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SmartMoney: Middle Age Crazy? It'll Cost to Do Your Thing

By NEIL PARMAR

By his own admission, Greg Abel is going through some sort of crisis, of the midlife variety.

Until about a year ago, the 46-year-old from Austin, Texas, says he was just like any other mild-mannered family man he knew, with two kids, a mortgage and a 9-to-5 job in tech management.

But with a Ph.D. in microbiology, he always assumed he'd eventually get back to his first love, academia—until he began working longer days during the recession and had to drop his part-time teaching gig. That lifeline gone, he's been trying something totally different.

It involves a parachute—just one item on his bucket list of middle-aged must-dos, from touring Europe's capitals to buying a Harley. Of course, it doesn't help that his wife is out of work.

These days, you can barely swing a cat without hitting a boomer in the throes of a midlife crisis. But in the middle of a tough economy, midlife U-turns involve a host of new risks—and costs—that boomers previously didn't have to worry about as much.

But with retirement so close, and portfolios so battered, blow-the-bank moves are the last thing a boomer needs, says Patti Houlihan, president of Washington, D.C.-area Houlihan Financial Resource Group: "It will absolutely sabotage their plan."

According to the American Psychological Association's annual stress test, nearly a third of 45- to 60-year-olds think they are "extremely stressed."

And it's no wonder: The U.S. Department of Labor reports that more than 2.7 million midlifers have been unemployed for at least half a year. Many are burdened by rising tuition bills for their kids and increasing care demands from aging parents—not to mention their own severely cracked nest eggs.

So what's a boomer in a rut to do? Below, our guide to the hidden costs of—and solutions to—the midlife blues.

'I'll Travel the World'

Midlifers have long been a favorite target of the travel industry, since they tend to be active and have disposable income. And the marketing din is only growing louder, as the midlife crisis is pitched as an excuse for blowing bucks on everything from wine-country weekends to sojourns in Paris.

Crisis Planning

At some point, everyone from financial planners to job coaches comes across a client with middle-age angst. Here are some of their suggestions for sidestepping—or limiting the harm of—a rash career or money move.

- **Ditch work—with permission:** If you're in a rut at work, consider asking for a sabbatical. And if your company doesn't have a program, try proposing one.
- **Find a buddy for your new business:** Check out business-incubator programs that bring fledgling firms under one roof to share overhead, administrative support and mentoring.
- **Budget that blowout:** The best way to avoid a real hit to your pocketbook is to first make room in your budget for "mad money" and save gradually in a money-market fund or other liquid investment savings account.
- **Keep your spouse on your side:** With family budgets so tight, it's crucial to keep talking about financial moves, says Vicki Field, a personal and career coach in Chapel Hill, N.C. But giving partners some leeway to make solo spending moves isn't a bad idea, either.

But industry watchers say those have become increasingly old hat for restless boomers, more of whom are seeking pristine natural settings and exotic adventures. According to the Adventure Travel Trade Association, folks in their 40s and 50s now make up nearly half of those who book trips in the $52 billion adventure-tourism industry.

While many are being marketed for five and even six figures, plenty of exotic tours are available for a few thousand bucks, from Mountain Travel Sobek's Moroccan camel trek ($3,995) to Bio Bio Expeditions' 11-day Peruvian white-water-rafting adventure ($3,200).

'I'll Play the Stock Market'

Last year, a study published in Brookings Papers on Economic Activity, a journal of the think tank Brookings Institution, looked at how people make money-related mistakes throughout their lives. Its conclusion? The best decisions occur in middle age -- peaking around age 53 -- when experience lends financial wisdom but analytical abilities have not yet been impaired by advancing age.

Earlier this year, Scott Gillam decided the only way to catch up from a near 50% loss in his retirement portfolio was to quit his job and become a full-time day trader. The 59-year-old from Bristol, Conn., estimates that he makes profits on two-thirds of his trades, but says he's still learning the finer points of investing. He's still smarting, for example, from the $30,000 hit he took on a Chinese Internet company, which had been looking like an $8,000 windfall just one day earlier. "I'm learning to pull the trigger early," he says.

In the stuttering economy, says David Adler, author of the behavioral-finance book "Snap Judgment," many folks who had their nest egg crushed are falling prey to the classic temptation to chase returns, piling into an investment after a runup. Experts say that incorporating some risk into a portfolio can be fine for pre-retirees, but recommend balancing the pursuit of jackrabbit gains with a smattering of slower, more bulletproof investments.

'I'll Start My Own Business'

Going solo has always been high on the list of midlife moves, even more common in a job market like today's. According to the Global Entrepreneurship Monitor, a quarter of new U.S. ventures in 2009 were so-called "necessity entrepreneurship" moves (precipitated by a layoff or other income loss), up from 13% in 2008.

There's just one problem with hanging out a shingle: According to the Kauffman Foundation, which focuses on entrepreneurship, about half of all new ventures fail within five years.

When Kim Cameron, a 43-year-old from Washington, D.C., decided to trade in two decades of corporate IT work to become a rock star, she created a detailed business plan (three-year target: sell 10,000 CDs). But so far, she's spent over $500,000 living the dream, on everything from tour-bus rentals to demo recordings. "The more money you waste, the smarter you get," she says. (She's sold fewer than 1,000 CDs.)

Experts say midlifers do have some tools at their disposal that their parents didn't—from downloadable business plans to peer-to-peer loan sites. And most businesses launch with surprisingly little capital—about $5,000—says Brian Headd, an economist with the Small Business Administration. "When some of the bigger guys pull back, small businesses can step in."

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