

Could reading this magazine make you a

BETTER INVESTOR?

By Matthew P. Havens, CFP®, and Thomas P. Holland, CFP®

In the last issue of *Health & Wealth*, we outlined the five ways that baby boomers can manage their wealth like a great business owner. Having clarity around your goals and having a plan should always be the foundation when considering putting your money to work. The biggest challenge facing many baby boomers today is finding investments with reliable future return and income in today's low-interest-rate environment. When we step back and look at the forces driving the investment climate over the next 10 or 15 years, we see the pages of this magazine pointing the way to one of the most powerful trends: the demand of the baby boomers for health care. As a reader of this magazine, could your own experience, or what you know, help you capitalize on this powerful trend?

Peter Lynch is perhaps the most legendary investor from the greater Boston region. He earned his fame by his stewardship of Fidelity Investments'

flagship fund Magellan from 1979 to 1990 and for his book of investment wisdom "Beating the Street." Lynch coined the investment mantra "Invest in what you know." What do you know about the trends being driven by the baby boomers?

When it comes to baby boomers and health care, what we are facing is not just one trend but three trends coming together at once. The first trend is the aging of the baby boomers. The second is an increased demand per person for health care services. The third is an outcome of improved health care, which is increased longevity.

Consider the following data:

- ▶ The baby boom generation includes the 76.4 million people born in the U.S. between 1946 and 1964. This comprises roughly 25 percent of the total population of the U.S.
- ▶ On January 1, 2011, the first baby boomers turned 65 and on that day and

every day for the next 19 years 10,000 baby boomers will turn 65. *2010 Pew Research report titled "Baby Boomers Retire"*

- ▶ The total population over 65 is expected to increase from 47.7 million in 2015 to 87.3 million in 2055 - going from 14.8 percent of the population to 21.3 percent. *The US Census Bureau*
- ▶ Spending is expected to rise by more than 78 percent between 2012 and 2022 from \$2.8 trillion to \$5 trillion. *US Department of Health and Human Services*
- ▶ Life expectancy has increased: a single male age 65 has a 29.5 percent chance of making it to age 90 and a single female a 40.6 percent chance of living till age 90. *Society of Actuaries*
- ▶ Health care is recession resistant - 8.7 million jobs lost in the great recession in 2008 and 2009; health care added 1.2 million. From 2010 to 2020 it is expected to be the fastest growing employment sector, growing by 29 percent or 3.5 million new jobs. *Bureau of Labor and Statistics, U.S. Department of Labor*


A good question to ask yourself is, As the baby boomers age, what kind of things might be in greater demand? Examples may include medicines and treatments being developed and manufactured by the biotech and pharmaceutical industry. Other areas include makers of medical equipment for hip replacements or stents used to treat coronary heart disease. Or makers of canes, wheelchairs or devices used to help people live in their homes longer. Still another could be healthcare real estate such as outpatient surgi-



cal centers, diagnostic centers, medical office buildings or skilled nursing homes and assisted living facilities. There are many areas to dig into for the interested investor.

This trend has some significant tailwinds, but it is important to be aware of the broader economic and market conditions. When the market is selling off even investments in the strongest trends can be volatile. So how do you determine if investing in this trend makes sense for you?

One way to answer this question, and the best way in our opinion, is to begin by mapping out a clear financial plan. The value of a well-constructed plan for achieving your financial goals is even higher in times of economic uncertainty. A financial plan will allow you to narrow your choices for investing making decisions easier. When you combine your personal plan, including your preferences and resources, with knowledge of the economy, a focus on identifiable trends and the right tools for execution, the likelihood of a desired outcome is greater. Plan wisely today and you will invest with more intent and have a better chance of success.

"If you fail to plan you are planning to fail!" *Benjamin Franklin* 



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