

Megatrends and You: Life Longevity

Impacting the way you invest

Topical Education for Today's Investor

LIFE MANAGEMENT

Imagine being alive two thousand years ago during the Roman Empire (circa 100 AD). The wealthy lived in great luxury, had numerous servants, and entertained on a grand scale. Life expectancy, however, was just 25 years!

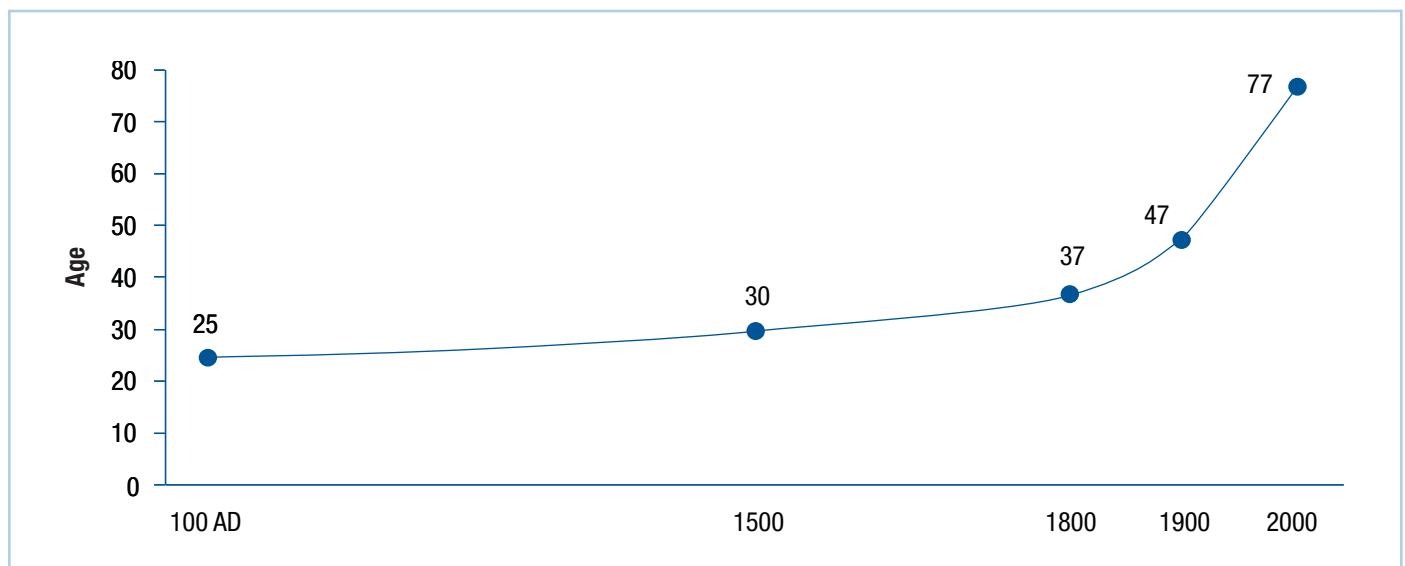


Now travel almost 1,500 years forward to the time of Shakespeare's birth in 1564. How far would you guess the life expectancy needle had moved forward? If you guessed approximately five years, you would be correct. By the Renaissance, average life expectancy had advanced only to the ripe old age of 30.

Let's now travel in our time machine to America in the year 1800. The dust had settled from the Revolutionary War, and many Americans farmed large tracts of land for their livelihoods. By this point, the average citizen could expect to still be tilling the soil at age 37 — a 7-year increase from 400 years earlier.

Hold on tight, because at this point the accelerator kicks in. Thanks to the advances of medical pioneers such as Joseph Lister (antiseptic surgical methods) and Louis Pasteur (germ theory of disease), a child born in the United States on January 1, 1900 could expect to live to 47 — a 10-year gain in life expectancy in just 100 years!¹

With the life expectancy trend gaining steam, one might envision another 10-15 year gain by the year 2000. The real result, however, is startling — average life expectancy in the United States increased 30 years to age 77 by the new millennium! For married couples, the news is even better — if both spouses are still alive at 65, one spouse is likely to reach age 90.¹



The Impact on Retirement Strategies

The continuing speed of health and technology advances, and the implications on wealth building and retirement planning, are significant:

- 1. Entitlement programs (such as Social Security or pension funds)** will not remain solvent within this environment. The numbers simply do not work to guarantee “income for life” when life expectancy is increasing at an exponential rate.
- 2. Retirees will need to assume far greater responsibility for financing their retirement years** with savings, and for much longer than originally anticipated. An investor fortunate enough to retire at 65 with a sizable nest egg must now plan on those resources sustaining their lifestyle for 30 more years — assuming life expectancy doesn’t change at all during that time frame!

Set Clear Goals

Successful wealth management strategies begin with a clear understanding of an investor’s specific goal(s). Given the impact of advances in life longevity, it is critical to review your current investment portfolio and identify the lifestyle considerations and objectives that will be important to you during retirement. For example, most investors need to consider factors such as income sources, tax considerations and dependents that may require financial support.

Clearly, investing for retirement today is more complex than simply shifting some assets from stocks into bonds and laddering a bond portfolio to generate income. Investors’ portfolios today often need to remain globally diversified across stocks and bonds, managed with taxes in mind and customized to meet the specific goals of the individual investor.

For more information, please consult with your financial advisor.

Points to Remember

1. Life expectancy has grown at an exponential rate over the last 100 years and shows no sign of slowing down.
2. The life longevity megatrend will significantly impact our society. For many individuals, it will meaningfully change their planning and investment strategies for retirement.
3. Developing a clear understanding of your specific investment goals is critical to creating the best chance for success in meeting those goals and living the life you envision.

Important Additional Notes

¹ Sources: www.pbs.org, CDC National Center for Health Statistics, www.shakespeare.about.com

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