

# Retirement – A new frontier of the over 80s market

Jules Gribble & Cary Helenius

## About the speakers



### **Jules Gribble (FIAA, PhD, GAICD)**

Senior Policy Advisor, IAIS

Jules has established interests in pension and retirement income products and capacity building for both actuaries and supervisors. He joined the IAIS with over 25 years of professional consulting and actuarial experience in Australia. He has expertise with governance, operational risk and unit pricing, primarily in pensions.



### **Cary Helenius (FIAA, BSc(Hons) Dip Ed)**

Director, Lifetime Income

Cary has over 30 years of experience across equity market research, investment banking and corporate advice. Formerly a partner with Goldman Sachs JB Were, he has also been involved in the Institute of Actuaries Superannuation Committee, Committee for the Future, and presented at various Institute and other industry conferences over the past 25 years.

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# Agenda



- Retirement
- Markets
- Perspectives
- Numbers
- Needs
- Success

# Retirement



- Retirement is
  - A new concept and an emerging challenge
  - And continues to evolve
- UN2017 projections for population over 60

	Global			Australia		
Year	% Total Pop	Number	e60	% Total Pop	Number	e60
1950	8	0.1b	14+	13	1m	17
2020	14	1.1b	20+	22	5.6m	25+
2100	28	3.1b	26+	35	14.6m	33+

## Our perspective

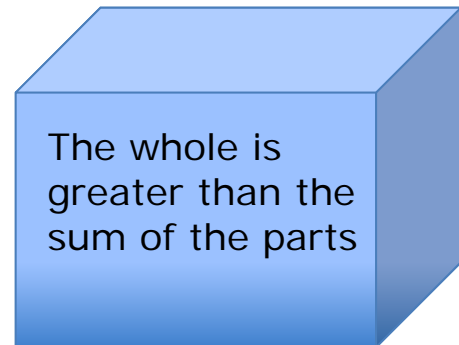


- Assume individuals have “lump sum” money to bring into retirement and discretion in how they may spend it
- A need exists for efficient lifetime decumulation processes from lump sums
  - Particularly in Australia from (individual) DC plans
- Longevity and mortality variability between individuals and can only be managed efficiently (from a collective perspective) with pooling
- Retirement needs a holistic approach – regular income streams alone do not ensure quality of life in retirement

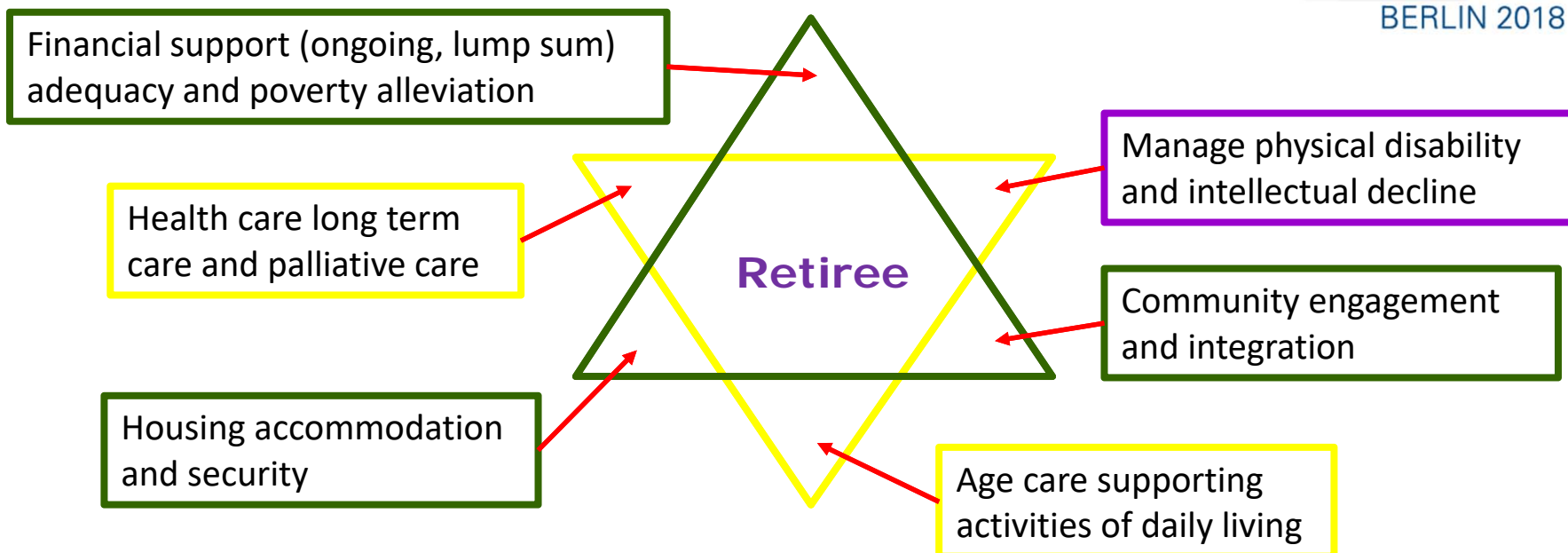
## Retirement needs a holistic approach



- Multi-faceted social 'contract' between society and retirees
- As people age need address:
  - Physical disability
  - Intellectual decline
- Individuals need support in multiple dimensions
- System principles:
  - Dignity and respect (quality of life)
  - Sharing responsibilities between all stakeholders (government, community, individual)
  - Sustainability

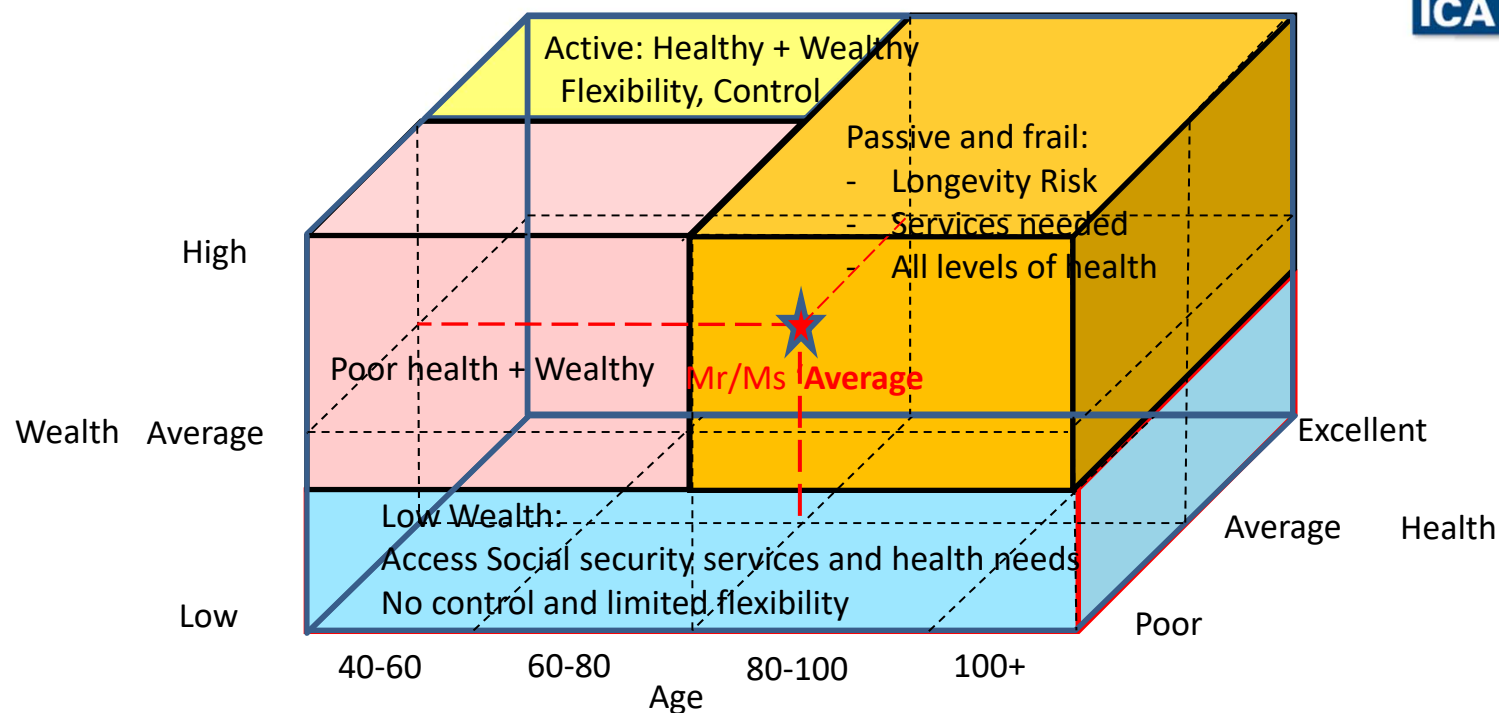


# Integrated and multi-faceted





# Retirement markets

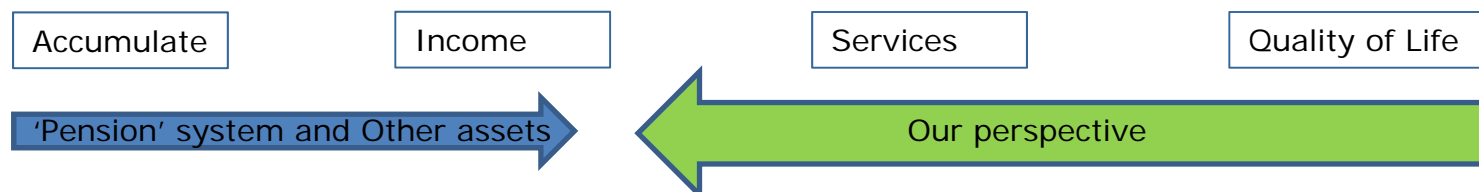


# Paradigm shifts – a new perspective



Current Approach

New Approach



	Traditional Approach	Our Approach
Funding	Regular indexed income	Means to ends – living, care, etc
Services	Sort yourself out	Address broad range of needs and wants. Easy access and delivered with empathy. Managed by central aggregators and providers.
Fiduciary	Not addressed	'Living will' made while active to apply later. Protect retiree interests and wishes. Corporate, trusted and caring.

'Healthy, capable, and interested in the future' fails as people age. Ignoring this reality breaks the long term retirement 'social contract'.

## Significant and growing market (Australia)

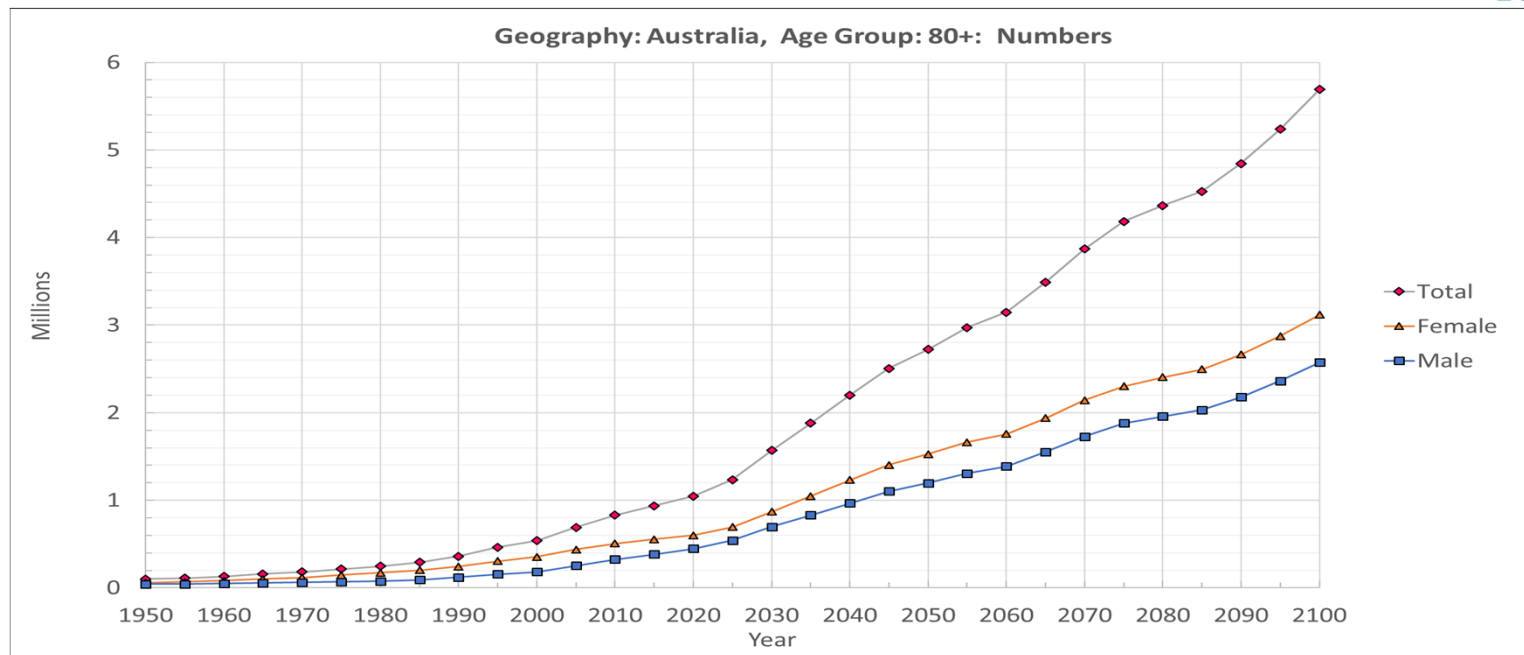


- Data from UN World Population Prospects 2017 revision
- Our summaries

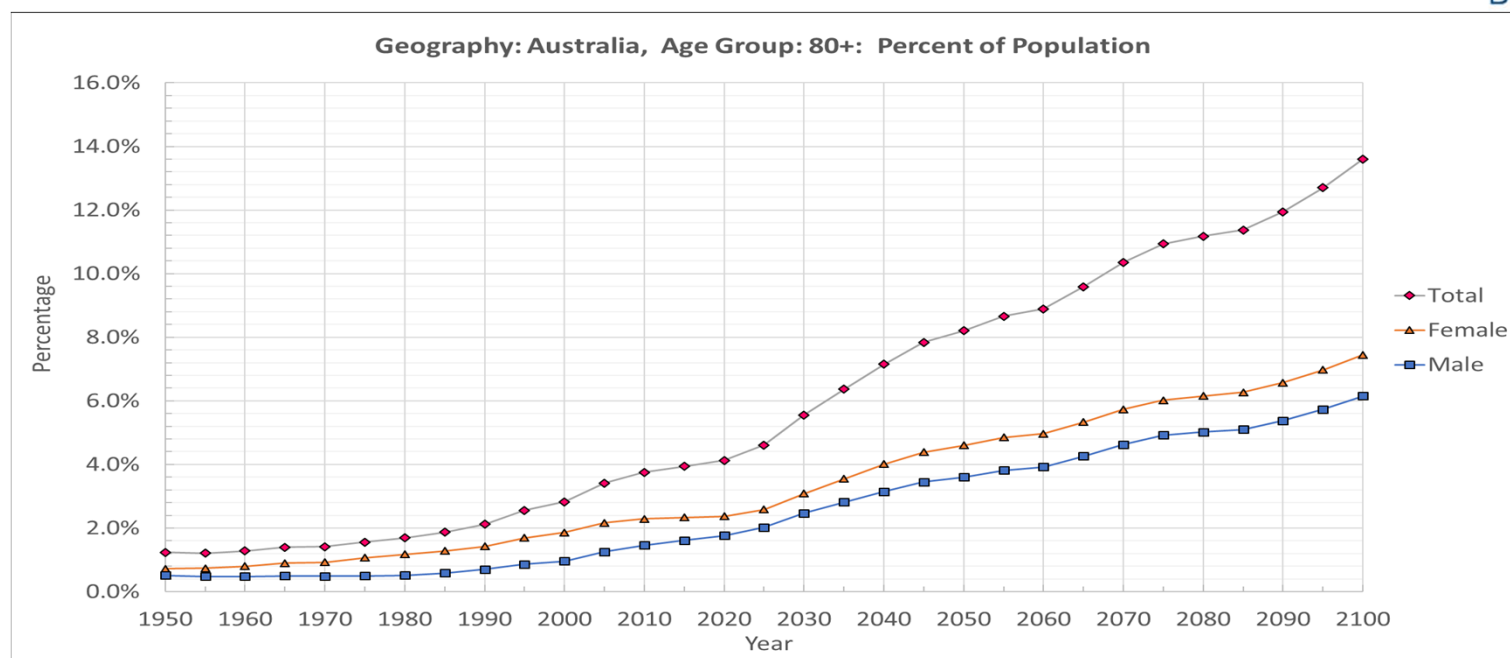
	Number (m)			% total population		
Age	2015	2050	Ratio	2015	2050	Ratio
65+	3.6	7.5	2.1	15.0	22.5	1.5
80+	0.9	2.7	2.9	3.9	8.2	2.1
90+	0.2	0.7	3.9	0.7	2.0	2.8

- Increasing ratios (2050 over 2015) show an aging population – absolutely and relatively – as time passes

# Age 80 and over – Projected population



# Age 80 and over – Percent of population



## The “Unhealthy” Life Expectancy



- Over **a fifth** of your life after age 60 is likely to be **unhealthy**
- WHO provide data for Life expectancy (e) and Healthy Life expectancy (he) by;
  - Gender, country, ages 0 and 60, for 2000 and 2015
- Ratio  $(e - he) / e$  at age 60 gives an average indication of the proportion of retirement that is spent unhealthy
- In 2015 the proportion of unhealthy life was:
  - Globally 22.5%. Range is approx 20-25%. Slightly less than in 2000
  - Males typically have lower % than Females

# Characteristics of aging populations (Australia, but globally applicable)



- People need more assistance with everyday activities as they age, disabled or not
- 65+: 39% (1.2 million) needed assistance with everyday activities
  - 46% of women and 31% of men
  - 40% aged 65-69 were affected by disability
- 70+: Over 25% of women aged over 70 will develop dementia
- 85+: 84% needed assistance compared to 26% of those aged 60-69 years old
  - Number over 85 increased 133% over past two decades (vs 34% for population).
  - Currently twice as many females as males aged over 85
- 90+: 75% of women and ~60% of men have profound/severe core-activity limitation
  - Almost 90% are affected by disability
- Dementia is projected to become the leading cause of death from 2021 for entire population

## These retirees need services, including ...



- House cleaning
  - Transport
  - Gardening
  - House maintenance
  - Cooking
  - Shopping
  - Help visiting the doctor and other appointments
  - Personal care (e.g. dressing, showering etc.)
  - Nursing care
  - Allied health care (e.g. physiotherapy)
  - Community access and interactions ...
- **THEY DON'T JUST NEED CASH DEPOSITED INTO BANK ACCOUNTS**



# Challenges



- Change from a one dimensional 'financial' perspective
  - Then focus only on ongoing income perspective
  - Then focus on active - healthy, wealthy, literate and rationale
- Address longevity
  - Actuarially manageable
  - Redesign 'annuity' with constraints of not guarantee and minimise volatility, and manage by equitable shares
- Need to manage retirement holistically – services integration
- Need to address behavioural realities

## Success



- Successful initiatives need satisfy multiple stakeholders
  - Providers of income and services
  - Distributors of income and services – the interfaces
  - Users, retirees, reflecting their changing needs and capacity
  - Supervisors
  - Public policy
- Recognise both the rationale and behavioural aspects
- Be long term, sustainable, in the public interest and have the public's confidence

## Summary



- The over 80s retirement market is growing and will continue to grow rapidly - faster than the over 65 market - in size and wealth
  - Large enough to be considered in its own right with its own needs
- This 'passive' and 'frail' retirement market has different needs than the 'active' over 65 retirement market
  - Assumptions of health, capability, knowledge and independence become increasingly invalid
- The need for services, supported by lifelong income, to provide quality of life should be the focus of attention

## Thank you ... Questions



Retirement – new frontier of over 80s

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