

Integrating financial planning with gerontology

By Ben Fok

IT IS common to think of financial planning as a systematic approach whereby individuals maximise the existing financial resources to achieve their financial goals and objectives.

Anyone can learn the basic tenets of financial planning – diversify your investments; prepare for unexpected events; draft proper legal protections; optimise your tax; plan early for retirement, budgeting and debt management.

But as we age, we should also broaden financial planning with insights from gerontology. As Singapore's population is ageing rapidly, the value of financial and gerontology knowledge is increasingly important.

Although financial planning has focused on retirement, pensions, healthcare, and finance, old age-related issues are seldom discussed. So there is a greater need to merge financial planning and gerontology as a holistic solution – called financial gerontology – which integrates research on aging and human development with the concerns of finance.

Gerontology is a study aimed at understanding the effects of ageing on elderly adults. And financial gerontology focuses on caregiving, family relationships, health, retirement and economics to improve the quality of life of older people.

As such, financial gerontology does not solely entail research into older people, but instead focuses on the process of financial planning for longevity and ageing.

As greater longevity takes root in both adult children and their parents, the need for complex financial planning becomes more evident. Having older surviving parents means that while the adult children are planning for their retirement, they simultaneously help their parents with caregiving and even financial support.

Consequently, given the current economic realities, financial planners must provide an increasing number of older and middle-aged clients with advice about sophisticated asset preservation that is beyond traditional financial planning.

As life expectancy, life patterns



Financial gerontology focuses on caregiving, family relationships, health, retirement and economics to improve quality of life. BT FILE PHOTO

and choices have changed, the financial services industry has struggled to respond.

Indeed, the re-invention of retirement may find its place at the crossroads of financial planning and gerontology.

As the financial services field moves towards holistic retirement planning and away from a transactional environment, the part that is missing is the specialised knowledge of ageing consumers and how their needs change over time.

Some financial planners believe their role is to focus on finance and these ageing-oriented topics are handed over to other professionals or family members.

But the financial planning professionals who involve themselves with non-financial issues like those described above will develop stronger relationships with their clients and are better equipped to

help them as they navigate the ageing process.

Ageing is a natural process involving biological, health, economic and social changes, and it is an irreversible process. Old age is also the last stage of the human life cycle. Without a doubt, it is uncomfortable to discuss the many physical and cognitive declines that come with age.

However, we cannot deny the reality: that we will become increasingly dependent on others as we age. Inevitably, various difficulties arise relating to adaptation and coping with age-related changes.

Furthermore, the ageing process can be associated with neurological conditions such as dementia, stroke, Alzheimer's disease and other progressive neurological disorders that cause a decline in financial and mental capacity.

Even in pre-retirement planning,

general attitudes towards ageing and old age often evoke fears of ageing, frailty and dependence, which may cause older people to avoid planning for a future in old age. These fears raise particular challenges for financial planners because new skills and processes are needed when dealing with this demographic.

Hence, financial planners must recognise clients with these conditions before advising on various financial matters, including investing for the provision of adequate retirement income, funding to live in retirement homes, healthcare and much more.

For these reasons, financial planners should cater for life stage planning to address early adulthood, retirement, caregiving, widowhood, longevity and end-of-life matters. Saving for one's own old age, including retirement income, health, and

long-term care costs during working years for an extended retirement, is of paramount importance.

Since the role of financial gerontology is to prepare clients for both expected and unexpected future situations, it is critical to anticipate the other potential impact of elderly parents on financial planning. Hence, transiting from wealth-span to health-span and lifespan will be the new paradigm.

To age successfully in terms of financial well-being is essential for achieving satisfaction in later life. All older people can age gracefully and live with dignity to enjoy life in old age and prevent medical problems.

Ageing in place is also about maintaining and sustaining a home, even when physical functioning declines.

Older people often reconfigure their homes to carry on necessary

activities of daily living. Many of these factors depend upon their personal choices and expectations of their quality of life.

Financial education can help to enhance theoretical and practical knowledge concerning financial gerontology. In addition, financial literacy as a skill set and the ability to navigate the world of money is a crucial aspect of ensuring successful ageing.

Therefore, financial programmes in this area should concentrate on people who are close to retirement or already receiving pensions. Other relevant education groups include financial service consultants, lecturers and the community.

Financial planners are the best professionals to provide education and consulting services for older people and their families. Hence, the education is for older generations, and to understand their needs targeting the family and intergenerational aspects of ageing, health-related expenses, older people's readiness and preparation for later life.

In summary, financial gerontology is a growing scientific discipline that focuses on finances, especially the relationships between finances, ageing and older people. It also deals with the economy's demographic transition models of lifespan and retirement.

In addition, financial gerontology is needed to raise awareness of the economic and financial issues that will result in less financial stress through the ageing process.

The transition from an economically active to a retired population should be supported by various programmes, seminars and courses focused on financial gerontology.

Lastly, the increasing life expectancy is a global trend. Raising awareness of financial gerontology is good news for an ageing population in Singapore.

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