



HUMAN LIFESPAN

The path to non-retirement

The human lifespan is getting longer and longer. What does this mean for those who are putting money away for retirement? And can you imagine doing the same job for over 70 years?

When I started a career with one of the Big Four accounting firms in the late 80s, my new employer arranged an induction programme in the first week. One of the presentations was from the head of the Personal Financial Planning division, who opened with the following line: "In 40 years' time, 15% of you will be dead – and they are the lucky ones!"

What he was referring to, of course, was the very real risk of outliving one's money – especially in the context of speaking to a bunch of newly qualified professionals with a relatively high propensity to consume.

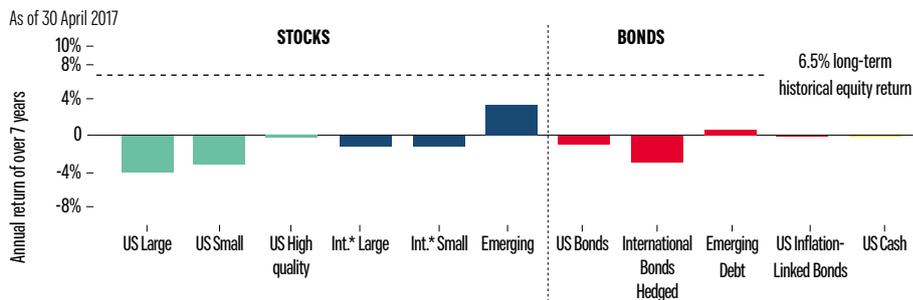
Fast forward the better part of 30 years, and this financial health warning could not be any more apt today.

First, we are all likely to live even longer than previously anticipated. With healthier lifestyles in the West, combined with a multitude of advances in the medical field, studies show that life expectancy has increased by some three to five years over the last three decades alone (the exact number being influenced by a number of factors, including country of residence and gender).

In fact, if one buys into the theories of the English gerontologist Aubrey de Grey – who postulates that most of the known causes for death from a biological point of view can either be cured fully or slowed down dramatically – **there are people alive today who could live to the age of 1 000... imagine what that would mean for a pensions crisis!**

But the fact that we're living longer is not the only challenge to our long-term financial wellbeing: we also happen to find ourselves in an age where expected returns from a range of investment alternatives are at or near all-time lows. According to the now-famous Shiller CAPE (cyclically adjusted price/earnings) ratio, stocks are trading at multiples seen only twice in the past 140 years. Closely linked to this is the work done by highly regarded international investment firm GMO, whose most recent returns forecasts for all the major asset classes are indicated

7-YEAR ASSET CLASS REAL RETURN FORECASTS



*International

SOURCE: GMO

on the graph above.

The message therefore is that the next decade or more is not a time in which you should expect much assistance from "Mr Market" in creating meaningful wealth. Accordingly, most of us probably have to prepare ourselves for a longer career than previously imagined (unless of course one is fortunate enough to have built up a sizeable nest egg already).

Another point to consider is that many of us could face professional extinction in the next few years, as practically every working environment is being disrupted by technological advances. Chances are that you may soon have to retrain as a content monitor for a leading social media website, rather than continuing as a "normal" journalist, for example.

Speaking of journalists, well-known columnist for the *Financial Times*, Lucy Kellaway, recently announced that she will be leaving her well-paid job at the newspaper after 31 years to take on the role of a maths teacher at a "challenging" secondary school in London. What's more, she's also setting up an organisation to encourage other professionals to join her in spending the rest of their careers in the classroom.

Kellaway's change of career is a very good example of something which the late management guru, Peter Drucker, discussed in his book *Management Challenges for the 21st Century*. In a chapter entitled *Managing Oneself*, Drucker advises the reader to prepare for the second half of life, quoting the example of Max Planck who had not one, but in fact two more careers after originally retiring as a ground-breaking scientist in his 40s.

"Find a job you enjoy doing, and you will never have to work a day in your life"... this is a

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quote variously ascribed to Confucius, Marc Anthony, Mark Twain and a number of other philosophers and authors. But no matter who uttered these wise words first, there is certainly a lot of truth in it – and there's a much better chance of getting it right later in life, when one has sufficient self-awareness to make better and more informed choices.

The biggest advantage of finding this "perfect" job later in life, however, is that it's far better than retiring prematurely (and taking the substantial financial risk that comes with it). I will thus amend the quote as follows: Find a job you enjoy doing, and you will never have to worry about when it's time to retire! ■

Deon Gouws, CFA, is chief investment officer at Credo Wealth.