

Preparing for an Aging World

Aging societies are a worldwide phenomenon driven by several long-term demographic and lifestyle trends. Breakthroughs in healthcare, sanitation and nutrition; mass urbanization; and the introduction of social security systems to supplement old-age income have all helped elongate the human lifespan.¹

Today, for instance, there are more centenarians, or people living above the age of 100, than at any point in history. In Japan alone, there are nearly 70,000, up from just 153 in 1963.² And globally, average life expectancy is now 72, up from 67 in 2000.³

This trend is expected to continue for the foreseeable future. More than 80 countries worldwide already have fertility rates lower than replacement levels, and by 2050, the share of the global population above 65 is expected to rise to 16%, up from 8% today and 5% in 1950.^{4,5}

While emerging markets are younger relative to developed economies, they are following a similar trend, often aging more quickly than historical precedents. In recent decades, China saw its life expectancy rise from 67 to 75 and its fertility rate drop from 2.8 to 1.7, now below replacement levels.⁶ Longevity, as such, poses new challenges and opportunities for countries as they seek to both support the well-being of their senior citizens and maximize their potential as active participants in the economy.

Health systems are already anticipating greater demand among aging populations for senior services including housing and care, medical devices, and pharmaceuticals for advanced age-related diseases. Technological innovation is only accelerating this trend, as new ways to support healthy aging, from personalized medicine to complex medical diagnostics and medical service robots, continue to proliferate. At the same time, senior citizens will have growing influence over their country's overall economic might, as they will be working later in life and represent an increasing share of consumer discretionary power.

Accordingly, this blog post explores the implications of longevity and how the world is changing to accommodate longer lifespans.

Longer retirement: A grey tsunami or silver boon?

While demographers and economists agree that societies are aging, the impact on the economy and prospects for growth is less understood. A common concern is that the old-dependency ratio (people aged 65+ divided by people aged 15-64) is rising in many countries, including Japan, China, the US and much of the European Union. If the ratio climbs too high, economists fear it could result in labor shortages, stagnation and a greater burden on government coffers.

Although life expectancy has grown worldwide, retirement age has rarely risen at the same pace. This trend has not only increased the length of retirement but also the amount of resources needed to support retirees in their last decades. Longevity will put new pressures on the economy, including rising costs of healthcare, insurance and a greater burden of age-related diseases. While countries should take proactive steps to adapt to longevity, healthy aging should also offer economies new sources of growth.

1. **“Study, work, retire”:** **An outdated model.** This three-stage model of the life cycle has traditionally been used to capture the major parts of an individual’s career. Today though, this paradigm is breaking down. More individuals in their 60s and 70s not only are in excellent health but also aspire to remain productive participants in the economy. They will work longer – not always out of necessity – but because they want to and can. Older citizens have an opportunity to become net contributors to the economy rather than net recipients, working part-time and even switching careers or becoming entrepreneurs later in life. This transition will not be seamless, as companies will have to adapt to create age-friendly workplaces that can attract, protect and retain old workers. Still, such steps should help retirement become financially sustainable in the long-term.⁷
2. **New drivers of consumer discretionary spending.** As the old-dependency ratio increases, seniors will control even greater amounts of capital and spending power. Estimates suggest that already 70% of disposable income in the US is controlled by those above age 60, and in 2015, those age 50 and above accounted for \$8 trillion USD of economic activity.^{8,9} As the share of elderly wealth grows, one can expect many industries to invest significantly in capturing “senior” market share. These citizens could drive growth of sectors like entertainment dining, and travel, or even create new retail markets tailored specifically for seniors.

Sustainable longevity

Although longer lifespans are one of humanity’s greatest triumphs, aging and death are still not glamorous. Non-communicable and age-related diseases represent an ever-increasing burden of morbidity and mortality. Many seniors will still need specialized care services, and the transition to a global economy with older citizens working longer will not happen overnight. As a result, several industries are hard at work to address the challenges arising from longevity, from illness to housing and assisted care.

1. **Pharmaceuticals:** In most developed countries, non-communicable and age-related diseases are the leading causes of death, and this share is only expected to increase. Today in the US, heart disease and cancer top the list, joined by chronic respiratory diseases, strokes, and Alzheimer's in the top 10.¹⁰ As more people age, there will simply be greater demand for treatments, both old and new, to prevent, mitigate and ideally cure such diseases. Innovations in technology and biotech research, including the use of genomic data and bioinformatics for personalized care, can offer further solutions in this space.
2. **Medical Devices:** As aging societies develop new care requirements, medical device companies also stand to benefit. Demand for senior assistance tools like walkers and pacemakers, and even new technologies like wearables and robot assistants, are expected to grow substantially. While wearables have captured the attention of younger generations, there are ample use cases for seniors, such as monitoring their health or contacting emergency services. Such tools will become especially important as more adults express interest in living at home as they age. 76% of those aged 65 and older in the US already say connected care technology is important to improving home healthcare services.¹¹ The wearables market is expected to double by 2022, reaching \$27 billion in sales.¹²
3. **Healthcare providers:** As more seniors choose to live independently, healthcare providers will likely experiment with different forms of service delivery. Remote monitoring is just one example. Indeed, given the greater overall volume in demand for services among seniors, healthcare providers themselves may act to reduce their in-patient care burden by offering more services outside hospital settings, such routine check-ups at a local pharmacy or telehealth medical appointments.
4. **Assisted care and senior living facilities:** Although people are living longer and often more independently, the growth of aging populations should nevertheless bolster long-term demand for senior housing, such as nursing homes, retirement communities and end-of-life care facilities. Additionally, many seniors should benefit from the availability of assisted care services like housekeeping, dining assistance, transportation, emergency response systems and much more. The long-term care market in the US, for example, is expected to grow to \$550 billion by 2024.¹³

Alongside these transformations, longevity should have several other spillover effects, including sparking new models of wealth management, life insurance, and consumer goods focused on the elderly. Continued innovation in all these sectors should ultimately help make longevity more sustainable for seniors and society at large.

Related ETFs:

- The [Global X Longevity Thematic ETF \(LNGR\)](#) seeks to invest in companies positioned to serve the world's growing senior population through exposure to health care, pharmaceuticals, senior living facilities and other sectors that contribute to increasing lifespans and extending quality of life in advanced age.

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FOOTNOTES

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