilities</b>										
Some form of debt	54.8%	76.6%	67.3%	28.0%	57.1%	8,000	63,624	33,333	7,590	33,167
Mortgage debt	14.5%	44.0%	34.6%	5.4%	27.4%	88,000	80,000	55,000	27,995	63,933
Personal credit	25.5%	31.7%	32.3%	13.7%	26.2%	4,809	7,000	7,225	4,000	6,790
Credit card debt	15.2%	12.3%	8.5%	3.9%	8.2%	276	800	1,180	1,000	964

**Notes:** The age groups of households are classified based on the age of the head of the family. The group aged 46 to 64 in 2020 corresponds mostly to baby boomers. Net worth corresponds to the sum of real estate and financial assets minus liabilities (debts). Income corresponds to the year prior to the survey.

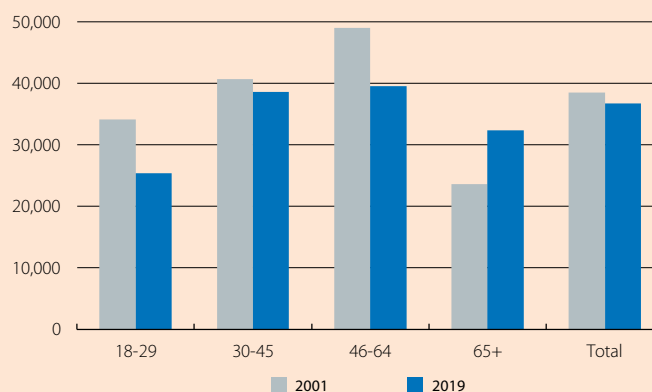
**Source:** CaixaBank Research, based on data from the Bank of Spain (Survey of Household Finances, 2002 and 2020).

5. The mean average is higher, at 286,500 euros, because it is influenced by higher values.

6. Wealth inequality within the same age group, as measured by the ratio between mean average net worth and median net worth, stood at around 2 for all age groups both in 2002 and in 2020, except for in the case of the generation aged 18 to 29, for whom the ratio went from 2.2 in 2002 to 6.9 in 2020. For all households as a whole, wealth inequality in 2020 stood at 2.2, below the OECD average of 2.6. See C. Balestra and R. Tonkin (2018). «Inequalities in household wealth across OECD countries: Evidence from the OECD Wealth Distribution Database».

### Spain: average annual income in real terms by age group \*

(Euros at 2020 prices)



**Notes:** \* The age groups of households are classified based on the age of the head of the family. The group aged 46 to 64 in 2020 corresponds mostly to baby boomers. Income corresponds to the year prior to the survey.

**Source:** CaixaBank Research, based on data from the Bank of Spain (Survey of Household Finances, 2002 and 2020).

**Spain: financial situation by age group, 2002**

(% or EUR in 2020, as indicated)

	18-29	30-45	46-64	65+	Total	18-29	30-45	46-64	65+	Total
	<i>Mean value (EUR in 2020)</i>					<i>Medium value (EUR in 2020)</i>				
Annual income	34,208	40,706	49,007	23,648	38,556	28,648	32,961	36,018	16,393	28,978
Net worth	79,066	137,089	248,913	172,534	181,765	35,202	76,555	119,499	83,464	121,133
	<i>Proportion of households</i>					<i>Median value for households that own it</i>				
<b>Assets</b>										
<b>Real assets</b>	66.8%	81.4%	89.9%	88.2%	85.3%	147,606	154,235	172,098	122,798	151,422
Primary home under ownership	61.5%	76.3%	84.5%	85.3%	80.7%	144,083	139,833	147,605	106,074	131,204
Other real estate properties	15.0%	23.9%	37.9%	27.2%	29.1%	77,492	81,582	112,710	67,510	87,106
<b>Financial assets</b>	96.6%	98.3%	98.1%	98.8%	98.3%	2,475	4,807	7,791	4,194	5,170
Payment accounts	96.6%	97.3%	97.8%	98.1%	97.6%	1,547	2,117	2,624	2,603	2,456
Equities	6.0%	9.7%	13.8%	8.2%	10.4%	2,456	4,093	9,003	12,814	7,735
Investment funds	5.8%	6.3%	8.9%	5.2%	6.9%	0	16,400	40,946	40,131	38,825
Pension plan	10.5%	29.6%	34.0%	3.9%	22.7%	3,343	4,982	13,188	13,552	8,203
<b>Liabilities</b>										
Some form of debt	58.6%	63.3%	44.9%	11.2%	42.5%	56,078	37,466	19,397	8,187	30,281
Mortgage debt	40.4%	40.2%	12.7%	2.7%	20.6%	65,492	45,377	35,426	22,104	43,620
Personal credit	22.9%	24.5%	24.2%	6.2%	19.3%	5,434	7,378	8,187	4,100	7,346

**Notes:** The age groups of households are classified based on the age of the head of the family. The group aged 46 to 64 in 2020 corresponds mostly to baby boomers. Net worth corresponds to the sum of real estate and financial assets minus liabilities (debts). Income corresponds to the year prior to the survey.

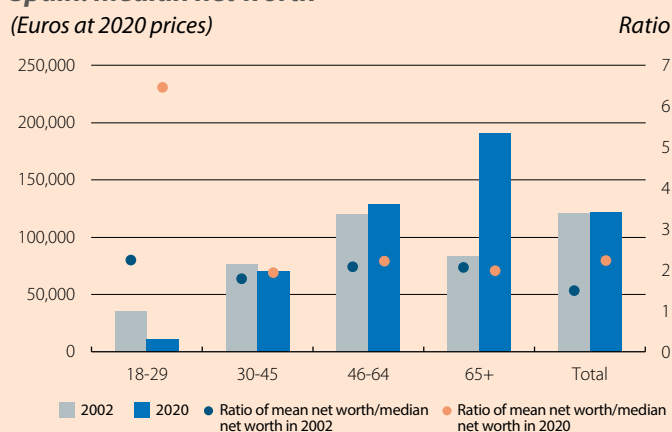
**Source:** CaixaBank Research, based on data from the Bank of Spain (Survey of Household Finances, 2002 and 2020).

Most baby boomers have their wealth concentrated in home-ownership. In 2020, 77% of households with a head of the family aged 46 to 64 owned their primary home, with an average value of 130,000 euros. Nearly one in two also had other real estate properties, with an average value of 85,600 euros. On aggregate, real assets accounted for 80% of their total gross wealth, while financial assets accounted for the remaining 20%. Among the latter, a significant proportion of these households had pension plans (39% in 2020, +6 pps compared to 2002), with an average value of 11,000 euros. Investment funds represent another important investment channel for 8.3% of households with a head of the family aged 46 to 64, with an average value of 20,400 euros. Investments in equities account for a smaller portion of households' financial wealth, as the median value of such assets stands at 5,000 euros for the 11.8% of households with a head of the family aged 46 to 64 who hold investments in this asset class. The weight of financial assets relative to total assets is slightly higher for baby boomers (+5 pps) than it is for households of the same age in 2002. This phenomenon is apparent across all age groups, albeit to a greater extent among those aged 65 and over (+14 pps). Finally, in terms of liabilities, 34.6% of baby boomers still have mortgage debt (with a median debt value of 55,000 euros), logically below the percentage of those between 30 and 44 years of age (44%) and well above the 5.4% of those aged over 65.

But money is not everything in life and the baby boom generation appears to be approaching retirement with a high level of satisfaction with their lives and personal relationships, which they rate as high or very high (see third table). Moreover, their overall health and mental health is better than among previous generations when they were their same age. In fact, it seems that the levels of happiness and vitality remain very high among Spaniards as they get older. According to a study on active ageing,<sup>7</sup> one in two Spaniards over the age of 60 is considered a

**Spain: median net worth**

(Euros at 2020 prices)



**Notes:** The age groups of households are classified based on the age of the head of the family. The group aged 46 to 64 in 2020 corresponds mostly to baby boomers. Households' net worth corresponds to the sum of their real and financial assets minus their liabilities (debts).

**Source:** CaixaBank Research, based on data from the Bank of Spain (Survey of Household Finances, 2002 and 2020).

7. See «LLYC Bendita edad. Envejecimiento activo» (2023), study performed by LLYC and Sondea (IO Investigación) for CaixaBank (content available in Spanish).

**Spain: level of satisfaction with life, with personal relationships and health by age group****Index**

	Satisfaction with their life (0-10)		Satisfaction with personal relationships (0-10)		Health index (0-10)		Mental health (0-12)	
	2013	2018	2013	2018	2003	2017	2006	2017
16-29	7.3	7.7	8.1	8.5	8.7	9.1	1.2	1.0
30-44	7.0	7.6	7.8	8.3	8.4	8.7	1.4	1.2
45-65	6.7	7.2	7.7	8.2	6.1	6.7	1.6	1.4
65+	6.6	6.9	7.8	8.2	3.7	4.6	2.1	2.0

**Notes:** The level of satisfaction ranges from 0 (not satisfied whatsoever) to 10 (fully satisfied), while the health index ranges from 0 (very bad) to 10 (very good), so higher values indicate a better situation. The mental health index ranges from 0 (better health) to 12 (worse health), so lower values in the index indicate a better situation.

**Source:** CaixaBank Research, based on data from the National Statistics Institute (Survey of Living Conditions [2013, 2018] and National Health Survey [2006, 2017]).

very or quite active person. In addition, more than 75% believe that, compared to when they were young, they eat more healthily, experience less stress and spend more time with their families.

In conclusion, the most numerous generation in Spanish society is reaching retirement with a good financial and emotional situation, surpassing that of other generations of the same age in the past as they are about to embark on a new period enjoying life as pensioners. In the next articles, we analyse the challenges that the retirement of the baby boomers could pose for the pension system in the coming decades.

*Josep Mestres Domènech*