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# THE 100-YEAR LIFE

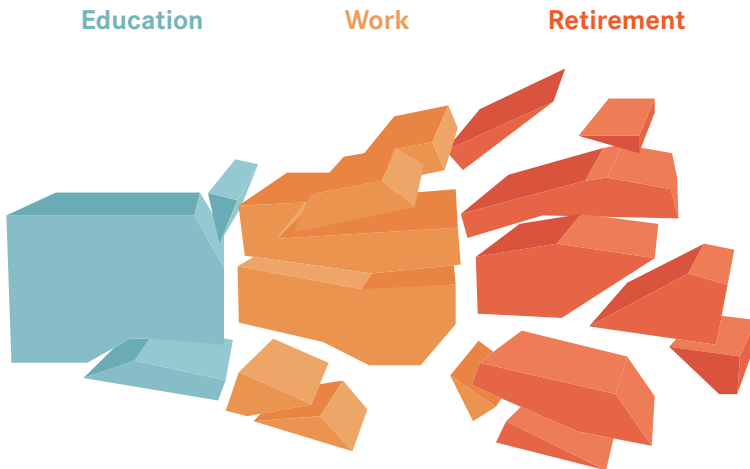
Lynda Gratton and Andrew Scott | CO-AUTHORS, THE 100-YEAR LIFE

**Increased longevity is causing people to drastically rethink retirement, and to redesign their retirement in ways that best work for them.**

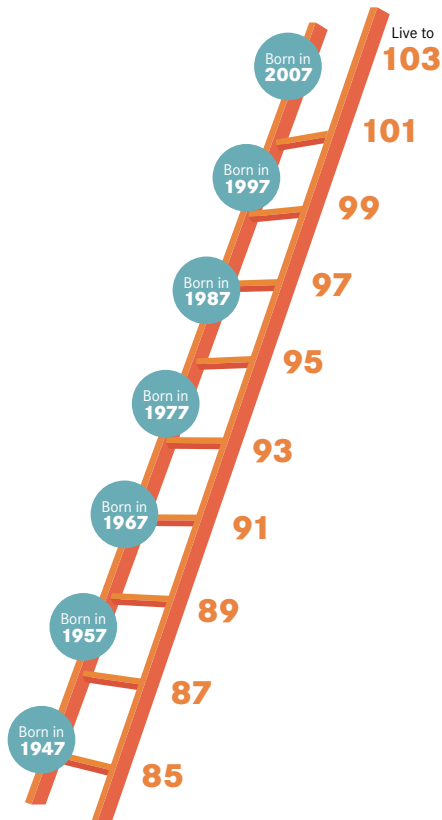
People are living longer. In an actuarial sense it really is true that 70 is the new 60, with 70-year-olds today having the mortality rates that 60-year-olds had five decades ago. In 1950 a 71-year-old could look forward to 10 more years of life; now a 79-year-old can do the same. Mortality rates for women in their 80s have nearly halved over the same period. Indeed, the fastest-growing age group is those aged 100 years and older.

This increased longevity is leading to changes at all stages of life, but its impact is being felt most immediately around retirement. People are rethinking what they do before retirement, when they retire, and how they spend their time after retirement. We are witnessing a large-scale social experiment as people try to redesign retirement in a way that works for them.

**THREE STAGES OF LIFE**



**BEST PRACTICE LIFE EXPECTANCY**



**Younger for Longer**

Longevity extends the arc of life as aging occurs over a longer period and at a slower pace. As life extends, behavior shifts so that certain milestones are reached later in life. Longevity is not about being older for longer—it’s being younger for longer. In 1960, for example, 50 percent of Americans were married by age 21—now that occurs at 28. Older ages are also changing and rejecting age stereotypes and norms—the Rolling Stones are an average age of 72!

This stretching of life has profound implications for retirement. If people live longer but don’t move the milestone at which they retire, then retirement inevitably gets longer and longer. While this may sound appealing, it creates serious financing problems. One solution is to work for longer, and that is increasingly what Americans are doing—today 18.2 percent of Americans over 65 are still working compared with 12 percent in 1994; 7.9 percent of those over 75 are working, compared with 5 percent in 1994.

**Redesigning Retirement**

The shifting of life’s milestones is not the only impact of longevity. Just as increasing longevity in the 20th century led to the creation of the new stages of teenagers and retirees, so today new life stages are emerging, particularly around retirement. Traditionally, retirement was a shared phenomenon, experienced at the same age, and taking the form of a sharp stop to working life followed by a few years of quiet leisure.

As life extends, these assumptions look increasingly outdated. There are certainly many who are still trying to follow the traditional path—although they

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face the problems of insufficient finances and the possibility of a prolonged period of inactivity and boredom. Others are simply postponing the age at which they retire—they are working full time, are negotiating shorter and more flexible working hours, or have shifted to a new job in a different sector.

Some are making a more radical shift: they are starting their own businesses. Indeed, entrepreneurs are now more likely to be over 55 than under 34, with those ages 55 to 64 showing the fastest growth. Most are not building a business dynasty, they are keeping active, earning money so as not to touch their retirement savings, and aspiring to a better work–life balance. Or they are taking the opportunity while fit and healthy to go through an “explorer” stage, traveling and pursuing long-term life goals away from work.

So retirement is becoming a hazy concept. The age at which it occurs is no longer fixed but variable; it is less a hard stop and more a moving point on a spectrum between full-time work and no work, and it is morphing into many distinct stages—a working stage, a working part-time stage, an entrepreneur or explorer stage, and the traditional quiet end-of-life stage.

What is striking is how these new possible life stages for the over 60s, especially of entrepreneurship and exploration, are also being adopted by those in their 20s. The traditional three life stages of education, work, and retirement, are pinned down by age. As we live longer and choose different sequences from multiple possible stages, age and stage become disentangled. This results in an “age-agnosticism” and surprising similarities across age groups.

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#### **Preparing for the “New Retirement”**

Traditionally, preparing for retirement has meant getting finances and savings right. Yet as retirement shifts and changes, it will be crucial to invest in a broader portfolio of assets, including intangible assets. Those who work after the traditional retirement age, whether in the same role, switching to a different sector, exploring, or building a business, must invest in intangible assets. That means actively building “productive assets” in the form of new skills and knowledge; investing in “vitality assets” by maintaining health and relationships; and, perhaps most important as retirement becomes a series of stages characterized by change and transition, investing in “transformational assets”. These are the characteristics that keep us all flexible and capable of change as we adapt to new circumstances. Retirement is no longer about consuming wealth and leisure time—it is increasingly about building a much broader portfolio of assets including the non-financial.

### New Risks

There is no doubt that these changes to retirement are an exciting opportunity. But they come with new risks. Growing longevity means we all face a risk of living for longer than we anticipated, and although on average we are living healthier for longer, there is an increased risk of being incapacitated for longer. Finding new financial products to protect against these risks is paramount.

These new forms of retirement also require a flexibility that is not traditionally associated with older people. Remaining flexible over long lives requires “juvenescence”—something most people have when they are young, but now need to retain into later life. Holding on to this openness to change creates the possibility of facing new challenges for which there is little prior experience. For instance, although divorce rates are falling overall, they are rising for those in their 50s, 60s, 70s, and even 80s. The traditions of family life are also changing as longevity brings the reality of four-generation households, for which there are few social norms about roles and responsibilities.

### The Retirement Agenda

As this social experiment continues, it is inevitable that what people want will come into conflict with the rules and norms established by an earlier, more standardized form of retirement. Many companies are resistant to retaining workers after a fixed retirement age or are unwilling to experiment with more flexible working hours. Governments are struggling to shift the parameters that define a standardized retirement process when they need to give people greater flexibility about the choices they want. They also face

a serious challenge in dealing with growing inequality in terms of life expectancy, health, and access to a pension. They will be tasked with finding a system that supports those with few resources, while providing flexibility for those with greater income and options to construct the retirement they desire.

Retirement was one of the greatest inventions of the 20th century and was key to the creation of a three-stage life of education, work, and retirement. That begins to morph as people live for longer. So we are now moving into a period of experimentation. Certainly firms and governments will try to simply change the parameters of the three-stage life, but over time they should realize that there is no longer a simple concept of retirement. It is clear that flexibility and choice are key if the concept of retirement is to evolve and grow in a way that actively supports our longer lives. ●



**Lynda Gratton**

Lynda Gratton is Professor of Management Practice at the London Business School, where she teaches an elective on the Future of Work and directs an executive program on Human Resource Strategy. Lynda is a fellow of the World Economic Forum, is ranked in the top 15 in the world by 'Business Thinkers 50', and was named the best teacher at London Business School in 2015.



**Andrew Scott**

Andrew Scott is Professor of Economics at London Business School and a Fellow of All Souls College, Oxford University and the Centre for Economic Policy Research, having previously taught at Harvard University and London School of Economics. He has served as an advisor on macroeconomics to a range of governments and central banks and was Non-Executive Director of the UK's Financial Services Authority.