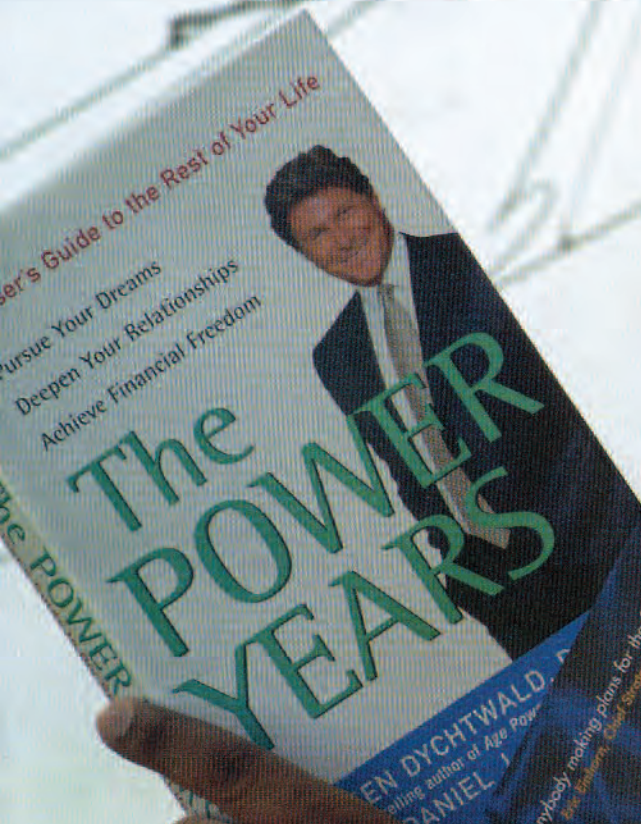




matters #13

May 2006



Get ready for **CHANGE**

Predictions of two
trend watchers

Our reputation:
a daily responsibility

Introducing Dick Harryvan



WHO Ken Dychtwald, Ph. D.

OCCUPATION Speaker, consultant, entrepreneur. Founder and CEO of The Age Wave, a firm created to guide companies and government groups on "the mature marketplace" (www.agewave.com).

BOOKS Twelve books, including *The Power Years* (September, 2005, with Daniel J. Kadlec, Wiley Publishers) and *Workforce Crisis* (April, 2006, with Tamara Erickson and Robert Morison, Harvard Business School Press)

Trend watchers

Two trend watchers, two visions. American Dr. Ken Dychtwald looks at the financial consequences of the baby boom generation retiring, while European Adjiedj Bakas sees Europe not only aging but changing color, and envisages the emergence of a new kind of "nation state".

Be prepared

"If the entire baby boom generation were planning on retiring at the age of 64, which is now the average retiring age in the US, and never working again, many would be heading for disaster," says Ken Dychtwald.

Dychtwald, born in 1950, is one of the baby boomers, the generation born between 1946 and 1964 which has seen society change beyond all recognition in their lifetimes. Universities, fashion, politics, business, health care, advertising, vacations—nothing has been spared from the baby boomers' obsession with change, not even themselves. Not satisfied with regularly changing hairstyles, academic disciplines and later careers, 20% of their number in the US have changed their religion and half have changed their marital partner.

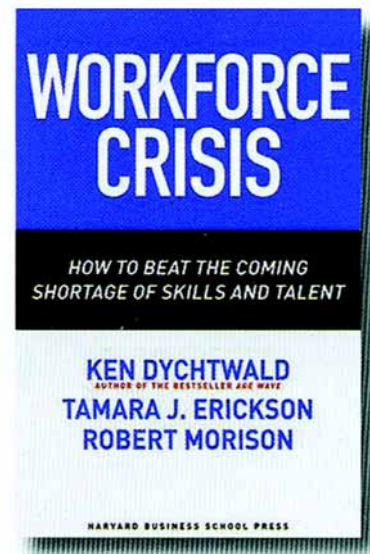
What will happen as this demographic tidal wave, numbering almost 80 million in the US alone, advances towards old age? Since first taking on this issue in the mid-1970s, demographer, gerontologist and psychologist Dychtwald has been a man with a mission. He has written twelve books on the subject, appeared on practically all the major US TV channels, has had more than

half of the Fortune 500 as clients. He estimates that he has addressed a total audience of over two million in person. His message: the "age wave" is coming.

LONG-LIVED MEN AND WOMEN

It's now 2006 and the day has come—the first batch of baby boomers is retiring. Many can look forward to a long retirement. Dychtwald: "Most people in the US wake up every morning thinking that their retirement is well funded, but a well-funded retirement is based on the assumption of a 77 year life expectancy at birth. Actually, the life expectancy today for those who've reached 65 is 83. And that assumes that there will not be one single medical breakthrough for the rest of our lives. Many members of the baby boom generation may live to 85. 95 or even 100+. The future may be tilled with tens of millions of very long-lived men and women."

At the other end of the demographic spectrum is another significant phenomenon: birth rates are falling precipitously. "There isn't one country right now in Europe that is having enough kids to replace themselves. In Japan the birth rate is around 1.5, in Hong Kong it's 0.8 children



Trend watchers

"We are barreling down the river of our lives. We have no idea what's up ahead and we don't know how to navigate."

per couple. In the US we're hovering around the replacement level, at 2,1, half of what it was after WWII."

Dychtwald describes these demographic shifts as "seismic" and "unprecedented, historically unique." It's not just the ratio between young and old that will change: with the babyboomers will come a profound change in our concept of aging. Dychtwald has identified a new phase of life, a time when you're no longer young, but not yet old. He calls it "middlescence." "Rather than a time of decline, it's a time of some loss, some frustration, but for many it's also a time of new ideas, a new beginning, greater self-awareness. For me it resembles in some ways adolescence, which is also a time of both confusion and terrific growth."

CAN WE AFFORD IT?

It's an attractive scenario, but is society ready for it? And most importantly, who is going to pay for it? Dychtwald: "That's where the story breaks down. I do think that there's a flood of new hopes and aspirations for adulthood and maturity, and I do believe that there is more social and media and community encouragement for this. But unfortunately only a small percentage of the world's population and only a minority of the boomers can afford it." The baby boomers can blame themselves for that. Unlike their parents, they grew up in a time of relative peace and prosperity, living for today and not worrying about how they would manage if tomorrow brought hard times. On the contrary, they went to the limit on their credit cards—particularly in the US—often spending more than they earned. The seismic demo-

graphic changes heading our way mean that government will no longer be able to fund their retirement.

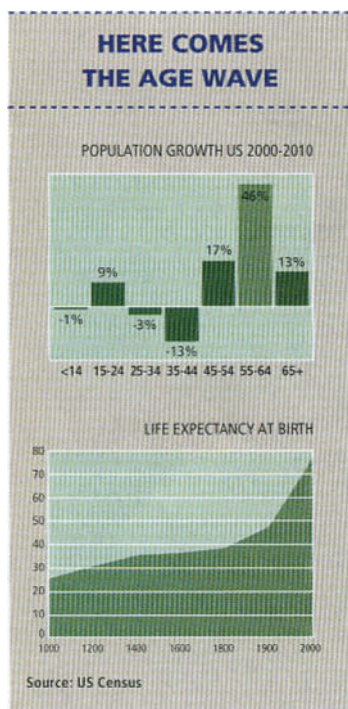
"Tens of millions of people are now facing a financial wake-up call. They have to start to pay down their debts, trim their expenses and really turn the corner towards a much more responsible path, towards investing and saving and appropriate insurance, in order to be able to fund their later-life dreams"—notwithstanding what they can expect to inherit from their parents, which totals \$25 trillion in the US alone.

For the majority, Dychtwald really also sees another solution: to work longer. A recent survey showed that 77% of American baby boomers wouldn't mind staying on at work after 64—but not on the same terms: they'd prefer to work three or four days a week, or on a project-by-project basis. And as many as 56% are contemplating a career switch: from trader to teacher, from marketing manager to coffee shop proprietor. But there is one condition: you have to give them the choice. Compulsion breeds resentment, as witnessed by the mass demonstrations against plans to raise the retirement age in Italy, France and Germany.

The timing, at least, is right. Dychtwald's latest book, *Workforce Crisis*, deals head on with this issue. "There is going to be a shortage of talent, not only in the US but in a lot of modernized nations around the world. There is a smaller generation following the boomers, so as some of the boomers begin to move out of the workforce, there is going to be a brain drain. Over the next 5 to 10 years, employers will be much more willing to accommodate more flexible work arrangements for older men and women who have got abilities, knowledge and talents that will be needed."

HISTORIC OPPORTUNITY

"The conclusion is quite profound—individuals and families are going to have to play



a much larger role in planning and funding their own future. And retirement and funding longevity is not a simple do-it-yourself exercise. If, for the next 10 years, great global financial services companies do not attend to and pursue the needs and demands of the coming age wave, they may be missing out on the greatest opportunity in the history of financial services."

"When you think of helping people prepare for their later years, most of the discussion centers around wealth accumulation. How do you gather up enough resources? But the truth of it is if you talk to people in their 60s and beyond, what they're worried about is: making it last. They want to make sure there is a check coming in for the rest of their lives. It's about wealth management, or decumulation, lifetime income—the industry is struggling to even find the right language..."

From companies like ING, Dychtwald expects numerous changes—different products, different marketing and, above all, a different approach to relationship management. Last week, he heard someone say—and not as a joke: "I'm with a great life insurance company, I haven't heard from them in 25 years." He says

"Tens of millions of people are now facing a financial wake-up call."

that's just the kind of thing his generation doesn't need. "We'll have tens of millions of people who have never been 50 or 60 before. People who have never really thought about retirement, who have never dealt with long-term care, people who have never experienced the passing of an inheritance. It's as though we, as the general population, are barreling down the river of our lives. We have no idea how



long the journey is, we don't really know what's up ahead and we don't know how to best navigate the obstacles ahead. Which is why, more than ever before, there is a huge need for everyone to have in the boat with them a guide, a financial advisor. Someone who can both sell the right products they'll need and provide the right counsel as they chart their course and undertake their journey." <

