Longevity Economics Frequently Asked Questions

Q: Given the rapid aging of the workforce, what challenges are employers and companies facing?
A: As the American economy came out of the worst recession since the Great Depression, older adults postponed retirement plans and looked for ways to replenish savings, unemployed workers had difficulty finding jobs, and companies were able to be selective and push early retirements.

Today, the tables are turned. The labor market is tight, and companies want to keep their employees, including older workers. Companies are realizing the value of a workplace where all generations of employees work cooperatively on intergenerational teams. Flexible work policies are used to retain employees who might otherwise retire, and the crystallized intelligence of older workers is valued. Innovation and technology are enabling older workers to perform tasks that in the past required more physical strength or dexterity.

Q: How are employers addressing ageism in the workplace?
A: Companies are beginning to positively recognize longer-tenured careers, appreciate the crystallized intelligence older workers bring, and realize that those years of experience really are worth the money the company has decided to pay these older adults. Additionally, employers need to do a better job at thinking about performance based on something other than face time or time spent at a desk or online. Older adults—and people of all ages—are willing to trade salary adjustments for the flexibility to work reduced hours, different schedules, and in different settings.

Q: Subtle age discrimination is just as pervasive and damaging as overt ageism. What types of seemingly innocuous circumstances might have a negative effect for older workers?
A: Companies discriminate in many ways that may not be that obvious on first glance. If a company posts a position requiring 5 to 10 years of experience, applicant-screening software doesn’t put forward people with more than 10 years of experience. Why not? What’s wrong with 11 years of experience?

Younger workers—deemed by society to be “cool” at the expense of everyone else—sometimes presume incorrectly that older workers haven’t kept up with technology or that their knowledge base is out of date. Needed in the current situation is for companies to embrace the older worker, address age discrimination and ageism directly, and find new ways to build intergenerational teams in the American workplace.

Q: In his book *The Longevity Economy*, Joe Coughlin of the MIT AgeLab writes of the need for “longevity preparedness.” What is Bank of America Merrill Lynch doing to prepare wealth managers to help people navigate through a longer life?
A: Nothing will do more good for public policy for older adults than for companies to be interested in them and prepared to help them. When it comes to longevity preparedness and the longevity advisory team that Coughlin advocates, Bank of America Merrill Lynch has taken a number of steps to better address the needs of its older clients, including: development of a formal longevity training curriculum that has been completed by more than 2,000 advisors; training on the psychology of being an advisor and ways of engaging spouses and other family members in financial planning for the parents and intergenerational planning for all; and stressing to younger people the importance of having combinations of assets, such as 401(k) retirement accounts and health savings accounts.

Q: The report talks a lot about the unrecognized producer roles of older adults. What drives these trends toward greater involvement in caregiving and volunteering?
A: Two factors: need and a desire to continue contributing. Caregiving is simply a matter of helping relatives, neighbors, and friends when they have declining activities of daily life. This is what people do. Many caregivers are in younger age groups, but with increasing longevity, older adults are finding themselves taking care of their even-older parents.

Volunteering helps older adults fulfill their desire to stay active and continue contributing to society. In one study, retirees were 6 times more likely to define their success by their generosity than by their wealth. Volunteering makes older adults feel needed and recognized, contributing to positive feelings of self-worth.

Q: What is the relationship between healthy aging and financial wellness?
A: The financial services industry is recognizing the importance of having physical, emotional, and financial wellness—all three are important in healthy aging. If you don't have physical wellness, you will likely have issues financially. When you don't have financial wellness, physical and emotional wellness suffer. This is an enormous topic for people and financial services organizations to deal with—there's a lot of work to be done.

The process starts with education. Many people—old and young—need to learn the basics of savings and budgeting. People need to learn about programs to increase their financial security and wellness. With financial security comes better chances for healthy aging.

Q: How can younger people begin preparing for life in a super-aged society?
A: Millennials are quite concerned that the social support systems of today will not exist when they reach older adulthood. The Matthew effect applies: “If you start with a lot, you’ll probably end up with a lot.”

With self-directed, fixed-contribution plans such as 401(k) accounts replacing fixed-benefit plans such as traditional pensions, people have to be concerned about whether funds will last throughout extended lifespans. Financial advisors are working with people at younger and younger ages. The story is to save early, save consistently, and be one of the smart investors who enters retirement with a lot of resources.

Q: A lot of older adults are very concerned about their out-of-pocket costs for health care. Are those worries justified, given the safety nets and systems in place in the United States?
A: We have a number of systems and calculators to help people estimate the savings they need to provide a given level of income in retirement. Those work well in general. What is not working well is a way of helping people predict expenses such as health care and paid caregiving. People at earlier stages in life don’t tend to think that they will ever need $300,000 or more for illness. They think, “No, I’m fine. I’m healthy.” More estimations need to be done for people to give them projections like Social Security does—to show possible scenarios and their impact.

Q: Should we be looking at the challenges of paying for long-term care? Few people have long-term care insurance, but to qualify for Medicaid benefits that will pay for nursing homes, people have to spend down their assets. It seems this is an area needing policy attention through a public–private partnership.
A: This is a problem today, and it’s not new. The situation will worsen in the future, but only because there will be more older people, not because people will need to stay in nursing homes for longer time periods. The years of infirmity are actually shrinking because of better health care.

Those things said, it is time to address this strange arrangement for financing of long-term care. Since cognitive decline is often a factor in the need for nursing home care, we need to look at funding for research into Alzheimer’s disease and other conditions that sap cognitive function.

Q: New money-transfer apps are causing problems for older adults. Once they transfer money digitally, the transaction occurs immediately, and there is no way to recoup funds if fraud was involved. What can be done about these apps?
A: Banks are pushed like never before by the demand for immediate access to funds and the need to detect and stop fraud. Money-transfer apps and bank software features (which are generally safer than unregulated apps) are great in allowing customers to send money to other accounts, their family members, and their friends. Financial institutions are developing and enhancing ways to detect transactions that appear to be outside a person’s previous habits, but innovation is needed and more work needs to be done in this realm. In the meantime, older adults need to know about the dangers of financial abuse and the risk of using apps for money transfers.