Longevity Economy: From Perceived Burden to Real Opportunity

By Jonathan Stevens and Joo Yeoun Suh

With increases in life expectancy and decreases in fertility rates occurring throughout the world, population aging is a phenomenon with global impact. The number of people ages 50 and older is projected to double to more than 3.2 billion by 2050, with the United States alone accounting for over 128 million. The aging population is also growing at a significantly faster rate than other segments of the total population. The sheer size of the 50+ population warrants attention by researchers and policy makers. Just as important, this demographic phenomenon entails profound shifts in understanding how we as individuals learn, earn, live, and connect with each other as we live longer lives.

Economic Apparatuses

AARP challenges the widely held assumption that aging populations have *only* detrimental effects on economic growth. We do this by highlighting the broader impact of everyday economic activities undertaken by 50+, accurately depicting the changing face of the workforce, advancing technology and innovations, and disrupting outdated perceptions of what it means to age. We undertake these efforts under the rubric of the *Longevity Economy*, defined as the sum of all economic activities driven by people ages 50 and over, including both goods and services they purchase directly in the market *and* the further economic activities this spending generates. By these measures, AARP and Oxford Economics' *Longevity Economy* report showed that the spending power of those ages 50+ reached $7.6 trillion in 2015 in the US.

The three channels of economic impact generated by the 50+ cohort are direct, indirect, and induced, encompassing spending on

- health care,
- financial services,
- travel and leisure,
- retail,
- technology,
- utilities,
- motor vehicles and gas,
- clothing, and
- groceries and other household goods.

Direct spending driven by Americans ages 50+ creates important externalities that cannot always be captured in terms of direct transactions. Many businesses and economic actors share in the benefits created when people ages 50+ purchase goods and services, spurring additional economic activity when the money from those transactions ripples through sellers' supply chains. In the *Longevity Economy* report we estimated that the direct spending of the 50+ cohort amounts to $5.6 trillion in 2015. This supports nearly 90 million jobs—over 60 percent of all jobs held by people in the United States.

In addition to consumer spending, the economic contribution of the 50+ community is embedded in wealth levels. AARP and Oxford Economics' report shows that 83 percent of household wealth in the United States is held by people over age 50.[1] Combined with higher access to credit, this group has greater ability to spend on goods, services, and investments than younger cohorts. As well as its current impact, this economic strength has major implications in terms of wealth transfer over the next 20 years.

The economic contribution of the 50+ population also derives from taxes they pay on consumer goods and services, employment taxes on their salaries, and taxes on the corporate profits of companies that they run. The *Longevity Economy* report shows that the sum of taxes levied on people ages 50 and older is $1.8 trillion in federal, state, and local taxes, amounting to about 34 percent of federal tax revenue and 41 percent of state and local tax revenue in 2015.

Human Capital Investment

Growing older is not what it used to be. People live not only longer but better. Today's 65-year-olds are in much better shape than their grandparents were at the same age. This is expressed in the labor market status of older people. For instance, AARP's Life Reimagined survey shows that retirement at 65 is increasingly an outdated notion, with growing numbers of Americans ages 50 and older expecting to remain active in the

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labor market past that age. Gray is truly the new black.

AARP challenges the stereotype that long tenures of working lead to diminished productivity and creativity among older workers. Our data suggest that older worker productivity does not decline with age and, in many cases, may even take the opposite trajectory. This likely stems from the fact that those who remain in the workforce after age 65 tend to be better educated and better skilled on average than their younger working counterparts. AARP has shown that a strong foundation of knowledge and experience may also help contribute to workers ages 55 to 64 having the highest rate of entrepreneurial activity, with one in three new businesses in the United States launched by someone age 50+.

Another enduring image that AARP continues to challenge relates to education and learning—namely, that they are the exclusive domains of younger people. Since 1963, AARP has worked to shift the dialogue related these issues, by advancing the concept of lifelong learning that spans infancy to old age. While there is no system of lifelong learning for adults comparable to the K–12 system, thanks to research by AARP (future of work @ 50+)[2] and targeted initiatives by universities (e.g., Ohio State University's Lifelong Learning Institute, University of Minnesota's Encore Adulthood programs) we not only know more about older learners but can estimate their economic contributions through investments they themselves make in their human capital.

What to Not Forget

As the world's population ages, recognizing the role and contributions of the Longevity Economy becomes increasingly important. An aging population is creating market demand for new products and services at unprecedented rates, translating into business opportunities arising from the development of aging-friendly markets. AARP recognizes that the need to take a comprehensive approach to engaging with this demographic shift is pressing. By doing so, AARP seeks to expand the economic and educational opportunities available to the 50+ population while maximizing the societal benefits of their contributions. With thought leadership and innovation, AARP incorporates aging in a diverse matrix of possibilities that ensure fiscal and macroeconomic stability and promote the health and well-being of everyone regardless of age. ◆

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1. AARP and Oxford Economics, The Longevity Economy: How people over 50 are driving economic and social value in the U.S. (2016).
2. AARP Public Policy Institute, Improving Education and Training for Older Worker (2015).

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