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ECONOMIC COMMENTARY

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YOUR WEEKLY ECONOMIC UPDATE

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For every one to attain financial well-being

BOOMERS NEED THE YOUTH TO GET RICHER

Baby boomers' strongest economic ally may be the generation that blames them for everything. For years, the complaint has been familiar: Boomers bought houses before they became unaffordable, enjoyed secure careers, and accumulated wealth through long bull markets. In many wealthy countries, they also retired on terms that their children can only envy.

Yet, the balance is shifting. In 26 out of 32 rich countries examined, elderly incomes are losing ground relative to working-age households. Older people still hold substantial wealth, but their relative income gains are no longer assured.

Stronger wages have helped workers. Inflation has eroded the purchasing power of savings and pensions that fail to keep pace with prices. The deeper constraint concerns both generations. Retirement savings are claims on future production. A pension statement records financial wealth, but somebody still has to produce the food, deliver the electricity, and provide the nursing care that money must buy. A retiree's house can appreciate while the care they need becomes less affordable. When nurses are scarce, care costs rise. The economy must keep producing the services that make a comfortable retirement possible.

The political bargain is becoming harder to sustain. Longer lives mean longer retirements, while ageing leaves relatively fewer workers financing public commitments. Retirement ages are rising across many wealthy countries. Voting power can protect a benefit for a while; it cannot indefinitely overcome the shortage of people and income needed to fund it. Privately-funded pensions also depend on profitable businesses and an economy capable of meeting the needs of retirees.

Higher earnings supported by rising productivity should, therefore, be welcome news to retirees. They support tax revenues, demand for products, and the ability of younger buyers to purchase older owners' assets. An expensive house becomes a less reassuring retirement asset when the next generation cannot qualify for a home loan.

Italy's exit-tax debate illustrates the tension between collecting revenue now and attracting future investment. After years of courting wealthy newcomers, it is considering a levy on unrealised financial gains when qualifying residents leave. The original proposal generally used a 26% rate.

There is a legitimate case for preserving tax claims on gains accumulated during residency. South Africa (SA) already has deemed-disposal rules when tax residency ends. But, design matters: A tax intended to retain revenue can also discourage someone from arriving in the first place. If the result is less business investment, the consequences extend beyond attracting wealth. Fewer projects can mean fewer jobs and weaker productivity. Policies presented as protecting the public purse may undermine the future earnings from which public promises must ultimately be financed.

SA faces a different demographic problem. We have a younger population, but the unemployment rate for people aged 15 to 34 stood at 47.3% in the third quarter of 2026. A young population only becomes an economic advantage when people can work productively.

South African families already live this interdependence. A pensioner financing an unemployed adult child gains little from supposedly winning the generational wealth contest. A working daughter paying her parents' medical bills is funding part of their retirement before she has secured her own. Retirement policy, therefore, starts long before anyone reaches retirement age. Giving school-leavers useful skills and allowing businesses to expand build the future tax base. Making housing accessible helps younger families to accumulate assets. Protecting existing wealth while pricing newcomers out weakens the economy that must sustain that wealth.

The boomer era may be losing some of its privileges. The sensible response is to make prosperity easier for the generations following it. For older people, helping the young get richer could prove considerably more valuable than winning another argument about who had it easier.

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