Recently the funeral home industry lamented that sales were not as robust as they once were. The nearly $20 billion industry is the victim of what is perhaps humankind’s greatest success: extended longevity. Now that people are living longer, it seems that they’re just not dying the way they used to. If the business of death — one of two constants in life along with taxes — is being disrupted by longer life, most other business sectors, including financial services and advisory, will be affected as well.

Cashing in the Longevity Dividend

In the United States in 1900, the average life expectancy was age 47, which meant midlife crises came early. Today the average U.S. life expectancy is at least age 80, and those aged 85 and older are the fastest-growing part of the population. Moreover, the World Health Organization calculates that a typical 60-year-old may look forward to not just more time alive, but nearly 20 more years of healthy life without significant disability. Medical advances and technology may extend those years of health even further, granting us a longevity dividend of nearly 50 to 40 years more than we enjoyed a little more than a century ago. Researchers are now suggesting that half of babies born today in the industrialized world will live to 100 years, and some are predicting even longer lifespans than that. It is now reasonable to begin looking at 100 years of life as the new normal, especially for those with access to good food, water, shelter, education, and — of course — health care.
Just imagine living 100 years. Adding decades to the tail end of life changes most things we take for granted about the beginning and middle, such as when childhood and adolescence end and adulthood begins, when and how many times might we go to school, how many careers (let alone jobs) we may have, when will we marry (and for how long), and when we will retire. With this, it is important to consider the twin questions of how long retirement will span and what it will entail. What will be the specific needs and wants for a relatively undefined period of life that is increasing in length from just a few years to several decades?

Every seven to eight seconds, an American Baby Boomer turns 68. Even Gen X is at midlife, turning 50 this year. And while the Millennials (a.k.a. Gen Y) are young and numerous, there is already widespread discussion of the even-younger Generation Z entering the workforce. While many may discuss the differences between each of these cohorts, an overarching commonality is becoming apparent. They all expect to live longer, better. Longer life is a dividend to be cashed.

Advances in technology, medicine, and everyday life have persuaded all generations that there is, or will be, a product or service to address needs that arise throughout the lifespan. Each successive generation has great expectations that life will continue to get longer and better as they age.

Longevity? There’d better be an app for that.

Understanding the New Context of Old Age

If extended longevity and growing numbers of older people were the only demographic realities confronting financial services, the response would be relatively straightforward: more financial products and services to meet the needs of a growing market. However, while the population may be grayer than at any other time in history, the older client today and tomorrow is far different from previous generations. On average, the “new” older client is more educated, tech savvy, and destined to navigate a very different context of aging than his or her parents.

Educated and Smart

The Baby Boomers have more education than any previous generation. The number of college-educated adults has more than doubled over the last two decades. Education, combined with ubiquitous access to information in print and online, contributes to the attitude that with enough study and research, the optimal decision is always within reach.

Retailers from Apple® to Walmart® provide in-store and online appeals to empower their shoppers to choose the right product. Apple offers its Genius Bar as a place to learn, not just to get a broken phone fixed. Whole Foods® provides information about the origins, environmental considerations, and quality of its products, along with how to prepare them. Walmart guides consumers via its “Smart Shopper Network” on television monitors throughout its aisles.

Even in fields that require complex decisions, such as health care, a recent study conducted by Merrill Lynch reported that Baby Boomers were four times more likely to research health information than their parents — 79 percent versus 18 percent, respectively. Clients now want not only to simply access expertise, but also to become smarter about their choices, behaviors, and outcomes in nearly every facet of life.

Technologically Savvy

High-tech is most often associated with younger consumers. However, age predicts technology use and adoption far less than do education and income. The Baby Boomers and each successive generation have become virtually shock-proof to new releases of smartphones, tablets, notebooks, or the ever-wider, more affordable flat-screen televisions.

According to the Pew Research Center, nearly 40 percent of Americans over age 65 regularly use social media. Every generation now expects technology to be part of their daily experience. Most financial advisors’ clients, therefore, will not ask whether there’s an app or website to help them, but rather when the next online improvement will occur to make their experience easier, more personalized, and ubiquitous.

Changing Family Dynamics

The family has traditionally provided the physical and social support necessary to age well. However, the family has changed, leaving an uncertain future for many older people. Fertility has dropped precipitously nationwide. Where the parents of the Baby Boomers had 3.9 children on average, Baby Boomers themselves had an average of
only 1.9 children. Today one fifth of American women do not have children, compared to 1 in 10 in the 1970s.

Consequently, there are simply fewer children to provide care and support to aging parents. Even those who do have kids cannot be sure that their adult children will find economic opportunity near home. Many parents in middle age urge their children to seek opportunity in distant cities and states, only to find themselves without family nearby as they grow older.

While the new older clients may perceive themselves as resourceful and tech savvy, their capability to live longer, better is tempered by both a changing social reality and the rise of new demographic challenges.

The Jobs of Longevity

The eminent marketing theorist Theodore Levitt argued that consumers do not buy products or services per se, but rather they hire those products and services to do a specific “job.” Levitt’s often-cited example is the drill. Do consumers really go out to buy a drill because they want to own one, or is it because they want a hole in the wall? Owning a drill (or any product or service) isn’t the objective — it’s simply a means to accomplish a job. The closer a product or service can get to satisfying a customer’s job, the more valued it is. The most value is derived when consumers perceive what is offered as a comprehensive solution to their needs.

Longevity and the context of living longer present new jobs that must be planned for, financed, and ultimately accomplished. Consider just a few challenges for living longer, better:

Making Transitions. The effect of longevity on the phenomenon currently known as “retirement” is evolving. World Health Organization data suggest that the average 60-year-old American can expect an extra two decades of relative health. The need for income, social connections, and a reason to get up in the morning has persuaded many to extend their work life by continuing at the same job as always, switching to a new company, shifting to part-time work, or even changing careers. Transitioning from one’s old career to another full-time position or another profession altogether requires planning. While financial implications must be considered, so too must education, technological training, and any other unique requirements that may be necessary to make a change, say, from being an engineer to a high school math instructor.

Managing Health and Well-Being. Financing health is often discussed as a key factor in financial planning. Average costs typically guide preparation, but far from everyone is average, or even close to it. According to the Centers for Disease Control, nearly 150 million Americans manage one chronic condition (e.g., asthma), while another 60 million manage two diseases, and almost 30 million manage five chronic illnesses. People having any one, two, or three-plus conditions will see them multiply the cost of health care in older age. Poorly managed conditions could also jeopardize plans to work longer — the most commonly cited strategy to extend retirement savings. Moreover, the cost of ensuring quality of life while managing multiple conditions is far greater than that of the basic health care necessities that are reimbursed by insurers.

Providing Care. For more and more people, informal caregiving is crucial to promoting quality of life in old age. According to the Gallup-Healthways Wellbeing Index, nearly 1 in 4 American households provide nearly 21 hours of support to a loved one per week. Informal caregiving can be as simple as a phone call or an occasional ride to the store, or as painstaking as ensuring that medications are taken correctly and bills are paid. An older adult’s typical caregiver is his or her spouse or oldest adult daughter between ages 47 and 57. That caregiver juggles the challenges of managing his or her own life and those of loved ones, a complex mix that can include work, children, marriage, and eldercare.

Living at Home. Where to live in older age is rarely discussed or planned. While some consider beaches and golf courses, relatively few ever make the move to sunnier climates. Even those who wish to downsize must think beyond the vacation vision of retirement to consider what kind of home they can afford, as well as where it is best to live as their needs change with age. Currently most choose to age-in-place; that is, they stay in the house they occupied at age 50, the home of their marriage, mortgage, and memories.
However, staying home presents challenges of its own. Faced with increasing frailty, distant or no children, or even living alone, how does one maintain one’s home? Performing even mundane activities (like changing a light bulb) can be a hassle—or worse, a hazard. If driving is not a comfortable or safe option, how can older adults ensure seamless transportation to where they need to go. As difficult as it may be for couples to maintain a home in advanced age, it is even more problematic for those who age alone. Lifestyle choice, an unprecedented high divorce rate among those aged 50 and over, and widowhood have resulted in more than 40 percent of American women over age 65 living alone.

A New Frontier
Financial services and advice have traditionally been product based, focused on a successful investment strategy to provide the resources necessary for retirement. That approach is certainly not incorrect, but extended longevity and the new context of aging have made this value proposition incomplete to clients.

Given the new demands and changing context of living longer, better, clients will increasingly search for solutions to the many jobs of longevity. Planning and solving for these jobs, often referred to as longevity navigation or management, presents a new landscape for what clients need, want, and ultimately will pay an advisory firm to provide.

Figure 1 presents an advisor value continuum model that shows the evolving value of advisors as a continuum defined by two axes:

- The Depth of Relationship the advisor has with the client and the client’s extended social network or family
- The Breadth of Discussion, indicating the range of topics and issues about which the advisor engages the client in discussing while planning and financing for longevity

The greater the depth of the relationship with the client (and his or her family/social network) and the more comprehensive the connection of finance with actual longevity solutions, the more valued the relationship.

Three advisor value propositions emerge. These may overlap, depending on the style of the advisory firm, but for the sake of simplicity, categorized according to financial planning focus and client relationship, they are: Transactions, Planning, and Longevity Solutions.

Transaction-Based Value
The Transaction advisor provides relatively traditional services that focus on investment and financial security. Primary client engagement typically occurs with one member of the household (most often the husband). Discussions are centered on the “number” needed to ensure a secure retirement. Interactions certainly include planning, but they are typically guided by algorithms of what an average family may need in retirement, considering factors such as housing and health care costs. The value of the client/advisor relationship rests on investment growth. Interactions between the advisor and client are limited and primarily about transactions undertaken to achieve a quantified goal.

The Transaction advisor’s value proposition of product knowledge and investment growth is key. However, such a client/advisor relationship is tenuous because it rests on the success of investment product outcomes alone. Given the limited interaction and context of the relationship, the advisor’s knowledge of the client’s family, decision dynamics, and health is severely constrained.

Moreover, the same technology applications that enable seamless transactions, investment visibility, and cost calculators also make the Transaction advisor the most likely to be automated or replaced by solutions that empower the client to become a do-it-yourself investor. Drawing upon a health care example, consider the devolving role of the general practitioner who only provides care for the most basic conditions, such as the flu or allergies. Routine services traditionally obtained from general practitioners are now being provided by nurse practitioners equipped with computer-based algorithms in local drug or grocery stores. But medical specialists or physicians who have deeper relationships with their patients have proven more difficult to replace.

Planning-Based Value
The Planning advisor expands his or her relationship with the individual client beyond investment strategy and makes a concerted effort to include the partner or spouse as a planning unit. While quantified investment...
objectives remain a priority, the Planning advisor initiates a broader discussion about planning objectives, such as where a couple may wish to live in retirement.

The Planning advisor is also more likely to provide additional financial services, including life insurance, college education financing, new home loans, and more. Seminars are frequently used to further engage the client, but the topics are most often limited to focused financial issues, such as understanding Social Security or investment opportunities presented by new emerging technologies. The Planning advisor seeks additional engagement with clients via online platforms that provide supplementary information or thought leadership — such as developing a more refined retirement plan, asset allocation, or tax and estate planning — representing a level of detail that cannot be communicated within the limited time constraints of face-to-face meetings.

While meeting all of the critical and core value propositions expected of financial advisors, the Planning advisor does not fully address what clients will need in longer life: a clear idea of what decisions they may find themselves facing in old age, how much those choices and challenges may cost, and how to identify the necessary trusted services to complete the jobs that will arise.

**Longevity Solutions-Based Value**

The Longevity Solutions advisor enjoys the greatest degree of client intimacy and has the deepest relationship with clients and their families. The Longevity Solutions value proposition also offers the widest range of discussions and product solutions. For example, client seminars engage entire families on topics that address the broader context of living longer, such as education and professional development across the lifespan or the future treatment and cost of managing chronic disease. Adult children may be engaged as an integral part of the relationship and, where appropriate, serve to facilitate discussions of what the client and his or her family may want in old age, such as where to live and how.
The Longevity Solutions advisor focuses on and facilitates more in-depth discussions about health and well-being. Such discussions are critical to providing insights to the client, but they also facilitate conversations that may reveal issues, such as a diabetes diagnosis, that will have profound implications on health care costs in advanced age.

These discussions go beyond investment and planning alone to focus on the income that will be necessary to address specific needs in later life. Moreover, the Longevity Solutions advisor connects clients with trusted, vetted services that provide solutions for the jobs of longevity. For instance, the advisor may maintain relationships with downsizing services, regional providers of senior housing, or aging-in-place certified home contractors that can advise homeowners on how best to update a home while modifying it to support older age. Product innovators may find that “purposeful products” that connect specific investment income with a branded service provider for such jobs as home maintenance may be especially appealing.

Since Longevity Solutions advisors address a wide range of lifelong issues, they are better able to engage clients across their life stages. Rather than focusing only on the future, the Longevity Solutions advisor becomes relevant immediately, and that usefulness only increases over time. For instance, such an advisor may connect adult children in their 40s to geriatric care managers and eldercare services to care for aging parents, or they may provide career transition services for 50-something clients who want to continue to work but also want a change. In short, the Longevity Solutions advisor’s value is that he or she provides financial security along with a map of what older age may present, who can be enlisted to help, and how to pay for it all.

An Evolving Business Model of Longevity and Advice

Longevity and the changing social context of aging are increasing client needs and expectations. Investment, money management, and planning expertise will remain critical to the core value proposition of financial advisors. But those competencies will only comprise a small part of what clients will seek from advisors.

Broadening the conversation and deepening the relationship with clients and their families will require a different advisory business model. No one will expect advisors to add social worker, psychologist, home contractor, eldercare advisor, and more to their list of qualifications. However, a new generation of clients will value solutions, not just advice. Financial advisors now stand at a frontier: the new business of longevity. That business will provide them with opportunities to engage with their clients over a lifetime, on more topics, more often, and with greater intimacy. Ultimately, providing such highly valued service is both a barrier to automated commoditized advice on finance alone and critical to client retention and advisor compensation.

Execution on this emerging business model will require a greater emphasis on creating teams of expertise. Over the next few years today’s financial advisors have the potential to transform their framework of retirement into a foundation for longevity planning: the center of an ecosystem where clients can save, invest, plan, and connect with solutions that will translate living longer into the reality of living longer, better.

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