

Longevity can be an asset in retirement

Unprecedented surge in older Americans could be a boon to charities, nonprofits

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By Mary Beth Franklin

When it comes to retirement planning, longevity is considered one of the four major risks to one's savings, along with market risk, inflation risk and interest rate risk. But the forecasted surge in the number of Americans 65 and older over the next 20 years could transform how the nation and the financial services industry defines and funds retirement.

Between 2016 and 2035, the number of Americans age 65 and older, currently about 65 million, is expected to increase by 57%, nearly triple the rate of growth of the 35- to 44-year-old population and more than 10 times the rate of the 25- to 34-year-old cohort during the same 20-year period.

"This aging of the population is unprecedented," Age Wave President Ken Dychtwald, an expert on the impact of aging on society and the economy, recently told the annual meeting of the American Society of Aging in Washington, D.C. Rather than labeling longevity as a financial risk and a burden on government spending, he challenged the audience to think of it as a bonus.

Although older Americans comprise just 31% of today's adult population, individuals age 65 and older were responsible for 42% of the more than \$350 billion in charitable contributions in 2014 and supplied 45% of volunteer hours to charities and nonprofit organizations, according to Mr. Dychtwald.

"Retirees are the biggest givers in the nation," he said. Imagine what the world would look like if tomorrow's retirees, who are likely to live 20 years or more in retirement, continue to channel their time and money to help their favorite causes.

If the increased pool of future retirees contributed their time at the same rate as today's retirees, they would account for 58 billion volunteer hours, valued at \$1.4 trillion, over the next 20 years, Mr. Dychtwald said. Add that to an expected \$6.6 trillion in charitable contributions over the next two decades, and Americans 65 and older would be responsible for an \$8 trillion infusion into charities and nonprofit organizations.

About a quarter of today's retirees are volunteers, but more would like to get involved. "How do we create the on ramps to volunteerism and giving?" Mr. Dychtwald asked. If the typical retiree, who spends 44 hours per week watching television, swapped just two of those hours per week as a volunteer, the \$8 trillion longevity bonus would balloon to \$12 trillion, he said.

Volunteering is not a one-way street. Not only do charities and nonprofits benefit from the skills and experience of older volunteers, but retirees often develop friendships and social connections to replace those they shared in their former jobs.

"Retirement creates a whole new definition of success," said Cynthia Hutchins, director of financial gerontology at Bank of America Merrill Lynch. The firm has partnered with Age Wave in a multi-year research project on the various aspects of retirement living including health, home, family, giving, leisure, work and finances.

"Ask a retiree what success means to them at this time of life and they are six times more likely to answer generosity rather than wealth," she said. "Two-thirds of retirees say retirement is the best time of life to give back and those that volunteer say it is a positive experience."

Ms. Hutchins said it is a far different world today than the one based on the three-legged stool of pensions, Social Security and personal savings that existed when she began her career as a financial adviser in 1988. As the model shifted away from pensions and toward personal responsibility, the reality is many people may not have enough money, or the desire, to finance 20 or 30 years of leisure activity. Volunteering in retirement offers an opportunity to make friends, feel better and have a chance to contribute.

"As an industry, we have to take a look at the research that suggests it not about the money you accumulate but what you want your life to look like," she said. "It is a person-centered perspective to financial planning that allows advisers to have a different conversation with clients."

The Merrill Lynch Longevity Training Program was developed last year in partnership with the University of Southern California Leonard Davis School of Gerontology. The program is designed to help more than 14,000 Merrill Lynch financial advisers — as well as human resources and benefit plan professionals at companies where Bank of American Merrill Lynch provides retirement and benefit plan services — better understand and address the needs of the nation's aging population. So far, more than 2,800 people have enrolled in the program.

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