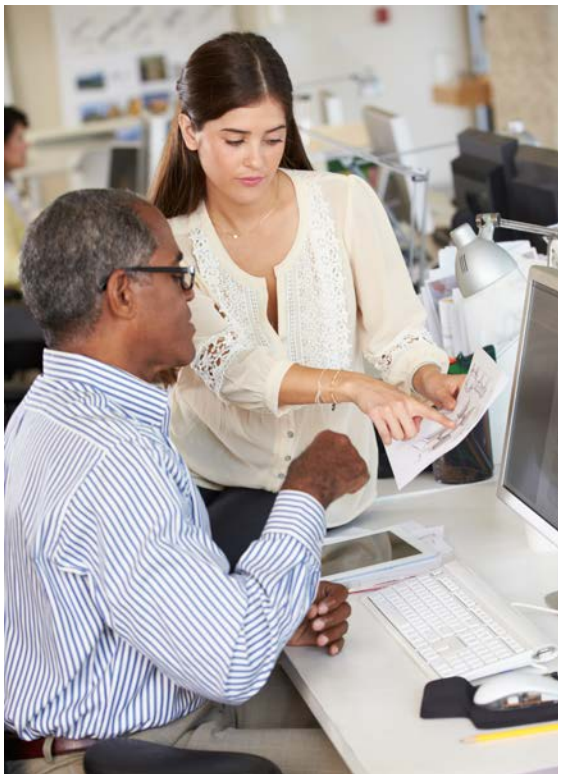
OXFORD ECONOMICS

The Longevity Economy

Generating economic growth and new opportunities for business













A briefing paper prepared by Oxford Economics for 

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Introduction

A powerful new force is changing the face of America, composed of 106 million people responsible for at least $7.1 trillion in annual economic activity—a figure that is expected to reach well over $13.5 trillion in real terms by 2032.[1] This is the Longevity Economy, representing the sum of all economic activity serving the needs of Americans over 50 and including both the products and services they purchase directly and the further economic activity this spending generates. This population of older workers and retirees represents both a transformative force by itself, expected to account for more than half of US GDP by 2032 (see box on page 5), and a net national asset—a fast-growing contingent of active, productive people who are working longer and taking the American economy in new directions.

The growing population over 50 represents both a transformative force by itself and a net asset—a fast-growing contingent of active, productive people who are working longer and taking the economy in new directions.

Along the way, the Longevity Economy is upending conventional wisdom about how aging affects the overall US economy, and the country. Rather than lengthening extreme old age, the 30 years added to lifespans in the 20th century have resulted in a longer middle age—extending the period when workers are at their most productive and creative, and representing a major, often untapped resource.

Rather than being a burden to society, these older people will continue to fuel economic activity far longer than past generations had, and those born after them will continue the trend. They already inject some $4.6 trillion a year in spending on consumer goods and services, including health care, into the overall economy, according to research by Oxford Economics. That figure rises to $7.1 trillion when we add the effects of this direct spending as it circulates through the economy (these consequential results are called "induced economic effects").[2] This activity provides employment for nearly 100 million Americans. In addition, the Longevity Economy is a huge source of charitable giving, contributing nearly $100 billion annually to a variety of causes and concerns, which represents nearly 70% of all charitable donations from individuals.[3]

1 Oxford Economics calculations, discussed in footnote 2. All figures in this report are in constant 2011 dollars unless otherwise noted.

2 Oxford Economics calculations. Non-health consumer spending estimated using the Bureau of Labor Statistics's Consumer Expenditure Survey of spending by consumer units, with a reference person over age 50 and scaled for underreporting using data from the Bureau of Economic Analysis's National Income and Product Accounts. Excludes all spending on rent or imputed rent. Health care spending estimated using data from US Centers for Medicare and Medicaid Services National Health Expenditure. Full domestic economic impact of this spending, including direct, indirect, and induced impacts, is calculated using the IMPLAN software package.

3 Rovner, Mark. 2013. "The Next Generation of American Giving: The Charitable Habits of Generations Y, X, Baby Boomers, and Matures." Blackbaud. August 2013. https://www.blackbaud.com/nonprofit-resources/generational-giving-report?utm_source=infographic&utm_medium=website&utm_campaign=NextGenReport&utm_content=footer

A profile of the Longevity Economy

By any measure, the Longevity Economy is already one of the most significant contributors to overall US economic activity. By 2032, it is projected to make up about 52% of US GDP (see Fig. 1);[4] already, it accounts for roughly two-thirds of employment as well as wages and salaries in the US (see Table 1). The tax receipts that result from the economic activity generated by over-50 Americans' spending alone account for nearly half of federal tax revenue, and over half of state and local tax revenue (see Table 2).[5]

Fig. 1: Growth of the Longevity Economy

% of US GDP accounted for by the Longevity Economy

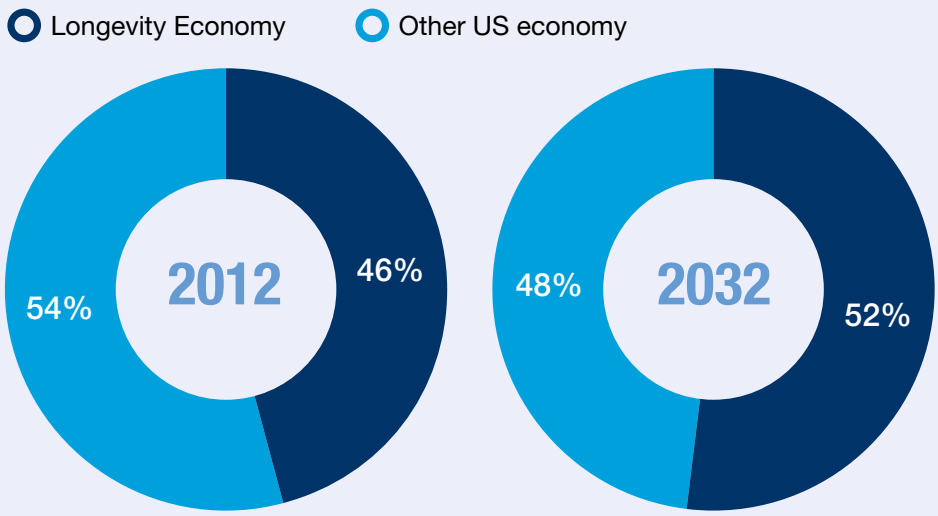


Table 1: Size of the Longevity Economy

	GDP	Employment	Wages & Salaries
Longevity Economy	$7.1 trillion	98.9 million	$4.5 trillion
% of US economy	46%	69%	65%

Table 2: The Longevity Economy and taxes

	Federal taxes	State & local
Generated by Longevity Economy	$987 billion	$761 billion
% of total taxes	47%	56%

Source: Oxford Economics

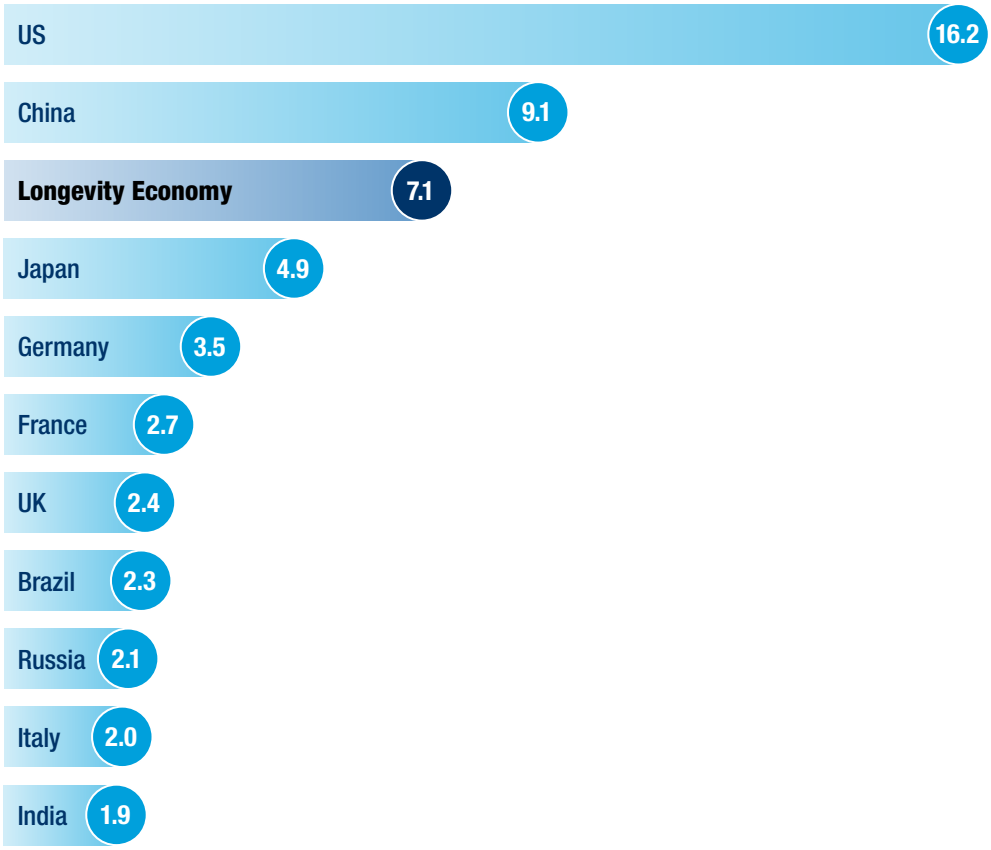
4 Figures calculated prior to the Bureau of Economic Analysis's July 31, 2013 revisions to historic GDP.

5 Includes federal, state, and local taxes generated by the economic impacts attributable to the Longevity Economy, not necessarily taxes paid by those over the age of 50.

The Longevity Economy is a factor of far greater magnitude than just a collection of age-specific workers, consumers, and retirees. In the aggregate, the Longevity Economy is larger than any other country's economy, except those of the United States and China (see Fig. 2). Indeed, it has many of the characteristics of a healthy and growing national economy: Over-50 Americans have already sparked a transformation in products and services as businesses tailor more of their offerings to meet the needs of this population—improvements that then become standard for other consumers. Its role in sparking economic growth extends beyond this, however. It is a source of new ideas and trends, of new business models and new technologies, and of entrepreneurship and investment. Moreover, as more aging Americans choose to remain in the workforce longer, they will continue to increase potential economic output.

Fig. 2: The Longevity Economy on a global scale

The Longevity Economy in global perspective (2012 GDP, $ trillions)



Source: Oxford Economics

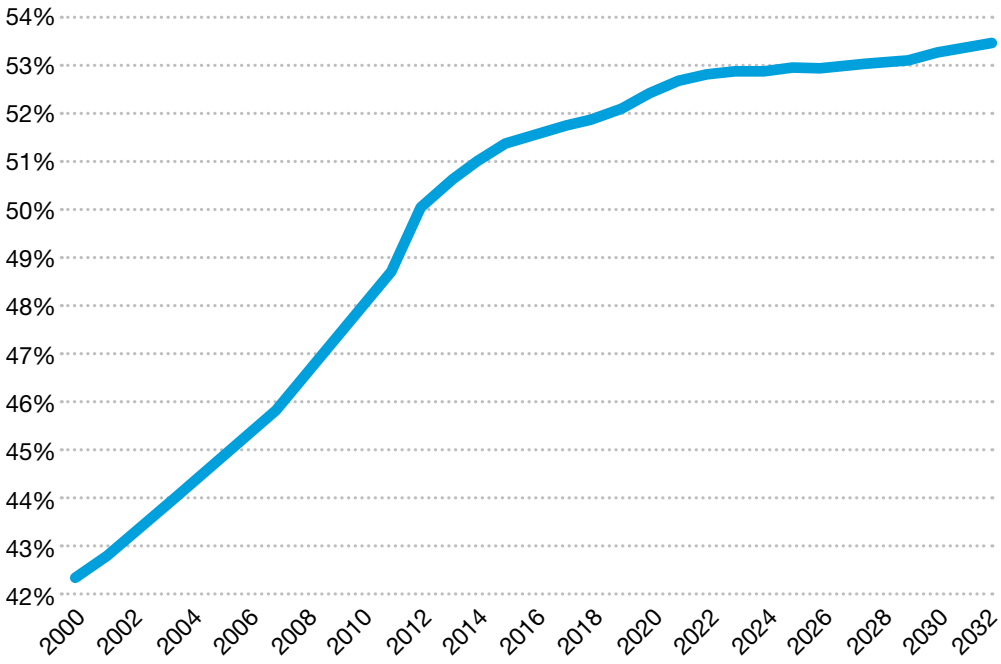
Much attention has been directed at the cost of supporting an older and less active population. In reality, however, the challenge is for the US economy to determine how to make the most of a growing over-50 contingent, many of whom are just reaching peak productivity. Older Americans are a vibrant group, driven to keep working and contributing to the economy either by financial need or simply the desire to stay active and feel fulfilled. Their growing presence will be not only a net gain for the overall American economy, but also a crucial opportunity for businesses.

Understanding the Longevity Economy

Understanding the Longevity Economy starts with the over-50 population itself. In 2000, Americans over 50 comprised 42% of the over-25 population; in 2013, that proportion reached 51%, and it is expected to grow to 54% by 2032 (see Fig. 3). The Longevity Economy is not a passing phenomenon—longer life spans will result in a consistently large over-50 population even after the Baby Boomer wave has crested.

Fig. 3: Proportion of the working-age population by age segments

Over-50s' share of the over-25 US population, forecast from 2010



Sources: Oxford Economics, US Census Bureau

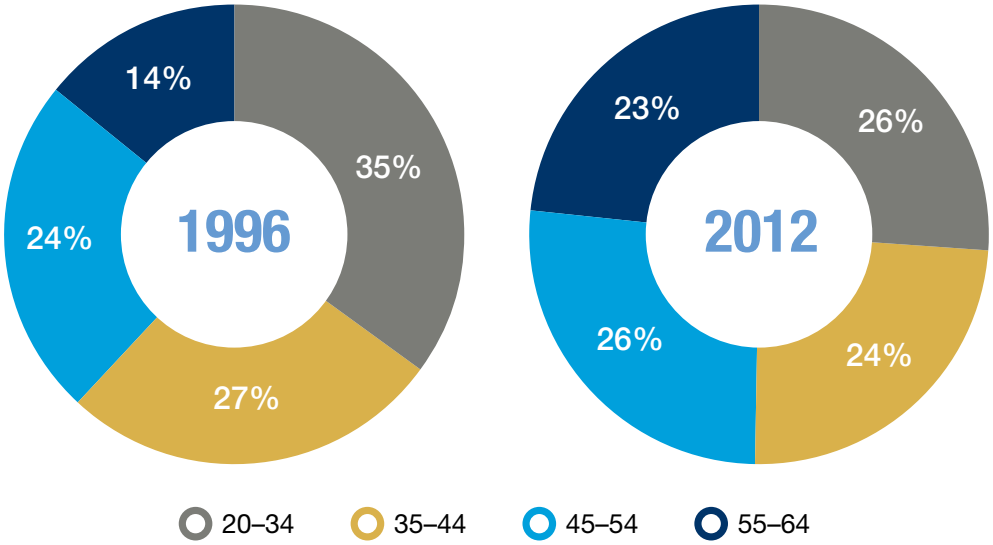
These people are altering long-held preconceptions about the career and life patterns of older workers and retirees. According to the Ewing Marion Kauffman Foundation, which studies and encourages American entrepreneurship, people in their 50s and 60s start businesses at nearly twice the rate of those in their 20s. This is, in part, out of necessity, since entrepreneurship tends to rise during recessions and "lifetime" employment among people over 50 is declining—but it is also because they have the capital, the credit, and, often, a wealth of experience that younger workers lack.[6] Almost one-quarter—23%—of new US businesses started in 2011 were launched by entrepreneurs between the ages of 55 and 64, up from 14% in 1996 (see Fig. 4). Entrepreneurs aged 45 to 54 accounted for an additional 26% of 2011 start-ups. By contrast, the much larger 20- to 34-year-old bracket contributed 26% of new ventures.[7]

6 Stangler, Dane. 2009. "The Coming Entrepreneurship Boom." Ewing Marion Kauffman Foundation. June 2009.

7 Fairlie, Robert W. 2013. "Kauffman Index of Entrepreneurial Activity: 1996-2012." Ewing Marion Kauffman Foundation. April 2013.

Fig. 4: Composition of new entrepreneurs by age group

% of new ventures, by age group of founder



Sources: Oxford Economics and Fairlie (2013)

The Longevity Economy will continue to supply a substantial number of workers as well. A survey conducted by Merrill Lynch[8] in 2013 found that 71% of pre-retirees would like to include some work in their retirement years, with most seeking flexible arrangements—on the job part-time, remotely, or with the ability to mix periods of work with periods of leisure. Some will continue to work because they are not financially prepared for retirement, others because they want to. Nearly half of all respondents in the Merrill Lynch survey said they plan to work for the "stimulation and satisfaction" it affords, rather than for the paycheck. The figure rises to nearly 70% for those with over $250,000 of investable assets.

In addition, just over half of respondents said they are planning to begin "encore careers," once they retire, that combine continued income, greater personal meaning, and social impact. These jobs typically are paid positions, often in public-interest fields such as education, the environment, health, government, social services, or non-profits. A 2011 MetLife Foundation/Civic Ventures study found that nearly 9 million people between the ages of 44 and 70 were in an encore career, and an additional 31 million were interested in pursuing one.[9]

8 Merrill Lynch. 2013. "Americans' Perspectives on New Retirement Realities and the Longevity Bonus." Merrill Lynch Wealth Management. May 6, 2013. http://wealthmanagement.ml.com/wm/Pages/Age-wave-Survey.aspx (accessed May 15, 2013).

9 Civic Ventures. 2013. "Encore Career Choices: Purpose, Passion, and Paycheck in a Tough Economy." The MetLife Foundation and Civic Ventures. November 29, 2011. http://www.encore.org/files/EncoreCareerChoices.pdf (accessed May 17, 2013).

A distinctive consumer profile

Whether starting businesses or launching second careers, today's over-50 population have more accumulated wealth than their predecessors and make distinctive work-life and consumption choices. The economic clout of the over-50 population, in fact, is enormous. As a group, they control almost 80% of US aggregate net worth. The average wealth of households headed by people over 50 is nearly $765,000, compared with $225,000 for those headed by 25–to-50-year-olds.[10]

The over-50 population controls almost 80% of US aggregate net worth; the average wealth of households headed by people over 50 is almost three times the size of those headed by people aged 25 to 50.

People over 50 contributed $3.0 trillion to consumer spending, excluding health care, in 2012, representing approximately 51% of spending by all over-25 consumers. This represents per-capita expenditures of $28,200 annually. In 2032, consumer spending by Americans over 50 is forecast to increase by 58%, to $4.6 trillion, while spending by those aged 25–50 is forecast to grow by only 13%, from $2.9 trillion to $3.2 trillion.[11]

In addition, the Longevity Economy is driving the growth and direction of the health care industry. In 2012, it accounted for roughly $1.6 trillion in health care spending, representing about 73% of the national total. In real terms, its health care consumption is forecast to increase 158% by 2032, to $4.0 trillion, accounting for nearly 79% of the US total.[12] This vast expansion is likely to translate into a large increase in the demand for particular types of services, such as home health services and aging-in-place technology.

Changing preferences

The preferences of the Longevity Economy are shifting in other ways (see Fig. 5). It is bringing into its orbit industries that traditionally have not considered people over 50 to be major contributors to their revenue streams. In real terms, spending by those over 50 on food and clothing decreased 11% and 35%, respectively, from 1990 to 2010, while their expenditures on non-necessities such as recreation and education grew by 23% and 90%. In 1990, people over 50 spent an average of $2,200 on clothing and $7,000 on food; by 2010, those figures had dropped to $1,460 and $6,280, respectively.[13] Another difference is that in the Longevity Economy, people like to "age in place." Nearly 90% of seniors say they want to stay in their own home as they grow older; even after they need day-to-day assistance or ongoing health care, 82% would still prefer to stay at home, according to AARP.[14]

10 Oxford Economics calculations using data from the Federal Reserve Board's 2010 Survey of Consumer Finances. http://www.federalreserve.gov/econresdata/scf/scf_2010.htm.

11 Oxford Economics calculations using Consumer Expenditure Survey and the National Income and Product Accounts data and US Census Bureau population projections, and projecting forward per capita categorical spending growth rates from 2007-2011. See footnote 2 for additional explanation.

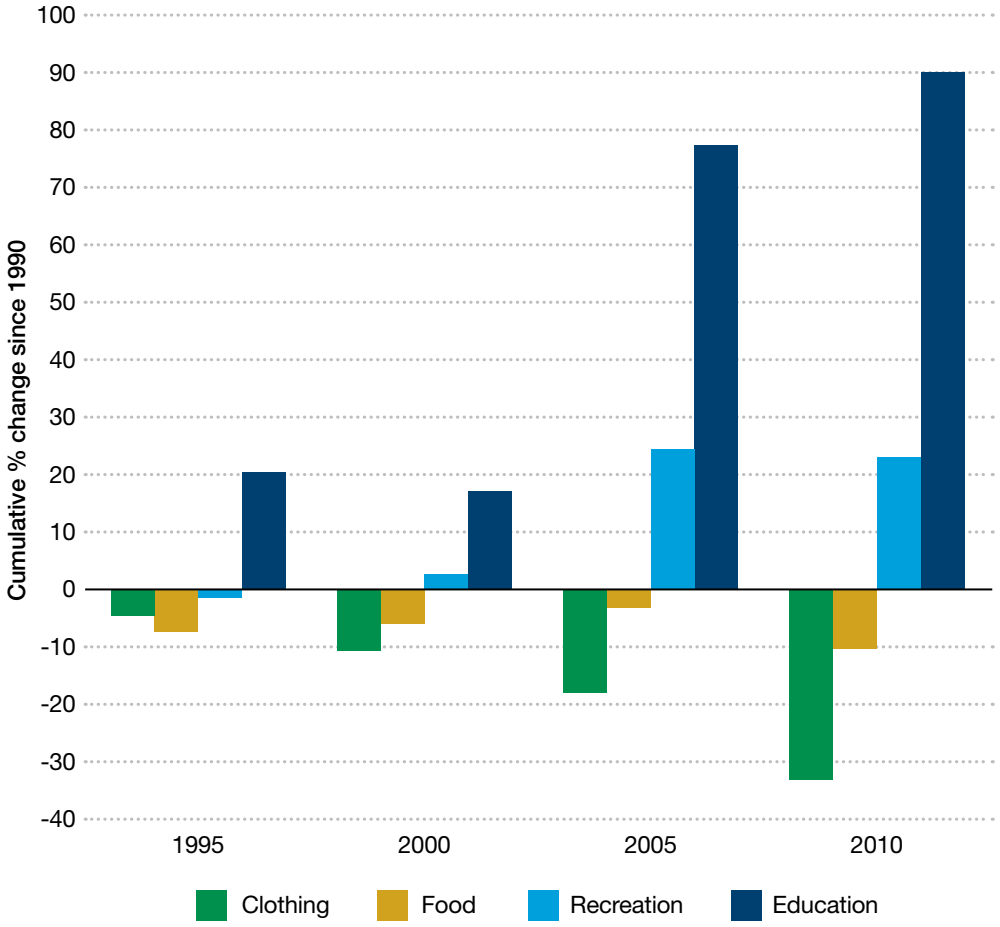
12 Oxford Economics calculations using National Health Expenditure data from the US Center for Medicare and Medicaid Services and US Census Bureau population projections and projecting forward per capital categorical spending growth rates from 2007-2011.

13 Inflation-adjusted data from the US Bureau of Labor Statistics Consumer Expenditure Survey.

14 Cited in In Your Home. "Facts and Statistics for Staying in Place." http://www.iyhusa.com/AginginPlaceFacts-Data.htm.

Fig. 5: Changing spending patterns of older Americans

Change in per person spending by over-50 Americans since 1990



Source: Oxford Economics calculations based on Consumer Expenditure Survey data.

Today's over-50s are more tech-savvy than their predecessors. They are heavy users of the Internet and social networking and they spend more online than either Gen X or Gen Y consumers.

Technology, too, plays a large role in the Longevity Economy. Today's over-50s were the first generation to grow up with consumer electronics, computers, and the Internet. As a result, they are more technically savvy than their predecessors. A March 2000 survey by the Pew Internet and American Life Project found that only 36% of respondents aged 50–65 and 12% of those over 65 had used the Internet; by August 2012, these numbers had risen to 85% and 58%, respectively.[15] People over 50 also heavily use social networks, with over 71% of those between the ages of 50 and 65 and 59% of people over 65 making daily visits to social network sites, driven in part by their participation in social causes and advocacy.[16]

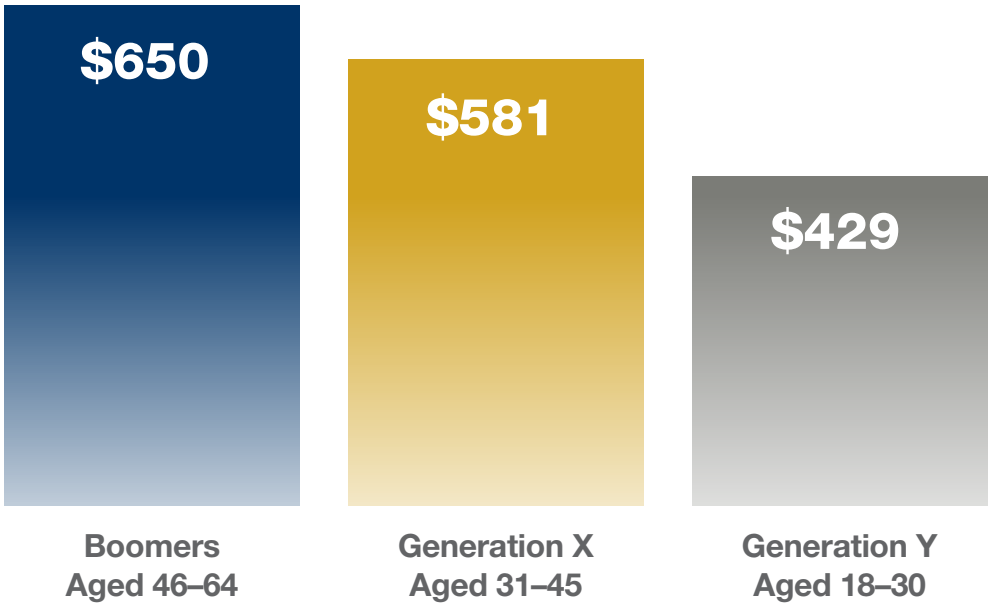
15 Pew Internet and American Life Project. 2013. Internet Usage Trend Data Spreadsheet. http://www.pewinternet.org/Trend-Data-(Adults)/Usage-Over-Time.aspx

16 Google. 2013. "American's 50+: From analog pioneers to digital voyagers."

The Longevity Economy also has an outsized impact on technology spending. According to Forrester Research, in 2010, people aged 46-64 comprised approximately 25% of the total population, but accounted for over 40% of technology purchases.[17] They shop online with a frequency similar to that of younger consumers, but they spend more (see Fig. 6). Those between 46 and 64 spent an average of $650 online over a three-month period, compared with $581 for Gen X (people born between 1965 and the early 1980s) and $429 for Gen Y (those born from the early 1980s to the early 2000s).[18] The share spent by the older cohort has surely only increased since 2010, and will continue to increase, as more Americans with years of experience shopping online age into the cohort. Greater average expenditures, coupled with their growing share of the total population, have pushed online spending by people over 50 to nearly $7 billion per year.[19]

Fig. 6: Technology spending in the Longevity Economy

Average online spending by age group (over three months)



Source: Oxford Economics and Bulik (2010)

17 Bulik, Beth Snyder. 2010. "Boomers—Yes, Boomers—Spend the Most on Tech." AdAge Digital. October 11, 2010. http://adage.com/article/digital/consumer-electronics-baby-boomers-spend-tech/146391/

18 Bulik, Beth Snyder. 2010. "Boomers—Yes, Boomers—Spend the Most on Tech."

19 Nielsen. 2012. "Boomers: Marketing's Most Valuable Generation." The Nielsen Company and BoomAgers LLC.

Size and impact

The Longevity Economy is defined not just by the large number of Americans over 50, and their spending habits and work-life preferences, but also its substantial effect on the larger American landscape. The Longevity Economy is responsible for nearly 100 million jobs and generates over $4.5 trillion in wages and salaries, almost $1 trillion in federal taxes, and over $750 billion in state and local tax receipts per year (see Tables 1 and 2).

The Longevity Economy is responsible for nearly 100 million jobs and generates over $4.5 trillion in wages and salaries.

The Longevity Economy's impact on industry

The Longevity Economy is refuting the conventional wisdom that consumers over 50 spend less. In fact, they spend more than any other age group, and will increasingly challenge businesses to win their attention.

People over 50 outspend the average consumer across most categories, and the economic activity they generate affects all sectors of the US economy. They dominate spending in 119 of 123 consumer packaged goods segments,[20] as well as across all health care categories. They are responsible for over 75% of all prescription drug spending, for example.[21] The Longevity Economy also encompasses close to $90 billion of spending a year on cars—28% more in absolute terms than for buyers under 50. Not only do they buy more new cars, but they spend more on the cars they buy.[22]

Companies like Humana, UnitedHealthcare, and Aetna are acquiring start-ups that focus on helping people to live independently. Some 138 private-equity deals over the past 10 years focused on acquisitions of companies serving the over-50 market, and a subset of venture-capital firms are now concentrating on opportunities in this sector as well.[23]

The Longevity Economy's impact extends to a far broader range of industries, however, reflecting over-50 Americans' spending on dependents including children, grandchildren, and even their own parents. Altogether, grandparents spent approximately $52 billion in 2009 on direct purchases and gifts for their grandchildren. This includes nearly $17 billion on education, over $10 billion on children's clothing and apparel, $4 billion on travel and recreation, nearly $6 billion on toys, and over $2.7 billion on baby items.[24]

20 Nielsen. 2012. "Boomers: Marketing's Most Valuable Generation."

21 Esterhuizen, Eben, and Sellitti, Alicia. 2011. "Which Stocks Have the Biggest Exposure to Aging Baby Boomers." The Motley Fool. January 7, 2011. http://www.fool.com/investing/general/2011/01/07/which-stocks-have-the-biggest-exposure-to-aging-ba.aspx (accessed August 2, 2013).

22 Horovitz, Bruce. 2010. "Big-spending Baby Boomers Bend the Rules of Marketing." *USA Today*. November 16, 2010. http://usatoday30.usatoday.com/money/advertising/2010-11-16-1Aboomerbuyers16_CV_N.htm (accessed August 2, 2013)

23 PitchBook Newsletter. 2013. "Aging Society Presents Investing Opportunities." May 20, 2013. https://my.pitchbook.com/viewnewsletter/uyV0g-vsM5r/pe%20" https://my.pitchbook.com/viewnewsletter/uyV0g-vsM5r/pe

24 Francese, Peter. 2009. "The Grandparent Economy: A Study of the Population, Spending Habits, and Economic Impacts of Grandparents in the United States." http://grandparents.com

This enormous presence is already pushing the US economy in new directions (see box on page 12); over 200 companies serving the over-50 audience that didn't exist two years ago applied to participate in AARP's two LivePitch events showcasing health innovations. New technologies created to serve the needs and tastes of over-50s, such as remote monitoring devices and voice-recognition software, can be expected to spawn future applications serving other markets, further contributing to the overall economy (see box below).

Telemedicine, mobile health, and the anti-aging market

The Longevity Economy is fueling a new wave of start-ups, along with expansion of established industries, catering to people over age 50. Products and services sparking this growth range from personal care to innovative solutions geared to older Americans' changing life choices. Two prominent examples are the markets for anti-aging treatments and for telemedicine and mobile health, both of which have expanded rapidly in recent years and are poised for more growth.

Market researchers forecast that sales of anti-aging products and treatments will grow from about $80 billion a year in 2009 to well over $114 billion by 2015. This includes cosmetics with anti-aging benefits, professional services, expensive hormone therapies, new biotech products, and cosmetic surgery. Over the same period, the global market for anti-aging products is projected to grow to over $290 billion, fueled by similar demographic trends in the rest of the developed world.[25]

A related field, regenerative medicine, has inspired a new wave of biotech start-ups. Current research places the size of the US market at $1.6 billion today; it is forecast to grow to more than $20 billion per year by 2025, with 400 products available and an additional 600 in development.[26]

Innovation sparked by the Longevity Economy also extends to more fundamental choices of over-50s, for instance their desire to age in place. Telemedicine enables family members and doctors to monitor patients without sending them to a hospital or nursing home for extended periods.

For example, a sensor-based system can be installed in the home, transmitting live data directly to doctors and family members. This data can range from tracking movement between rooms and how often a person takes medicine, to more sophisticated data collection such as sleep activity and blood sugar levels. Such a system can also be programmed to send an alert in case the person becomes confused and tries to walk out of the house in the middle of the night.[27]

Since 2010, the mobile health market—including telemedicine, remote devices, and mobile phone apps—has grown at a year-over-year rate of about 17%; it was estimated to be worth some $2.1 billion at the end of 2011. The market is expected to grow at nearly 22% per year from 2012 to 2015[28] and to account for more than $20 billion annually by 2020.[29]

More important for patients, their families, and the overall health care system, by delaying or eliminating the need for assisted living and nursing-home care, telemedicine can save considerable money. Four days of heart monitoring in a hospital, for example, costs around $25,000, but a Tufts Medical Center study in 2010 found that by using telemedicine, hospitalization time and costs can be cut as much as 72%.[30]

25 Kidela Capital Group. 2013. "Anti-aging treatments: Opportunities in immortality." December 14, 2012. http://www.kidela.com/healthcare/anti-aging-treatments-opportunities-in-immortality (accessed May 30, 2013).

26 Kidela Capital Group. "Anti-aging treatments."

27 Fritz, Justin. 2013. "The $7 Billion Tech Trend Changing the Face of Healthcare." *Wall Street Daily*. March 23, 2011. http://www.wallstreetdaily.com/2011/03/23/telemedicine-creating-wireless-healthcare/ (accessed May 30, 2013).

28 Lewis, Nicole. 2011. "Healthcare IT Spending To Reach $40 Billion." *InformationWeek*. May 16, 2011. http://www.informationweek.com/healthcare/electronic-medical-records/healthcare-it-spending-to-reach-40-billi/229500682.

29 Orlov, Laurie. 2013. "Technology for Aging in Place: 2012 Market Overview." http://www.ageinplacetech.com/files/aip/Market%20Overview%20Combined%2011-15-2012.pdf (accessed May 30, 2013).

30 Fritz, "The $7 Billion Tech Trend Changing the Face of Healthcare."

As business redesigns its products to eliminate difficulties for older people, these innovations generate new designs that are easier to use and more appealing to everyone. One example is the OXO brand of kitchen tools. Sam Farber was inspired to found OXO after watching his wife, who has severe arthritis, struggle with a standard vegetable peeler. Mr. Farber "reengineered" a peeler with a wide rubber handle that his wife could easily grip. What began as a line for a neglected consumer group became a major success with all age groups; the company quickly grew from its original 15 products to over 800 today. OXO is an example not only of an innovation that began as a design to serve the needs of the over-50 population, but also of the entrepreneurship of many such older people—Sam Farber himself had just retired, at age 66, when he founded OXO.[31]

Other, longer-established companies have seen products designed for the Longevity Economy succeed in the larger marketplace—and vice versa. When Nintendo redesigned its Wii remote to make it easier for younger children to use, the company also made the device more suitable for much older people, easing the path for over-50s into the gaming experience. Conversely, when BMW designed its 5 Series to provide better lumbar support—in part to accommodate its largest group of drivers, who are over 50—it produced a car that provides a better driving experience for everyone. Similarly, aging Baby Boomers seeking to delay the decline of cognitive abilities have helped the market for cognitive training grow from around $600 million in 2009 to over $1 billion today. The market is expected to grow to well over $6.2 billion by 2020.[32]

31 Tapia, Andres. 2010. "OXO Good Grips: What Is Good for Those with Disabilities Is Good for Everyone." The Inclusion Paradox. March 25, 2010. http://inclusionparadox.com/oxo-good-grips-what-is-good-for-those-with-disabilities-is-good-for-everyone/ (accessed August 2, 2013).

32 *The Economist*. 2013. "Commercialising neuroscience." August 10, 2013. http://www.economist.com/news/business/21583260-cognitive-training-may-be-moneyspinner-despite-scientists-doubts-brain-sells.

Bolstering the larger economy

Older Americans are too often viewed as a problem rather than an opportunity—a growing population of older, less active people, increasingly dependent on social benefits, especially given the decline of employer-based pensions. According to the Social Security Administration, Social Security's modest benefits represent approximately 39% of the income of people over 65. In fact, nearly 23% of married retirees and 46% of unmarried retirees are almost entirely dependent on Social Security.[33]

For recent retirees, this dependency is, if anything, more pronounced, as older workers have difficulty securing good-paying jobs that allow them to save for retirement in the post-recession economy. According to the Bureau of Labor Statistics, the re-employment rate is only 47% for workers aged 55 to 64 and 24% for those over 65, compared with 62% for workers 20 to 54. Workers in the 55-to-64 bracket average 46 weeks to find another job, whereas 16-to 24-year-olds average just 20 weeks.[34]

The Longevity Economy is also a safety net for the younger population; more than 90% of over-50 Americans have provided some form of financial support to their adult children.

Yet the benefits received by retirees and workers over 65 spur economic activity. Social Security paid $645 billion in old-age and survivors' benefits in 2012, the vast majority of which was quickly spent, while Medicare distributed an additional $574 billion, according to the Social Security Administration.[35] Moreover, income from purchases made by Social Security and Medicare recipients is then respent, creating a multiplier effect. A 2011 study for the Southern Rural Development Center estimated that every dollar paid out in Social Security benefits in 2009 ultimately supported $1.80 of spending in the economy. Based on this analysis, Social Security alone is responsible for around $1.2 trillion of economic activity.[36]

Not only is the Longevity Economy helping to bolster the overall US economy, but Americans over 50 will also serve as a resource and safety net for their parents and children. According to a November-December 2011 survey by Ameriprise Financial, approximately 58% of Americans between 47 and 65 report that they provide some assistance to their parents, including cooking, cleaning, laundry, personal care, and transportation, as well as financial support for such necessities as groceries (22%), medical bills (15%), and utility bills (14%).[37] The same survey found that over 90% of this group have provided some form of financial support to their adult children (see Fig. 7). This includes helping pay for college (71%), allowing them to live at home rent-free (56%), or helping them to buy a car (53%).

33 Social SecurityAdministration. "2013 Social Security Fact Sheet." Social Security Administration. http://www.ssa.gov/pressoffice/factsheets/basicfact-alt.pdf (accessed August 29, 2013).

34 Bureau of Labor Statistics, cited in Winerip, Michael, "Set Back By Recession, And Shut Out Of Rebound." *New York Times*. August 27, 2013.

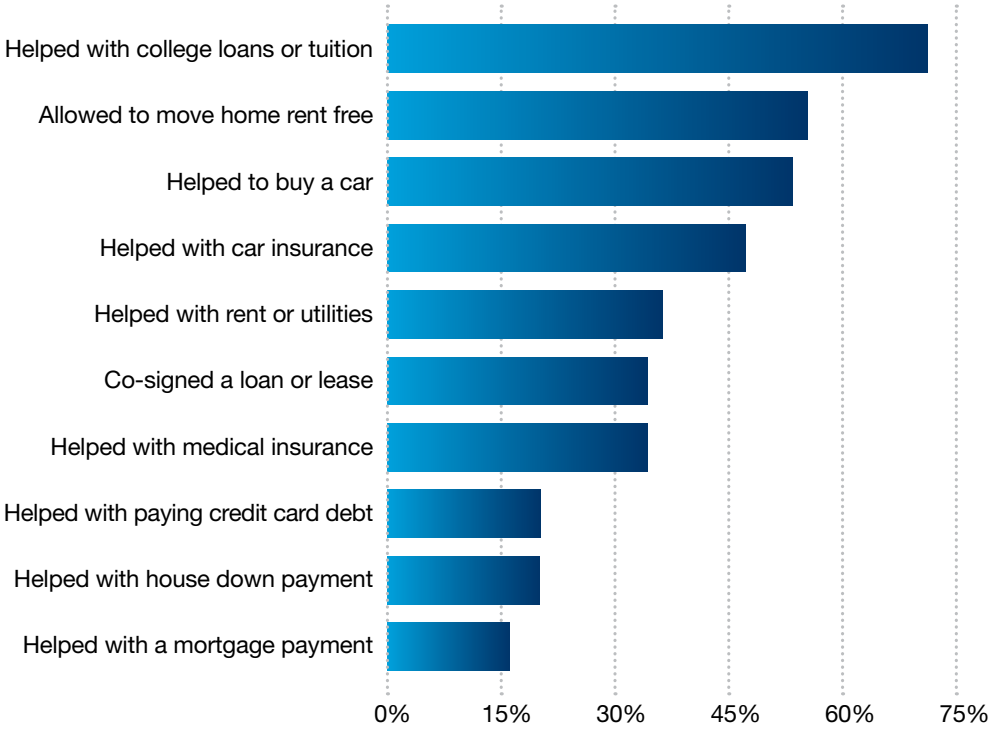
35 Social Security Administration. "A Summary of the Annual Reports of the Social Security and Medicare Trust Funds." 2013.

36 Gallardo, Robert, and Al Myles. (CMS). 2011. "Economic Impact of Social Security in the United States." Southern Rural Development Center. Fall 2011. This does not account for the effect of Social Security taxes.

37 Ameriprise Financial. 2012. "Money Across Generations II Study: Family First." Ameriprise Financial." March 27, 2012. http://newsroom.ameriprise.com/images/20018/MAG%20Research%20Report%20Family%20First%204-27-12.pdf (accessed September 3, 2013)

Fig. 7: Financial assistance to adult children

Parents aged 47–65 who have provided financial support to adult children



Source: Ameriprise Financial

Americans over 50 are also recipients of unpaid care, of course. Approximately 43.5 million American adults are family caregivers for someone over age 50. The economic value of the care provided to people over the age of 50 is estimated at approximately $475 billion in 2013; at the same time, approximately 49% of unpaid family caregivers are themselves over 50. [38] The free care they provide to others thus substantially lowers the burden on society of an aging population.

Boosting labor-force participation

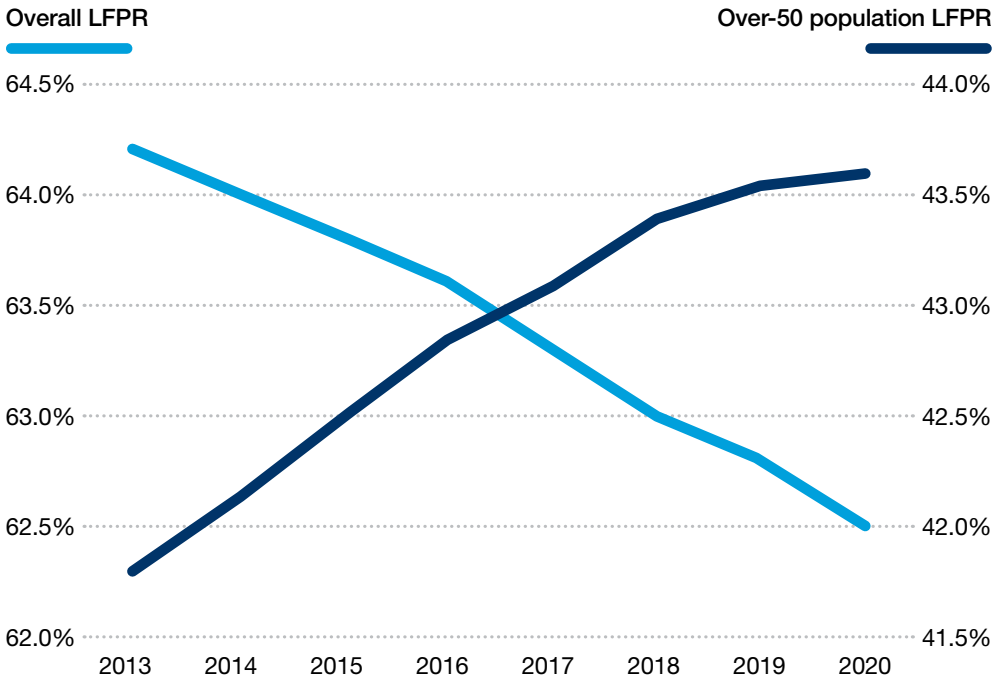
Declining labor-force participation is already a recognized phenomenon in the US, having fallen from an average of 66% over the 1994–2002 period to just over 64% today. The Bureau of Labor Statistics expects the labor-force participation rate to continue to decline, reaching 62.5% by 2020. This will contribute to keeping average annual real GDP growth over the 2013–2020 period below the 3.4% rate the US experienced between 1960 and 2005. Increased labor-force participation by older workers could mitigate the trend, however. The BLS forecasts that labor-force participation for over-55 workers will rise from 41.6% in 2013 to over 43% in 2020 (see Fig. 8). Recent research suggests those numbers could go even higher as more of these workers find they either are not financially prepared for retirement or simply want to keep working.[39]

38 Oxford Economics calculations using an estimate of the number of caregivers in 2012 from the Family Caregiver Alliance (http://www.caregiver.org/caregiver/jsp/content_node.jsp?nodeid=439) and updated wage and salary data from the Bureau of Labor Statistics.

39 Civic Ventures. "Encore Career Choices: Purpose, Passion, and Paycheck in a Tough Economy."

Fig. 8: Americans over 50 in the labor force

Forecast Labor-Force Participation Rates (LFPR)



Source: US Bureau of Labor Statistics

If additional workers over age 50 were to continue working, and their labor-force participation were to exceed the baseline forecast by 2.5 percentage points, this would result in an additional $103 billion in potential economic output in 2020. If older Americans' participation rate were to exceed the BLS forecast by 5 percentage points, this would yield an additional $203 billion in potential economic output in 2020.[40]

A more productive workforce

This "older" economy could be more productive as well. The most important determinants of worker productivity are age, educational attainment, and previous work experience. While they often have trouble competing for jobs, older, better-educated, more experienced workers are typically more productive and earn higher hourly wages than their younger, less educated, and less experienced counterparts. Using a common measure of individual worker productivity, hourly wages, a study from the Center for Retirement Research at Boston College found that workers between 60 and 74 are paid more than the average worker aged 25 to 59. [41] In 2010, the pay premium was approximately 20% for men and 10% for women. This turns on its head the conventional wisdom that an increase in the number of older workers will reduce average productivity because they are less healthy, less educated, or less up-to-date in their knowledge and skills than the young—a scenario that simply does not fit those workers who choose to or are permitted to remain in paid employment at more advanced ages.

40 Oxford Economics forecast.

41 Burtless, Gary. 2013. "The Impact of Population Aging and Delayed Retirement on Workforce Productivity." The Center for Retirement Research at Boston College. May 2013.

Increased labor-force participation and greater average productivity on the part of over-50 workers can also help offset the fiscal pressures faced by US social insurance programs—principally Social Security and Medicare—as the retirement of older workers accelerates. These pressures could translate into increased debt levels for the federal government, and with them, higher interest rates. The Longevity Economy could dampen this effect, not only through the decision of many older people to keep working, which delays their receipt of benefits, but through the payroll taxes generated by younger workers benefiting from the businesses, jobs, and economic opportunity the Longevity Economy helps to create.

Companies that grasp the opportunity of the Longevity Economy will enjoy a 106 million-plus market that is expected to grow by over 30% in the next 20 years.

There is anecdotal evidence that tapping the potential represented by the "longer middle age" of American workers can help address these societal challenges more directly as well. Faced with an anticipated substantial increase in the average age of its employees, BMW undertook a pilot project on one of its assembly lines that also happened to be one of its most labor intensive. The automaker staffed the line with workers averaging 47 years of age, and allowed them to recommend productivity-enhancing improvements. The project resulted in over 70 changes, many of which helped reduce wear and tear on workers' bodies, and cost less than €20,000. These changes, while relatively simple to implement, resulted in a 7% increase in productivity.[42]

42 Loch, Christoph H. et al. 2010. "How BMW is defusing the demographic time bomb." *Harvard Business Review*. March 2010. http://www.leeftijdenwerk.be/html/pdf/How_BMW_is_defusing_the_demographic_time_bomb.pdf (accessed August 29, 2013).

Meeting the Longevity Economy on its own terms

The Longevity Economy is transforming the larger US economy. The distinctive consumer preferences, work-life choices, personal needs, and family responsibilities of Americans over age 50 are pushing the broader economy in new directions, helping to mold its profile for decades to come. Companies that are able to recognize and capitalize on this trend will enjoy a market of over 106 million that is expected to grow by over 30% in the next 20 years.[43] However, the demands of this market segment can be more complex than those of younger consumers. Meeting the Longevity Economy on its own terms will require important shifts in understanding and approach, including:

- **Recognizing new spending habits.** The Longevity Economy's distinct wants, needs, likes, and dislikes continue to shift, and are not always predictable.
- **Understanding the digital side of the Longevity Economy.** Companies must not dismiss technology as irrelevant to the Longevity Economy, and instead determine which technologies these customers prefer and which best support their needs.
- **Keeping ahead of health care trends.** The Longevity Economy's health care spending patterns are evolving, dictated in part by their preference to age in place.
- **Adjusting to longer working lives.** As more over-50 workers opt to stay in the labor force, employers that want to retain their skills need to accommodate their physical requirements and their preference for greater flexibility.
- **Adjusting to a multigenerational labor force.** Likewise, employers will have to create an inclusive culture that accommodates the needs of both younger and older workers.

43 Oxford Economics calculations, based on US Census data.

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