



# Investment views

## The Silver Economy

Issue 3 | Fourth quarter 2019



**William Therlin**  
Investment Insights and  
Portfolio Adviser



**William Haggard**  
Head of Investment Insights



**Amaya Gutiérrez**  
Investment and Portfolio  
Adviser

### Summary

Demographics are shifting. By 2020 the global population aged 60-plus will be 1 billion. Fast forward to 2050 and this cohort is expected to reach 2.1 billion<sup>1</sup> – a group whose spending power and consumption has come to be named by public and private sectors, the “Silver Economy”. Since 1950, life expectancy at birth has risen by over 10 years in North America and Europe, 25 years in Africa and by 30 years in Asia. With lower birth rates, medical advances and a significant increase in life expectancy, the Silver Economy is set to grow.

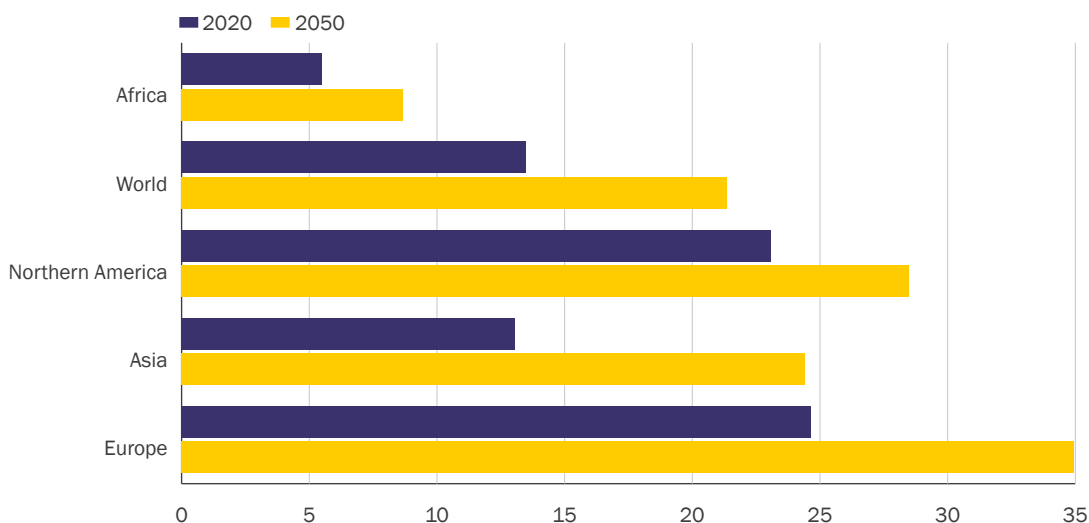
So what does that mean for investors and how can one capture returns in a market set for profound changes? In this Investment Views, we seek to answer these questions and find out where the opportunities lie in the Silver Economy.

### Silver regions

By 2050 one in five people are projected to be aged 60-plus, and regionally, this trend is set to be most pronounced in Europe, North America and Asia (Figure 1). This 60-plus segment, or Baby boomers as they are often called<sup>2</sup>, is the fastest-growing consumer group in the world. Armed with an increasingly higher spending power and a rising share of overall income, they will influence many corporations given their capacity to consume – which is set to reach USD 15 trillion by 2020<sup>3</sup>.

**Figure 1: The rising Silver population**

Percentage aged 60 years or over by 2050



Source: The 2019 Revision of World Population Prospects, <https://population.un.org/wpp/>

<sup>1</sup> World Population Prospects: The 2019 Revision, Key Findings and Advance Tables, United Nations Department of Economic and Social Affairs, 2019

<sup>2</sup> Usually defined as those born between 1945 and the late 1960s with high spending power

<sup>3</sup> Boomers as Consumers, Global Survey Report October 2012, Euromonitor.

# “The Silver Economy targets the beneficiaries of the economic boom of the late 20<sup>th</sup> Century who are sitting on a great deal of capital.”

Dominic Hollamby | Rothschild & Co’s Global Advisory Head of Healthcare

## Silver age consumption

The Silver Economy poses unprecedented economic opportunities and challenges for businesses given the rapid rise in consumer and public spending by and for the world’s 60-plus age-group (Figure 2). Centred on the specific needs of senior citizens and their consumption of goods and services, **the 60-plus segment is expected to represent nearly 60% of consumption growth** in Europe and Asia from 2015 to 2030. In North America, where consumption is more evenly spread across age segments, the 60-plus are still expected to represent nearly 50% of total consumption.

## Sectoral winners

With many active years ahead of them, \$120bn per year is spent by baby boomers in (silver) tourism and leisure<sup>4</sup>. In the consumer discretionary sector, names such as **L’Oréal** and **Unilever** have introduced various product lines relevant to ‘aging gracefully’.

Meanwhile, Swiss food Group **Nestlé** has in several markets redesigned instant coffee jars and chocolate boxes by making them easier to hold and open, keeping products accessible to older age groups.

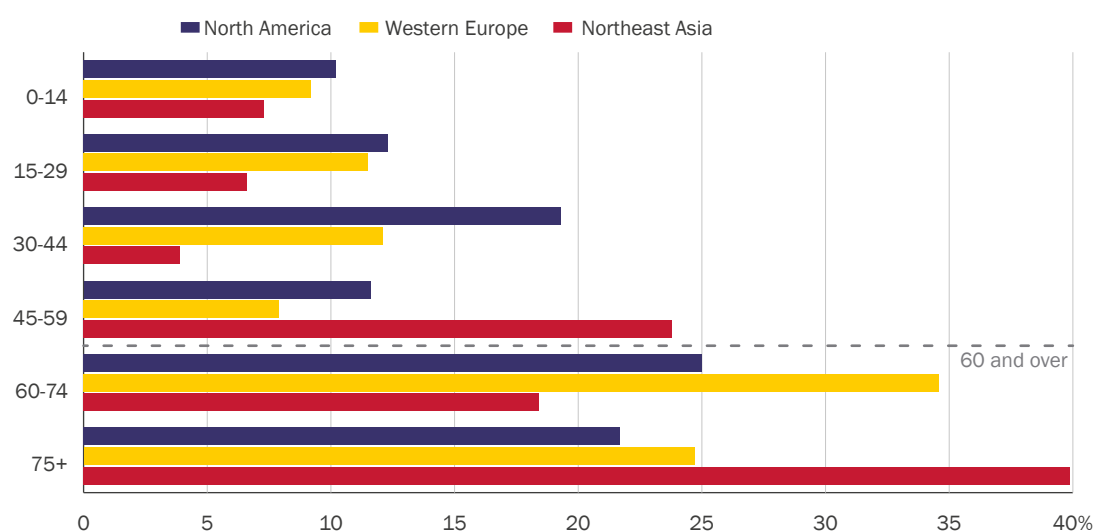
Changing sectors, **Toyota** has aimed at capitalising on the Silver Economy in Japan – often used as **the** case study for the future of global demographics – by developing humanoid robots to carry out household duties.

A discussion of sectoral winners from the Silver Economy would not be complete, however, without focusing on the **healthcare sector and health-tech products**, especially as healthcare spending is growing increasingly as a function of age (Figure 3 on page 3).

<sup>4</sup> World Travel Monitor

**Figure 2: Growing Silver age consumption**

Projected over 60s segment consumption growth 2015–2030



Source: McKinsey Global Institute Cityscope, 2016

# “The size and scale of ophthalmic and audiology markets, should not be underestimated.”

Dominic Hollamby | Rothschild & Co's Global Advisory Head of Healthcare

## Understanding healthcare

As discussed in our accompanying Investment Views podcast, **Rothschild & Co's Global Advisory Head of Healthcare, Dominic Hollamby** is quick to point out the distinction between discretionary healthcare services sold on the **self-pay market** and staple healthcare services often provided on public markets.

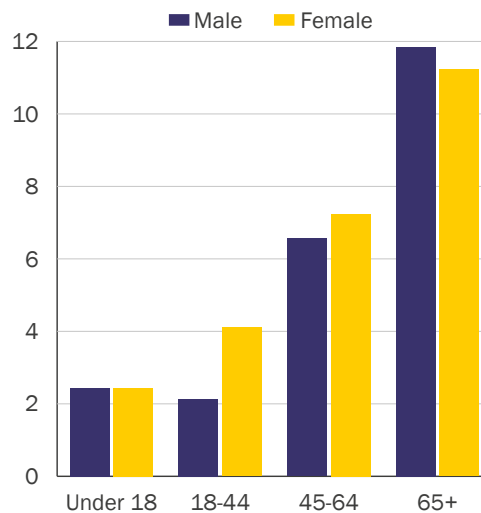
Businesses offering services to public markets, such as oncology treatment for life-threatening illnesses, tend to be operating in highly regulated environments where services are provided to state entities. This market has and always will be harder for investors to navigate. By contrast, the self-pay market aimed at discretionary products such as cosmetics, is where we see the greatest potential for companies, and therefore investors seeking returns from the Silver Economy.

As people age, two sectors in particular to mention are the **ophthalmic** (eyes) and **audiology** (hearing) markets. The size and scale of these markets should not be underestimated. With increasingly deep pockets, we see these two sub-sectors as key discretionary areas of spending for Silver Economy consumers looking to improve their quality of life.

Nevertheless, the human body has many weaknesses and companies which are positioned to help hold back the effects of ageing and improve quality of life more generally, will also prove popular with Silver Economy consumers.

**Figure 3: Increasing healthcare costs**

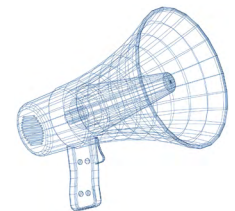
Average annual health spend progress with age (\$, thousands)



Source: Center for Financing, Access and Cost Trends, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 2017.

## Silver Economy Podcast

To listen to the full-length interview with Dominic Hollamby, Rothschild & Co's **Global Advisory Head of Healthcare**, our podcast which accompanies this publication can be accessed [here](#).



# “Inherently heterogeneous, corporations will meet the needs of the Silver Economy in different ways.”

## Unlikely leaders

Despite a focus on the healthcare sector, the Silver Economy’s reach across a myriad of sectors generates multiple opportunities for investors.

So where are these opportunities? Below we set out a number of case studies to illustrate the far-reaching impact of the Silver Economy and how it is set to create new revenue streams for organisations both in and outside of healthcare.

## Silver Economy case studies



Has partnered with companies and leading research institutions to launch the ‘Aging Well’ initiative. This is aimed at helping senior citizens to live healthy and independent lives by, for example, providing at-home interactive services. These use on-screen instructors with home owners to monitor how balance and strength improve after surgery.



The audio technology company has entered the (audiology) hearing aid industry and was recently granted FDA approval to market a new hearing aid device that can be used and adjusted using a smartphone and without assistance from any healthcare provider.



Has been experimenting with how the Alexa voice-assistant can contribute within health and wellness. Merging healthcare and digital innovations, Amazon Alexa has been used to assist elderly patients, ensuring greater access to family members and timing of medication.

## And now to invest...

**Silver investment strategies** have been around for a while but many have struggled to corner the market. Contributing to this is the breadth of potential beneficiaries from this theme, meaning there is no concentrated collection of easy purchases.

Inherently heterogeneous, corporations will meet the needs of the Silver Economy in different ways. Careful analysis of ‘silver’ services and goods is needed, therefore, before adopting a specific investment strategy.

It is for this reason, that our Advisory team at Rothschild & Co Wealth Management has dedicated time and resources to analysing this market and is ready to advise you on investing in this long-term trend.

## Investment conclusion

In our **Investment Views Podcast**, we interview Silver Economy investment managers from Rothschild & Co Asset Management and Rothschild & Co’s Global Advisory Head of Healthcare, bringing you insights and experience from across our divisions.

Companies in consumer staples to technology sectors are presented with a real opportunity to profit from the Silver Economy. Yet, if one sector stands out, it is the discretionary **healthcare market** which looks set to be the most attractive beneficiary of the Silver Economy.

For further information on how to invest in this sector as well as strategies in leisure and financial (insurance) sectors, please contact your client adviser.

## For more information

For more information on our Investment Insights, please visit our Wealth Insights page at [www.rothschildandco.com/insights](http://www.rothschildandco.com/insights)

## Important information

This document is produced by Rothschild & Co Bank AG, Zollikerstrasse 181, 8034 Zurich, for information purposes only. It does not constitute a personal recommendation, an advice, an offer or an invitation to buy or sell securities or any other banking or investment product. Nothing in this document constitutes legal, accounting or tax advice. Although the information and data herein are obtained from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made and, save in the case of fraud, no responsibility or liability is or will be accepted by Rothschild & Co Bank AG as to or in relation to the fairness, accuracy or completeness of this document or the information forming the basis of this

document or for any reliance placed on this document by any person whatsoever. In particular, no representation or warranty is given as to the achievement or reasonableness of any future projections, targets, estimates or forecasts contained in this document. Furthermore, all opinions and data used in this document are subject to change without prior notice. Law or other regulation may restrict the distribution of this document in certain jurisdictions. Accordingly, recipients of this document should inform themselves about and observe all applicable legal and regulatory requirements. Rothschild & Co Bank AG is authorised and regulated by the Swiss Financial Market Supervisory Authority FINMA.