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Boomer Power: Why Louisiana Should Roll Out the Red Carpet for Retirees

By Lisa Clark
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The nation's 76-million baby boomers are nearing retirement age. Collectively, they have an annual spending power of more than \$2-trillion and they tend to spawn economic development wherever they live.

States such as Florida that have figured out how to attract retiree residents are reaping the benefits. But, while census figures show most southern states are growing in population, Louisiana is losing people, including those aged-65 and over.

The reasons for LA's predicament are complex and deep-rooted. Solutions are elusive, but the LA Retirement Development Commission, which is part of the Office of the Lieutenant Governor, is working to overcome the obstacles. Its mission is "to develop and market LA as a preferred choice for retirement to pre-retiring and retiring individuals in an effort to retain and attract retirees while enhancing communities and improving the economic climate statewide."

The Baby Boomer Profile

Americans born between 1946 and 1964 are the baby boomer generation. Baby boomers have a higher level of education than any generation before them, with 88.8% having earned a high school diploma and 28.5% holding a Bachelor's degree or higher.

This level of education may account for why boomers also have the lowest poverty rate of any segment of the population. In fact, those aged-45 to 50 have the highest average household income, live in the highest priced homes and have the highest household spending of any age group.

Projections indicate that by 2030, 20% of the total population of the U.S. will be 65 or older, which translates to 70-million older Americans.

"Because of their sheer numbers...the baby boomers...will have immense spending power with the potential to change how America does business, since the goods and services sought by these older people will be in much higher demand," stated Sandra Timmermann, Ed.D., director of the MetLife Mature Market Institute in a SeniorJournal.com article dated May, 2005.

Heather Reggio, the Commission's executive director, points out that today's retirees are also healthier and more active than retirees of the past. According to Reggio, a 2000 report by Thomas, Warren & Associates "shows that Louisiana's retirement-age residents were a large, resourceful asset to the State in the year 2000. Although retirement-aged residents constituted only 20% of the population, they cast 33.2% of the state's votes in

the 2000 presidential election, accounted for \$23.8 billion of total consumer expenditures, and contributed \$598 million to charity.”

A 2004 survey conducted by Del Webb, a major builder of retirement communities, revealed that 55% of boomers say they will move when they retire. The primary reasons for moving include the desire for a simpler life and for less expensive housing costs. The survey also showed that despite their high household income, 40% are not sure if they will have enough money to live comfortably after retirement. States with favorable tax structures are therefore prime destinations for relocating retirees.

The LA Retiree Climate

With hospitable year-round temperatures, exceptional cultural and natural resources, and an affordable cost of living, “Louisiana is ideal for retirement,” says Reggio.

Census figures suggest, however, that many Louisianians are seeking greener pastures in other states. The figures show that between 1995 and 2000, more people migrated out of LA than into the state. For every 1,000 people, the state lost 18.1 to net “out-migration.” Young adults and their families likely leave the state to pursue better educational and career opportunities elsewhere.

But, it’s not just young adults who are leaving the state in droves. Those aged-65 and older had a net out-migration of 4.8 per 1,000 in population between 1995 and 2000. Reggio attributes this out-migration in part to “our own low self-esteem as a State.” By contrast, FL had a net gain of 44 per 1,000 in its overall population, and 6.9 per 1,000 among those aged-65 and older. Texas also had gains of 8.1 overall and 8.8 in its 65+ population.

Elliott Stonecipher, a political and demographic analyst based in Shreveport, believes that to understand why retirees are leaving LA requires examining a much larger issue. The state has “no engine for population growth,” explains Stonecipher. The lack of population growth leads to a myriad of other problems, most notably the erosion of the state’s economy.

Reggio echoes that sentiment. “One of the greatest obstacles is changing perceptions: get people in the state interested in and excited about retirement development as a lucrative economic development vehicle,” she states.

Stonecipher observes that for years the state has tried to find ways to attract high-tech and manufacturing jobs, but most of those efforts have failed because the state’s workforce is ill-suited to those industries.

More importantly, however, LA has been unable to make any significant changes because “people in power want things exactly the way they are – people (in power) benefit from the dysfunctional way we do things,” Stonecipher asserts.

Louisiana’s tax structure is also a critical part of the state’s overall economic woes. Specifically, the tax structure does not provide sufficient incentives to lure job-creating businesses to the state nor to encourage existing businesses to expand their presence in the state.

With respect to personal income taxes, LA exempts some retirement income, including retirement benefits from certain state retirement systems and both military and non-military federal retirement benefits. Retirement income from other sources is exempt up to \$6,000 for tax-payers aged-65 or older, or \$12,000 for aged-65 and over married couples. Other states, such as Pennsylvania, exempt all retirement income, and nine states, including FL and TX, have no state income tax at all.

Income taxes are only part of the picture, however. To accurately gauge a state's tax burden, property and sales taxes must also be factored into the equation. The Tax Foundation, a non-partisan tax research organization based in Washington, D.C., calculates the total tax burden imposed by each state. The Foundation ranks LA as having the 16th highest tax burden in the country. In contrast, FL and TX rank 44th and 43rd, respectively, meaning the tax burdens in those states are among the lowest in the country.

The state faces other serious obstacles to attracting retirees, including poor road conditions, significant crime rates, below-average public school performance and one of the nation's highest poverty rates. Transforming LA into a prime retirement destination is clearly a daunting task.

Creating a Haven for Retirees

"Everything [the Commission does] is aimed at letting the world know that Louisiana is not only a great place to visit, but a great place to live, to work, to play and to retire. The office of Lieutenant Governor and the Department of Culture, Recreation and Tourism are helping cultivate our state's great assets to ensure the best quality of life for those looking to enjoy their retired years," Reggio explains.

Central to that effort is a strategic plan to rebuild the state's tourism and cultural industries in the aftermath of the hurricanes. Lt. Governor Mitch Landrieu unveiled the plan, entitled Louisiana Rebirth: Restoring the Soul of America, which has four critical goals: to rebuild LA as a top tourist destination; to make our cultural economy the engine of economic and social rebirth; to build better lives and livelihoods; and to make our recovery the standard for high performance.

In addition to efforts related to tourism, the state has created a program called Livable Louisiana Retirement Ready. Through this program, the Commission will certify certain areas of the state as premier locations for retirees and other people aged-50 and older. The program's goal is to identify locations within the state that are focused on the retention of the mature market, and to assist those areas in several ways. First, the state will provide tools, resources and feedback on relevant issues; second, the state will provide a self-assessment tool for communities to create an inventory of assets and identify ways to improve; third, the state will support communities that are actively attempting to attract retirees, including hurricane-impacted areas that can be rebuilt, and fourth, the state will recognize those communities with a state certification.

Another initiative aimed at retaining and attracting retirees is the creation of the East Florida Parishes Retirement District, which is comprised of St. Helena, St. Tammany, Tangipahoa and Washington Parishes. Reggio explains the "district has the authority to research, study, develop, and implement plans and programs designed to promote the district as an area into which retirees or persons nearing retirement age may relocate. The legislature granted the district the power to create an incentive program for retirement development." The district is administered and governed by a 12-member

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board of directors, which is subject to rules and regulations. Voters must approve the district in order to implement the program.

Initiatives aimed at reinvigorating the state's tourism industry and polishing the state's image are important steps in the right direction. The creation of special retirement districts and the Retirement Ready certification program further demonstrate that the state is actively seeking creative ways to tap into the upcoming surge of baby boomer retirees.

However, Stonecipher believes that stemming the tide of out-migration requires much bolder changes. The place to begin, he says, is by engaging in an open debate about what "engine" would best drive the state's population and economic growth. The often-touted engines of high-tech and manufacturing jobs have failed to produce results. And, while Stonecipher is open to new ideas, he believes that retiring baby boomers are the answer. Retirees build houses, buy cars, shop at local retailers, eat at local restaurants and use local health-care and other services. The money they pump into local businesses fuels growth. Healthy growing businesses, in turn, attract younger families to the community, as both employees and consumers.

To achieve the goal of retaining and attracting retiring boomers to the state, it's critical to design a tax structure that provides a direct incentive for boomers to retire here, says Stonecipher. Critics of this idea argue that such a tax structure would decrease much-needed tax revenue.

There are creative ways for the state to make up for any lost tax revenue, counters Stonecipher. For example, the state could impose a consumption tax on the purchase of luxury items like expensive cars and boats. Further, the economic benefits of having a significant retiree population would outweigh any lost revenue, though it may take 10 to 15 years to begin to realize those benefits.

Economists and planners have the ability to create various tax models and make projections based on those models. "Unfortunately, nobody's looked at it" from that perspective, says Stonecipher, because politics gets in the way of good decision-making. Stonecipher advocates having a constitutional convention to debate the issue and to make the sweeping systemic changes he believes are necessary. To hold a constitutional convention, voters would elect delegates from districts state-wide. After debating the issues and constructing a "new and improved" constitution with a new state tax structure, voters would then have the opportunity to accept or reject the entire package.

The state faces enormous challenges. Hurricanes Katrina and Rita increased those challenges exponentially. But, state leaders now have an unprecedented opportunity to move beyond their normal bureaucratic wrangling and begin to reinvent LA. Spending federal dollars judiciously to rebuild infrastructure, homes and businesses will go a long way toward rebuilding LA's tarnished reputation and making LA a state that retirees are proud to call home.