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THE CENTANARIAN CH



Should financial planners focus only on the financial security of their clients or do they have a broader role to play in advising clients on their general well-being? Kim Potgieter, CFP® professional and financial life planner, passionately subscribes to the latter view and was delighted to find her approach affirmed by the research findings of renowned Oxford professor, Sarah Harper.



Trends in ageing

I recently attended an Acsis seminar entitled 'Rethinking Global Ageing', presented by Sarah Harper, professor in gerontology and director of the Oxford Institute of Population Ageing, Oxford Martin School. She shared some startling new findings regarding the social implications of demographic changes around the world.

The world is facing a ticking time bomb, according to a UN report released in October 2012. Within a decade, the number of people over 60 will exceed one billion. For the first time in history, population growth is being driven by increasing longevity rather than by fertility rates: older people are living longer, younger people are having fewer children.

The UN report estimates that one in nine people around the world are older than 60, and the number of older people worldwide is growing faster than any other age group. This increasing proportion of older people is a consequence of success – improved nutrition, sanitation, healthcare, education and economic well-being are contributing factors.



HALLENGE

The implicit warning is that the world will have to start planning now for the impact of a rapidly ageing population.

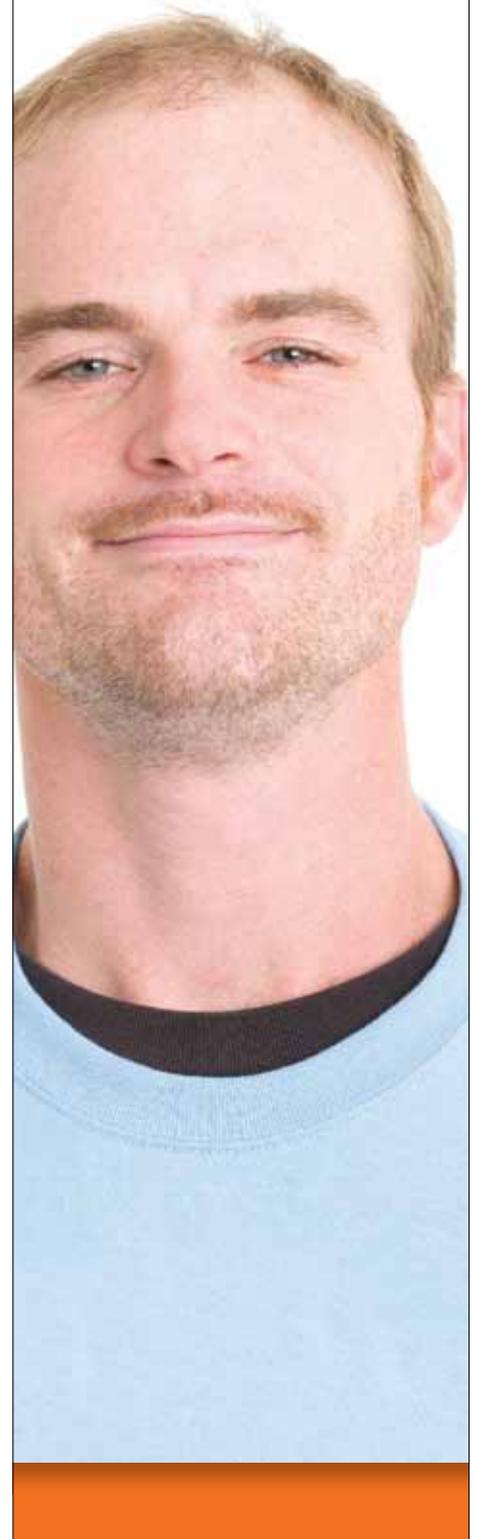
Health challenges

While respiratory illness was a major killer of older men in the 19th century, very few deaths now result from this disease owing to advances in medicine. The same applies to infections, so this is good news for retirees. However, the costs associated with killing these illnesses are going to continue increasing. The incidence of cancer has risen as a result of lifestyle factors such as poor diet, lack of exercise, alcohol abuse and smoking.

US life expectancy is lower than expected, says Professor Harper, given their economic wellness; obesity is certainly one of the villains here. "We have a consistently increasing number of unhealthy and obese people entering old age who are dependent on drugs and medication to manage their ailments. They are not willing to make lifestyle changes but rather turn to medication," warns Professor Harper. From a broader perspective, Harper says the increase in the total amount of ill health and disability in the population will exert pressure to increase total healthcare spending. The change in the type of ailments will also present challenges to those providing care for the aged.

ARNOLD

Married with children.
Main breadwinner.
Loves his job.





Where does the financial planner come in?

The key challenge of this demographic shift is for society to adapt to the changes.

“Of vital importance,” says Professor Harper, is “the capacity of individuals and households to make relevant adjustments to savings behaviour, labour productivity, family intergenerational transfers and investments in their own human capital, and the capacity of institutions to make the relevant adjustments to enable these individual and household adjustments.”

As a crucial part of this adaptation, financial planners must be prepared and prepare their clients: not just to ensure they will be financially secure for longer, but also to be as healthy as possible – physically, emotionally and mentally – before and during the retirement years. For this to happen, financial planners must fulfil their mandate. Only by having the more personal, and often difficult, conversations, can an appropriate plan be created that includes all the elements of a client’s life. A knowledge of the client’s health challenges or emotional health or exercising habits allows the planner to make provision where needed.

Gender differences in longevity

Professor Harper’s research confirms the fact that generally women will outlive men. At Chartered Wealth Solutions, we always include



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both husband and wife in our planning meetings. This is both so that we can develop an holistic and comprehensive financial plan, and can establish a relationship with the spouse who will most likely outlive her husband. Women's immune systems, says Harper, are better at fighting off viruses and bacteria (apparently, the man-flu myth is true – men really do feel worse when they are sick).

In terms of hormonal activity, the female hormone is protective, while the male hormone is not, and may even enhance morbidity and mortality. According to Korean research, cites Professor Harper, eunuchs lived on average 20 years longer than their more 'masculine' counterparts.

Societal challenges

Will we all enjoy the benefits of longevity or will it only be for a few? The sad news is that there will be more inequalities. There is evidence of differential longevity: the retiree who had a low income and unhealthier lifestyle has an average life expectancy of 12 years after age 65; their wealthier and healthier counterparts had a life expectancy of 23 years.

There is further evidence that the trend of an ageing population is leading to a division between government responsibility (public money) to keep the general population out of ill health and poverty, and individual responsibility (private money) to raise personal standards of living and quality of life.

What does this mean for the financial planner? Healthy living across the span of your life clearly makes an impact in old age, and education at an early age in crucial. Lifestyle choices easily finds its place in a conversation between a client and their planner. Will advances in life expectancy be matched by advances in healthy life expectancy? Various studies show that that healthy life expectancy is increasing; a good thing, says Professor Harper, as we will have to keep people contributing to labour and the economy.

The dependency-ratio myth is weakened as healthy and productive people approach retirement age (which is shifting all the time). We encourage those approaching retirement to continue working as long as they can, health-allowing. They can create a new career or work part-time or volunteer, but they must continue to experience a sense of purpose and usefulness. This has a tremendous impact on their health and well-being.

As a financial life planner, I derive enormous satisfaction from spending time with clients and exploring ways in which they can live healthy, holistic and happy lives following retirement. Research has shown that the well-being of the older generation contributes significantly to the well-being of the population as a whole ... and the financial planner has a crucial role to play in making the centenarian challenge a positive one.



...THE TERMINATED

No one expected the wave of retrenchments.

