

Creative

wealth maximization strategies*

2019

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8000 Days: Imagine the Possibilities!



When we read or hear the word “millionaire,” we have been conditioned to think of someone who is ultra-wealthy, a big financial success. But being a millionaire doesn’t have the same cachet it had 60 or 100 years ago; because of inflation, there are more millionaires than ever, but their true financial status is lower.

A better metric for comparing wealth might be a ratio of assets to income. In 1930, an individual with \$1 million in assets (a millionaire) who earned \$20,000 a year (placing them in the top 10 percent) had an assets-to-income ratio of 50:1. Today, someone with \$1 million in assets and a \$100,000 income (also in

the top 10 percent), has a ratio of 10:1.

Although both individuals are millionaires, the relative wealth of the 1930 millionaire is five times higher. But almost no one modifies the term by describing them as a “50:1 millionaire vs. a 10:1 millionaire.” One million dollars continues to be a financial milestone.

Retirement: In Years or Days?

For a long time, the framing measurement for human life has been years. But just like it might be helpful to reframe millionaires, the way we assess our lives – particularly retirement – might benefit from an alternative numerical standard, using days instead of years.

Joseph Coughlin is the founder and director of AgeLab at MIT in Cambridge, Massachusetts. AgeLab is a “multidisciplinary research program that works with business, government, and NGOs to improve the quality of life of older people and those who care for them.”

Coughlin feels strongly that the existing frames for old age are both incorrect and limiting. Where many sociologists and economists see the problems and burdens of an aging population, Coughlin thinks we should focus on the benefits and opportunities. In a May 2019 *New Yorker* article, “Can We Live Longer, But Stay Younger?,” he articulates a different vision, one which focuses on days instead of years.

“Over the past century, we’ve created the greatest gift in the history of humanity—thirty extra years of life—and we don’t know what to do with it! Now that we’re living longer, how do we plan for what we’re going to do?”

“Here’s a useful model for you. From zero to twenty-one is about eight thousand days*. From twenty-one to midlife crisis is eight thousand days. From mid-forties to sixty-five—eight thousand days. Nowadays, if you make it to sixty-five you have a fifty-per-cent chance you’ll make it to eighty-five. Another eight thousand days! *We’re talking about rethinking, redefining one-third of adult life!*” (emphasis added)

* FYI: 8000 days is 21 years, 336 days

Coughlin might be right about redefining the last one-third of adult life. Americans are still “in process” about what these 8000 days could look like, and they are hampered to some degree by the persistence of framing life in years.

When Social Security was established in the 1930s, life expectancy was a little past 60; it was thought that relatively few Americans would live long enough to collect benefits. A half-century

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*The title of this newsletter should in no way be construed that the strategies/information in these articles are guaranteed to be successful. The reader should discuss any financial strategies presented in this newsletter with a licensed financial professional.

8000 DAYS: IMAGINE THE POSSIBILITIES

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ago, 65 was your retirement age. For many employers, it was a rule; at 65, you were done. When the government introduced IRAs in the 1970s, it also mandated that required minimum distributions would begin at age 70½. All these standards saw retirement as a short-term event, a waiting-to-die period that typically wouldn't be longer than a decade. These standards haven't changed, even though longevity has.

A typical response to increased longevity from the experts in personal finance? "Well, if you're going to live longer, you'll have to save more." This default exhortation to save more reflects an idea that, even with increased longevity, retirement still starts at 65 (or when you reach Full Retirement Age for Social Security at 66 or 67).

For many households, this is a discouraging prescription. Not only do they need to save more, but not doing so implies a failure to meet a cultural norm: ("*You're over 65? Why are you still working?*")

Why should 65 remain the milestone for retirement? There are other responses to increased longevity besides having to save more and have it last longer.

New Stories, New Rituals

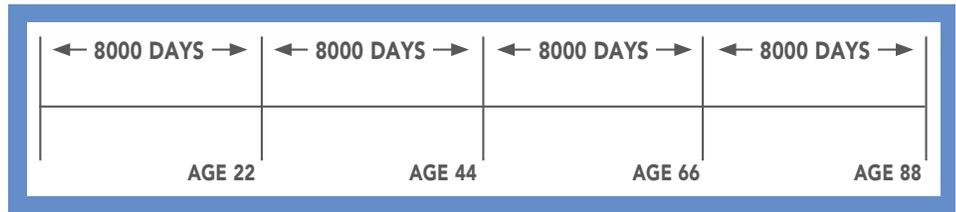
Instead of clinging to age 65 as an arbitrary marker for old age and diminished capacity, Coughlin suggests, "Why don't we take that one-third and create new stories, new rituals, new mythologies for people as they age?"

Coughlin is sincere about creating a new narrative. Some interesting research indicates a retirement paradigm not anchored in age 65 could be better for you, physically, emotionally, and financially. Consider these two ideas that could dramatically change the format of your "extra" 8000 days.

Phased Retirement

Most personal finance models still project retirement as a sharp break; employment stops, income from savings begins. In contrast, a phased retirement is one where you gradually work less as you age, but perhaps never stop working. Phased retirement has some obvious financial advantages: you don't have to rely exclusively on Social Security or savings to provide income, and your saving window is expanded.

Thus, phased retirement might be a hopeful option for households that are currently struggling to save enough to retire by 65. But the benefits



aren't just financial. In fact, the health and social benefits of a phased retirement might be much better reasons to consider it.

- A December 2018 FEDWeek.com summary cited studies indicating that "longer working careers are associated with improved health at older ages... Working longer is associated with lower mortality, depression and diabetes risk for both men and women."
- Citing the findings of a Georgetown University study, a June 2018 *USNews* article reported "work provides many opportunities for learning, reasoning and social engagement, all of which stave off the adverse effects aging can have on the brain."
- A joint study from Cornell and Syracuse concluded that participants who continued to work into their older years had a "25 percent increase in the size of their social networks, while people who retired saw their networks shrink."

Multigenerational Housing

In the retire-at-65 paradigm, the last third of adult life is often characterized by several life-jarring transitions. There's the downsize move, to a smaller home or condo. Then, depending on health and the geographic distance from family, there's a move to a senior community. And quite often, the final living arrangement is in a nursing home or hospice.

Next to the loss of a spouse, a relocation is one of life's most stressful events; who wants three of these stress events after 65? Instead, you might consider a multigenerational housing arrangement, with adult children (or even

grandchildren).

A multigenerational household has two or more adult generations living under one roof. The Pew Research Center reports this arrangement is "an intriguing trend in housing: More and more Americans are opting to live together." Compared to just 12% in 1980, 20% of Americans are living with two or more adult generations in a single household.

Some of this trend is driven by economics; younger generations, hampered by debt and stagnant wages, find it harder to enter the housing market. But Pew writer D'Vera Cohn says "many people who come together by necessity are staying together by choice. There's an increasing awareness and even embrace of a lifestyle that brings different generations together under the same roof." In short, multigenerational living offers many of the same social and health benefits as continuing to work.

A May 2019 *FastCompany* article says "for families that can afford it, major homebuilders are now offering 'multigenerational' floor plans that make space for three or more generations." The retirement condo may be replaced by the family villa.

8000 Opportunities

The implications of redefining your 8000 gift days could have a big impact on your financial decisions. Working longer could change when you take Social Security, how much you save, and why you might borrow (instead of downsizing, you might find yourself co-signing a mortgage on a family estate property). It could impact your career path, estate plans, insurance programs, everything. ●



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