

## Re-Visioning Retirement

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**Ken Dychtwald, Ph.D.**, is known as the United States' foremost authority on the lifestyle, marketing and workforce implications of the age wave — a significant change in demographics stemming from increased longevity and declining fertility that leads to an aging society. He is a psychologist, gerontologist, entrepreneur and the bestselling author of a number of books on aging-related issues. Dychtwald is the founding president and chief executive officer of Age Wave, a firm that guides Fortune 500 companies and government groups in product and service development for baby boomers and mature adults. *American Demographics* magazine recently honored him as the single most influential leader in understanding and marketing to aging baby boomers during the past 25 years, and the Harvard Business Review honored him as a co-author of the article that won its 2004 McKinsey Award.

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**W**e're going to take look into the future and I'm going to ask you for the next hour to take all the things you currently think about aging and retirement and longevity and even your own future and just park them for a little bit. I'm going to see if I can share with you a few other angles to this story. If I get my job done, I'm going reach into every single one of your minds and change the way you think about these issues just a bit; perhaps quite a lot.

We're first going to take a look at the longevity revolution; then we're going to see if we can understand how this post-WWII baby boom generation has already changed the world, and how we might, in fact, change ourselves and the world, retirement and financial services in the years to come. I'm going to see if I can create a portrait of what's going to become of adulthood and retirement. At the end of my presentation, I'll take a shot at sharing with you what I think your grand role is in this transformation to come.

We are in the midst of a longevity revolution. Did you know that two-thirds of all the men and woman who have ever live past 65 in the entire history of the world are alive today? In a strange way we're just experimenting with maturity, with senior hood, with old age, with retirement. It's never happened before. We've never really had the idea of waking up in the morning expecting to live 70 or 80 or 90 years of life. On the very first day of the 20<sup>th</sup> century, the life expectation was about 47; if you go back a thousand years ago, the average person could expect to live about 25 years. Medical anthropologist now tell us that for 99% of all the years humans walked this earth, the life expectation was less than 18 years. Some people lived to be 40 and 60, and some people lived to be 80 or 90 but they were very few. The point is actually simple but quite profound: in the past, most people didn't age, they died. In the 1850's couples didn't say, "Gee, honey, what would you like to do after retirement" because they'd be dead. People didn't have to think about how much money they were going to need in their ninth or tenth decade of life because there was very low likelihood they'd arrive there. We didn't need to design our physical environments, our

## Re-Visioning Retirement *(continued)*

public schools, our medical system to meet the need of older people because there were so few. Most doctors were not trained in things like hyper-cholesterol anemia, osteoporosis, adult onset diabetes or Alzheimers because people tended to die young of acute infectious diseases. If there was a great fear regarding life and financial service, it was the fear of dying young.

In the 20<sup>th</sup> century, we have seen extraordinary breakthroughs for the first time in history. Now most of us wake up each morning expecting to live a long life; and I would tell you that this has never happened before, this is a totally unprecedented shift in human evolution. This longevity revolution, at the end of the day, may have a bigger impact on when we think we're at the midpoint in our lives, how much money we need, what happens to the global economy, relationships within the family, to the workforce. I would point out to you that we're not done. The biologic potential of the human body is somewhere between 120 and 140 years.

I was at a White House conference a few years ago and the opening speaker was James Vaupel who runs the Max Planck Institute for demographic studies in Germany. He's widely viewed as the world's leading demographer. He's an older man, very conservative; but Dr. Vaupel began his speech by saying that one-half of all the little girls born this year in the United States and Canada, Europe and Japan will live to see the 22<sup>nd</sup> century. Some of your high net worth clients really ought to be thinking about how much they will need to live 90 or 100 years. It conceivable we will see longevity insurance in the future.

Of course if we're living longer, it makes us also ask the question, how old is old? When Otto von Bismarck selected 65 in Europe to be the first marker of old age, he had to pick an age in which people would be considered so enfeebled, so disabled that they simply couldn't get up and work in the morning. He picked 65. The life expectancy that year in Europe and the United States and Japan was 45, so Bismarck was a very clever actuary.

What does 65 look like today? Sophia Loren is over 65 today; when Whistler painted his mother, she was right around the same age. I was asked by CNN to do

the commentary the week John Glenn announced he was going up into space. He took some criticism because people thought there was a massive publicity stunt going on. But Glenn had a fantastic comment; he said to the media, "Wait a minute, just because I'll be 77 doesn't mean I don't still have dreams." That made us all stop for a second because we've grown up in this youth dominated society where we believe young people have dreams and aspirations and when you get a little bit older, your dreams quiet and you move to the sidelines. Maybe that whole way of thinking is wrong; maybe it was appropriate when people lived 40 or 50 years, but if you're going to live 80 or 90 or 100 years, maybe it's possible you'll have your best year when you're 80. Maybe you'll have your deepest feeling of love and compassion at 90. Maybe you'll run your first marathon at 68, and maybe you'll have new dreams in your maturity. Sean Connery is still considered one of the sexiest guys in the world; Tina Turner is going back out on tour this year at 65.

If I asked you top performing folks here at MDRT to pick a new age for the 21<sup>st</sup> century, an age that would mark old age today and your choice was 65, 70, 75, 80 or 85, what would you pick? How many people would pick 65 to be the forward marker of old? Age 70? 75? (you got a lot of votes there). How about 80? There's our big vote. What about 85? I've asked that question now of about 5,000 people and, frankly, the results always come back the same: most people think old age begins around 80 unless I'm talking to seniors who think old age begins about five years later at around 85. People realize we're getting old later unless you can get discounts in which case you're willing to be considered old at around 55.

When I became interested in the field of gerontology, older people were poor. Now, in North America, the percentage of elderly poor has plummeted. People over the age of 50 in Europe, in Japan, in United States and many other regions in the world control about 70% of all the wealth and 80% of all the money in savings institutions. They control 66¢ of every dollar invested in the equity markets; 59% of all the millionaires were over the age of 50 last year. They bought 63% of all personal care

## Re-Visioning Retirement *(continued)*

and beauty products, 74% of all pharmaceutical products and 80% of luxury travel. The 50 plus population has had a fantastic reversal of financial fortune. They have turned out to be very, very robust candidates for a wide range of financial services. Madison Avenue and marketers around the world are beginning to realize there is a new model of maturity emerging.

So people are living longer and longer every decade since 1900. What's next? Many countries around the world had an incredible baby boom after WWII; most nations were not prepared. There weren't enough doctors, there weren't enough nurses, there weren't enough hospitals. We came home and there weren't enough bedrooms, there weren't enough pillow cases, there weren't enough school teachers, there weren't enough school books. There had been a declining birth rate during the depression and the war and then when the war ended, for example, in the United States, we had a child every eight seconds, ten thousand a day, four million a year for eighteen solid years. Then there was a baby bust.

Now if you knew back in the 1940's there was going to be this massive boom in kids and it was going to go on every year for eighteen years and then drop off, you could have made quite a fortune with your investment strategy. For example, you might have considered the Gerber's baby food business, very small little family enterprise that got the idea that all these mom's now having four children each and feeling very modern were going to appreciate the idea that baby food would be reformulated for them. You could have gone to New Brunswick, New Jersey to the Johnson & Johnson that, in 1951, re-launched their wound care strip under the sexier name "Band Aid." You could have made a lot of money if you owned all that farm land that circled the cities as all these families would be growing there in row houses and needed more space, more room. The traditional thinkers would have said to Gerber's, "There's no need for that product, mom's prepare food herself" and would have said to those real estate developers, "We have houses in the city and farm life in the county and that's good enough." They would have missed out on a 500% growth in those regions during that decade.

"Let's say you like the food service industry during the 1950's and 60's. People tended to eat their meals at home with their families. I could introduce you to a guy in his sixth decade of life name Ray who sold mix master blenders in southern California from diner to diner so that they could make milkshakes. Because he spent all his time in diners, he took notice of these kids who were becoming teenagers; it seemed they were always in a hurry. So Ray Kroc thought to himself, "What the world needs is fast eating restaurants." Everybody said, "You're crazy, we eat too fast as it is." But Kroc went out and licensed a McDonald's Brothers hamburgers, and the rest was history.

Think back to when you were a kid as to what you thought 50 year olds were like. The Rolling Stone's cumulative age is 243 years; Mick Jagger is a grandfather several times over and Keith Richard's is somewhere between 105 and 110. I initially went to school to study physics. I became interested in psychology, got my doctorate and was trained as a psychotherapist. Thirty-two years ago, I became interested in gerontology, and 20 years ago I became interested in business so I have a few hats I can occasionally switch around. If I put my psychotherapist hat on, I will tell you one of the biggest mistakes most people make is when we picture 60 year olds in the future, we picture 60 year olds from the past. Our moms and dads and grandparents grew old with yesterday's medications, with yesterday's fashions and with yesterday's point of view about who you could be when you were 60 or 80. You're going to grow old in the future with tomorrow's breakthroughs and tomorrow's idea about what's possible.

One other example of the migration of the boomers during the 1970' s is the rock and roll concerts tended to be sponsored by the cola companies so you'd have the Beach Boy's Summer of Love Tour sponsored by Pepsi. Then in the 80's and 90's, the beer companies got involved so you'd have Metallica Head Banging Tour sponsored by Budweiser. Recently when Earth, Wind and Fire went out on their global reunion tour who was their sponsor? I spoke at MDRT 1989 and if I would have said, "You know in the future at the Super Bowl, you're going to have to be

## Re-Visioning Retirement *(continued)*

thinking about whether you want a six hour, twelve hour or thirty-six hour erection” you would have really laughed me off the stage.

A portrait of the 1950’s shows an enormous growth in the number of young people and, of course, young families. This was a fabulous time for the life insurance industry. Look at the future. If you’re McDonald’s and you’re trying to grow market share off of young adults, you’re going to have a bear of a time because it’s a non-growing segment. In fact the number of 18 to 34 year olds in America last year shrank by nine million people. I was giving this presentation for the Anheuser Busch Company and Augie Busch got very upset when he heard that because if you’re in the beer industry, what you want is an unending stream of young guys with very small prostate glands. But anybody who has their wits about them would say, “Man, wouldn’t I like to be in the wealth accumulation business? Wouldn’t I like to be in the financial advisory business?” It also makes us think what kind of cars are empty nesters going to drive, what kind of pharmaceutical pipelines become important as we have chronic illness mounting in the years to come, what kind of vacations are retirees going to want to take, how will that same baby boom rise up into an age wave.

It’s as though you have a seventy-six million pound elephant migrating across the lifeline and every year we get exactly one year older. Yet for the past half century, the way most marketers have perused this boomer generation is they wait for the elephant to pass and then they try to shoot arrows at its butt. If you want to hit the jackpot, you get out in front and dig a big hole. It’s a global phenomenon. Some of you know that replacement level fertility rate is 2.1 kids per couple. Not one country in Europe right now is having that many kids: the birth rate in Germany is around 1.4, it is 1.5 in Italy, the lowest in Europe is 1.2. Japan is hovering between 1.3 and 1.4. Hong Kong is the lowest in the world at .8 kids per couple. High longevity and low fertility changes everything: the number of pensioners were going to multiply and the number of working age people is going to shrink.

If there is anything I’ve grown to appreciate over the years it is as this boomer generation migrates across

the lifeline, we don’t simply populate in this stage of life into which we enter, we transform it. We changed youth and created adolescence, in young adulthood we became swinging singles, in our 20’s we brought the birth control pill forward, we protested wars, women went to work in higher percentages than any generation in history. I imagine that boomers are also going to transform adulthood and retirement.

A few ago my wife and I had dinner with Joe Montana, the great retired quarterback. I asked Joe what is the secret of being a fabulous quarterback. He said, “Ken, it’s pretty simple: you have to throw the ball to where the receiver is going to be. If you throw the ball to where the receiver use to be, you’ll look great on camera but you’ll have no points on the board.” Historically we have lived what I’ll call a linear life plan; it was anchored to the fact that we didn’t live that many years. You learned, you worked, you rested, you died. I’ll give you a story out of my own life. Last year, I was featured on “60 Minutes” with a big segment on the age wave. When I went to New York, Morley Safer walked me around the office and studio and introduced me to everyone. He said, “Ken Dychtwald here has talked to more people about aging than any human being in the history of the world.” This actually might be true; I’ve given talks to over two million people; about half the fortune 500 companies are my clients; I’ve interacted with all the various Presidents except for the current President; I know many world leaders. No one has ever said to me, “I like the idea of greater longevity because I’d really like to be old a long time.” What people say is, “Gee, if I’m going to live a little bit longer maybe I’ll go back to school, maybe we’ll get that second house and have some fun. If I’m going to live a little bit longer and I’m widowed or divorced maybe I’ll fall in love again.” People interpret longevity not so much as more old age but as a whole different concept of how they might live their life.

The mistake many people make, I think, is they assume that longevity bonus will get tagged on at the end. I’m going to ask you this personal question: if somehow I can wave a magic wand and grant you ten extra years of life,

## Re-Visioning Retirement

where would put them? You wouldn't put them at the end; you wouldn't say, "Gee honey, let's wait until we're really old and out of steam, have a lot of pain and discomfort, and see if we could hook up for ten more years of that." What's emerging is an entirely new model for life. My wife actually wrote a book by the name Cycles on this subject. People are beginning to imagine longevity as an environment in which they can reinvent themselves; go back to school, start a new life, pick up and move some-

where else, live long enough to do something else. The biggest change you're going to see is how that longevity bonus gets distributed. Many people in the financial services industry still sit down with their clients and say, "Ok, let's help you plan for retirement, then you can wind down." That's not what anybody's dreaming of anymore. Say, instead, "Have you given any thought to reinventing yourself?" Watch the way the discussion turns yesterday's model into tomorrow's model.