Publication: FA News (Financial And Advisory News)
Date: Wednesday, November 01, 2017
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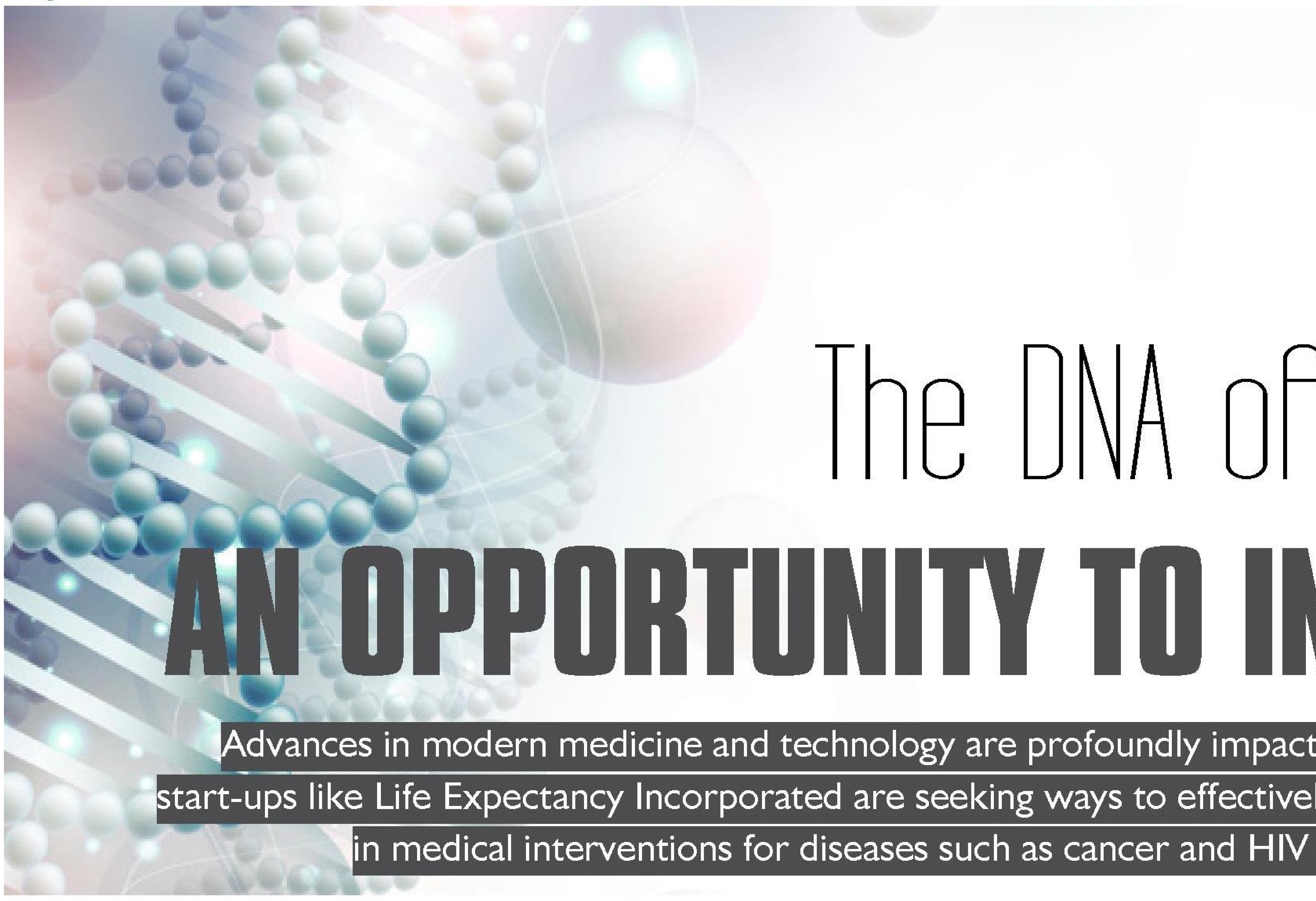

The DNA of longevity: AN OPPORTUNITY TO INNOVATE?

Advances in modern medicine and technology are profoundly impacting life expectancy. Disruptive start-ups like Life Expectancy Incorporated are seeking ways to effectively cheat death, while advances in medical interventions for diseases such as cancer and HIV are improving mortality rates.

These advances in medical treatment have positively impacted South Africans increasing life expectancy over the past decade. The most recent Annual Global Burden of Disease study indicates that as of 2016, men now live 9.5 years longer to 59.2 years, while women live an additional 13.6 years to 65.5 years, on average.

Long life

It is, however, the field of genomics that is having the greatest impact on longevity.

Firstly, our understanding of DNA has improved our ability to identify individualised risk factors for disease through simple tests. Armed with this knowledge, modern medicine is increasingly moving from a curative to a preventative model, which positively impacts outcomes.

DNA based medical diagnoses also enable early interventions which substantially improve survival rates. And the new frontier of genomics improving longevity is gene-based personalised medicine, which is capable of restoring a patient's quality of life back to normal after curing certain diseases.

Problematic uncertainty

These developments are, for obvious reasons, creating uncertainty in the retirement industry.

For starters, those who have already reached retirement age may need their savings to sustain them for longer than initially planned. Those currently investing may need to save far more to provide for a longer life beyond their income-earning years.

In addition, conventions around retirement age are being reconsidered; not only to accommodate longer investment horizons, but because people are generally healthier and can perform in the workplace for longer. Today the average retirement age has shifted out from 55 to 65, with 70 set to become the new norm.

Changing requirements

Therefore, the challenges facing the broader financial services industry are removing the inherent inefficiencies that stifle investment returns and developing innovative products capable of meeting these changing requirements.

From an innovation standpoint, a growing number of alternate asset classes, such as direct investment into renewable energy projects, are helping to bolster returns. This gives products the ability to support, or in certain instances even outperform traditional options such as property, equities and money markets.

Innovation is also increasing competition in the market. Through life annuities, insurers are applying an established model to retirement thereby enabling retirees to invest a lump sum in return for guaranteed income for the remainder of their lives, no matter how long they live.

Disruption

More innovation in the sector can also be expected as financial providers go after new growth markets, or new entrants disrupt the industry.

To this end, technology will increasingly play a central role and will radically redefine the retirement investing landscape.

Through the Uber-isation of retirement, innovative platforms are giving investors greater, often direct access to alternate asset classes and special purpose investment vehicles.

This disintermediation of traditional financial services is handing back control to investors of their investment portfolios.

While this shifts the responsibility of performance to the investor who must ensure their investments deliver the returns they require to meet their retirement goals, it also gives them greater power to select products based on real returns and costs.

Levelling up

This technology mediated shift increasingly necessitates the need to remove much of the unnecessary complexity inherent in the market and simplify products, particularly through greater transparency in terms of asset management fees and costs.

It is also forcing a change in the adviser's role, along with associated remuneration and commission structures.

Technology platforms that offer direct access to investments means upfront commissions are no longer applicable. This has prompted a shift to a true advisory role, where financial planners work with clients on an on-going basis to inform investment decisions rather than try to sell them specific products.

Walter
van der Merwe
CEO
FedGroup Life