

# Good News/Bad News: Demography, Aging, and Economic Growth

**Prepared for**

Nonprofit Organizations Institute

**Presented by**

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**Presented on**

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*"The horse is here to stay but the automobile is only a novelty – a fad."*

-- The president of the Michigan Savings Bank advising Henry Ford's lawyer, Horace Rackham, not to invest in the Ford Motor Co., 1903

*"The cinema is little more than a fad. It's canned drama. What audiences really want to see is flesh and blood on the stage."*

-- Charlie Chaplin, actor, producer, director, and studio founder, 1916

*"Stocks have reached what looks like a permanently high plateau."*

-- Irving Fisher, Professor of Economics, Yale University, 1929

*"We don't like their sound, and guitar music is on the way out."*

-- Decca Recording Co. rejecting the Beatles, 1962

*"There is no reason anyone would want a computer in their home."*

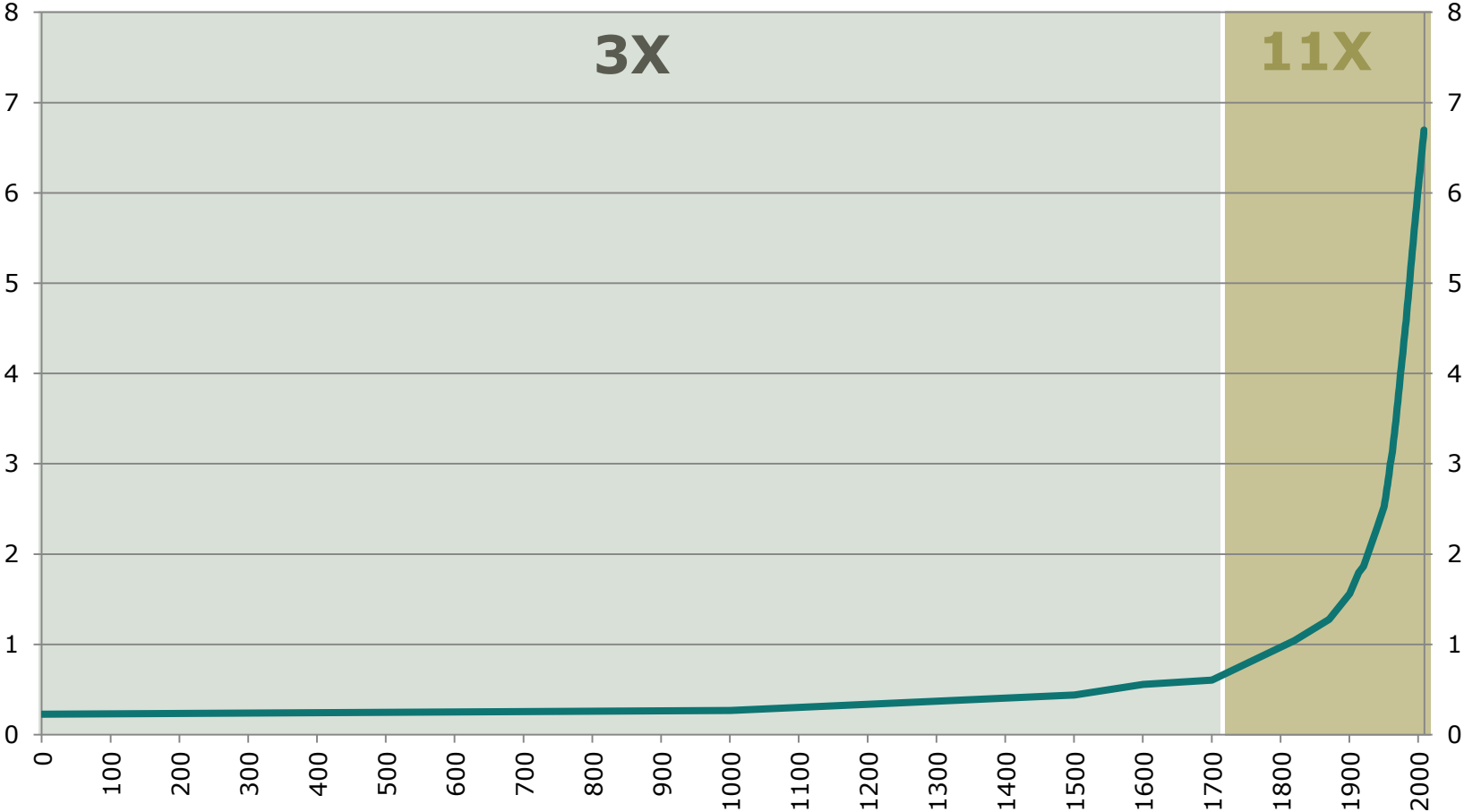
-- Ken Olson, president, chairman and founder of Digital Equipment Corp. (DEC), maker of big business mainframe computers, 1977

*Change is the law of life. And those who look only to the past or present are certain to miss the future.*

*- John F. Kennedy*

# Global population explodes with the Industrial Revolution

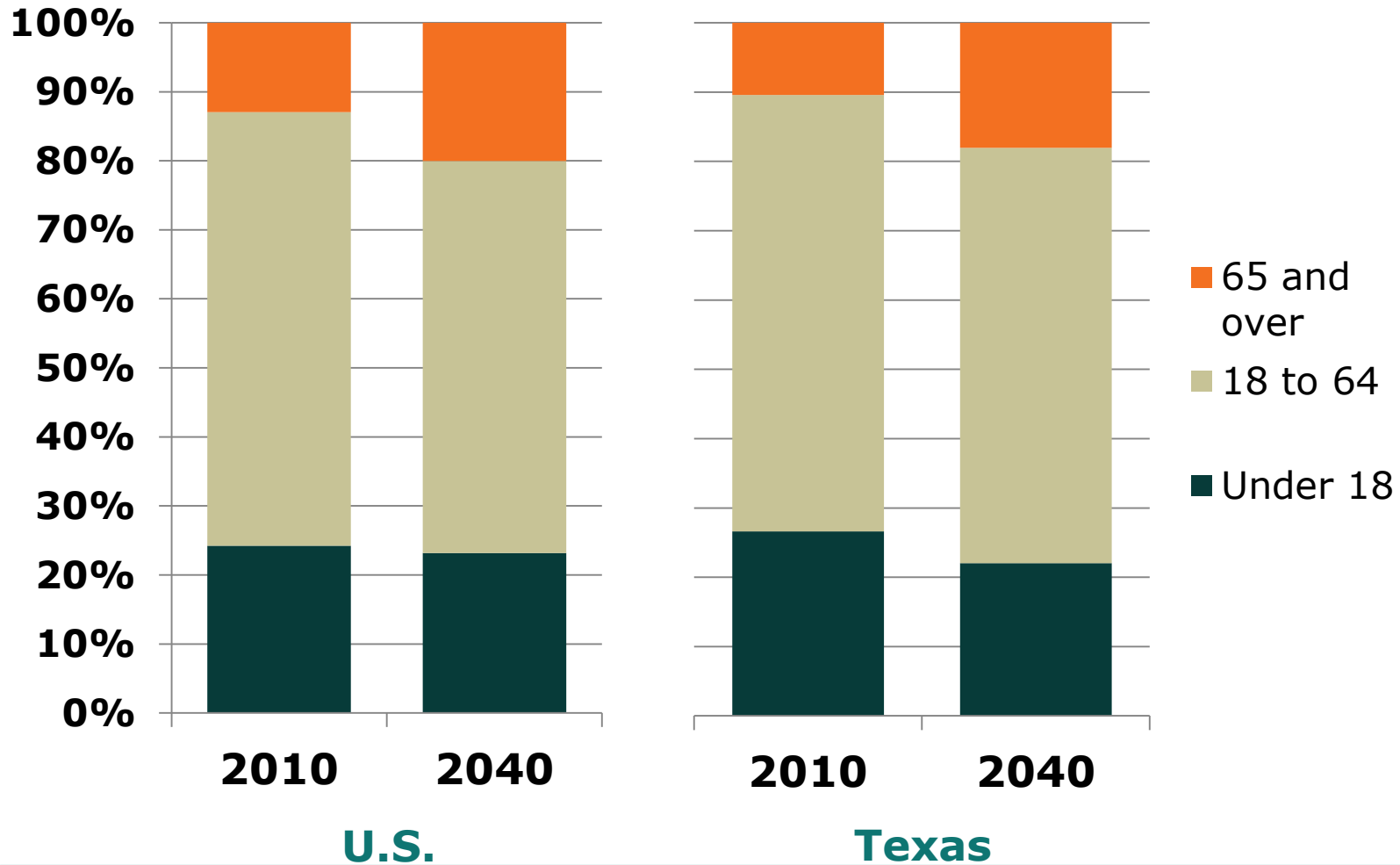
## World Population (in Billions)



Source: Historical Statistics of the World Economy. 1-2008 AD. Angus Maddison. University of Groningen.

# The population is getting older

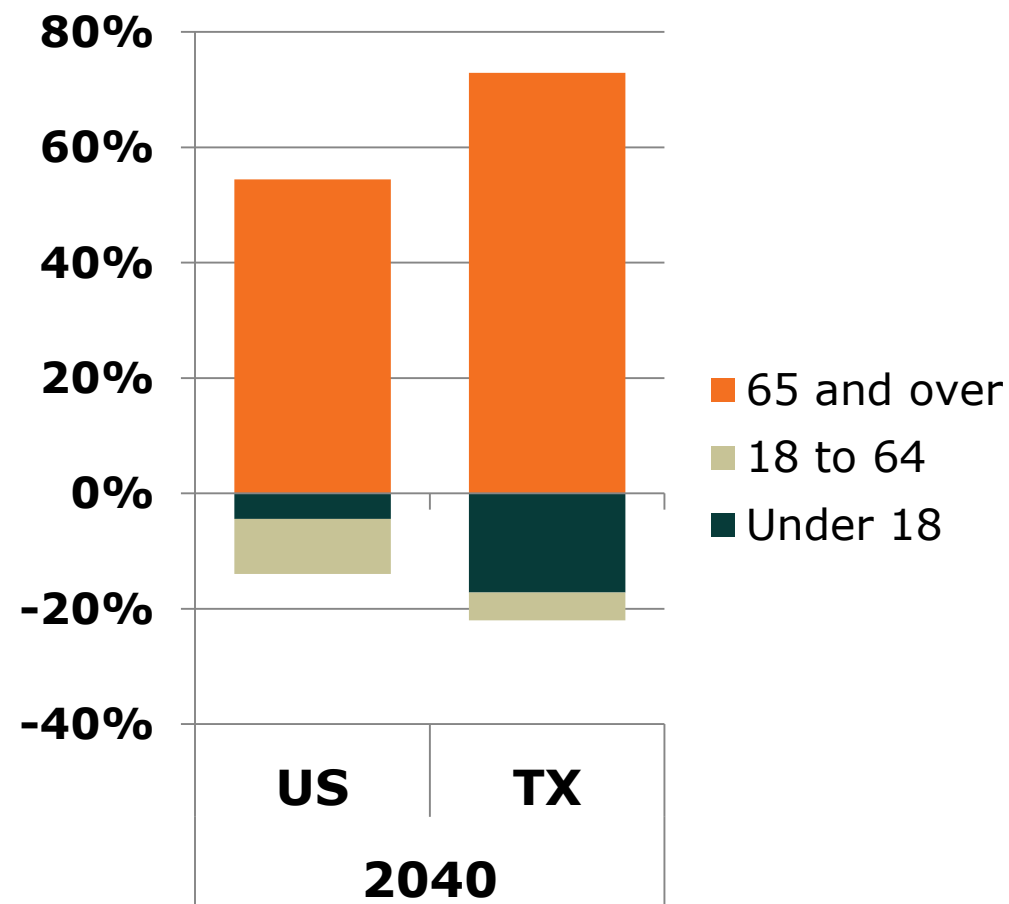
## Estimated population by broad age group for U.S. and Texas



# The population is getting older

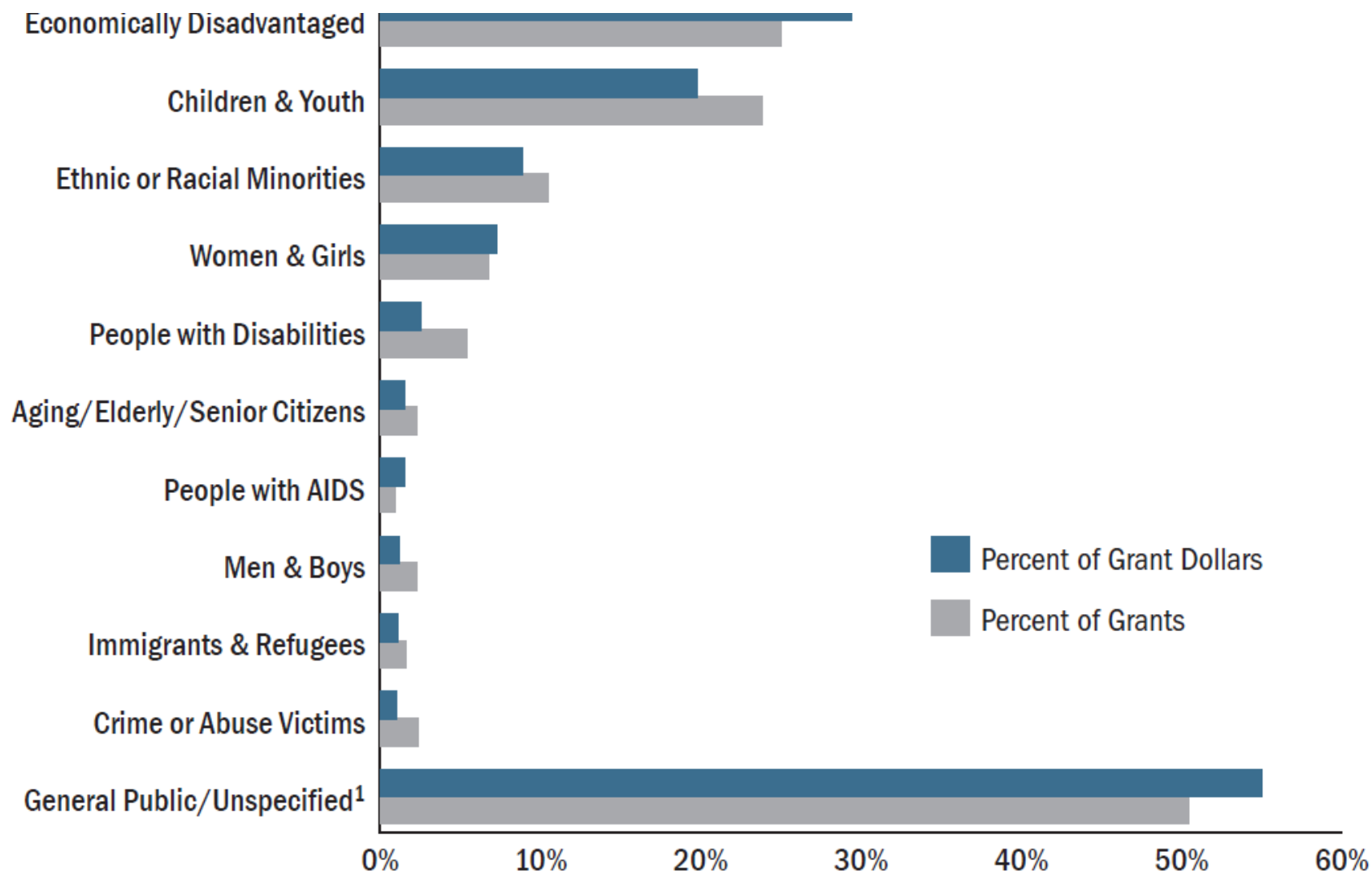
Over the next 30 years (2010 – 2040) the proportion of ...

- younger people will decline by 4% nationally and by 17% in Texas.
- older people will increase by 54% nationally and by 73% in Texas.
- the “dependant” population will increase by 16% nationally and by 8% in Texas.



# Major population groups

2009

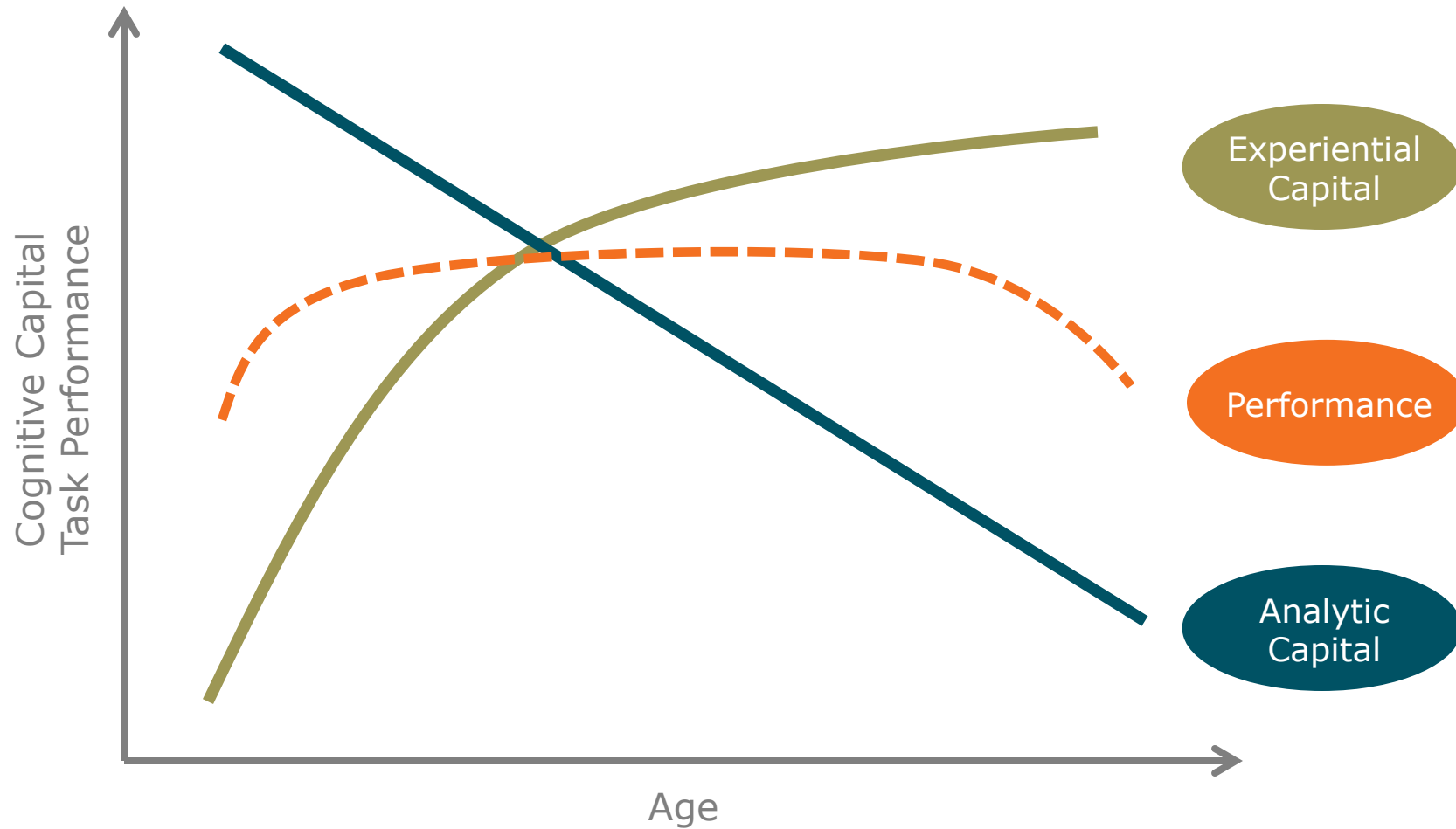


Source: The Foundation Center, 2011. Based on all grants of \$10,000 or more awarded by a sample of 1,384 larger foundations representing approximately half of total giving by all U.S. foundations. Chart includes selected beneficiary groups representing at least 1 percent of grant dollars. Figures represent only grants awarded to recipient organizations that could be identified as serving specific populations or grants whose descriptions specified a benefit for a specific population. These figures do not reflect all giving benefiting these groups. In addition, grants may benefit multiple population groups, e.g., a grant for homeless children, and would therefore be counted more than once.

<sup>1</sup>Includes grants that were intended to benefit the general public or could not be coded as specifying a beneficiary group.

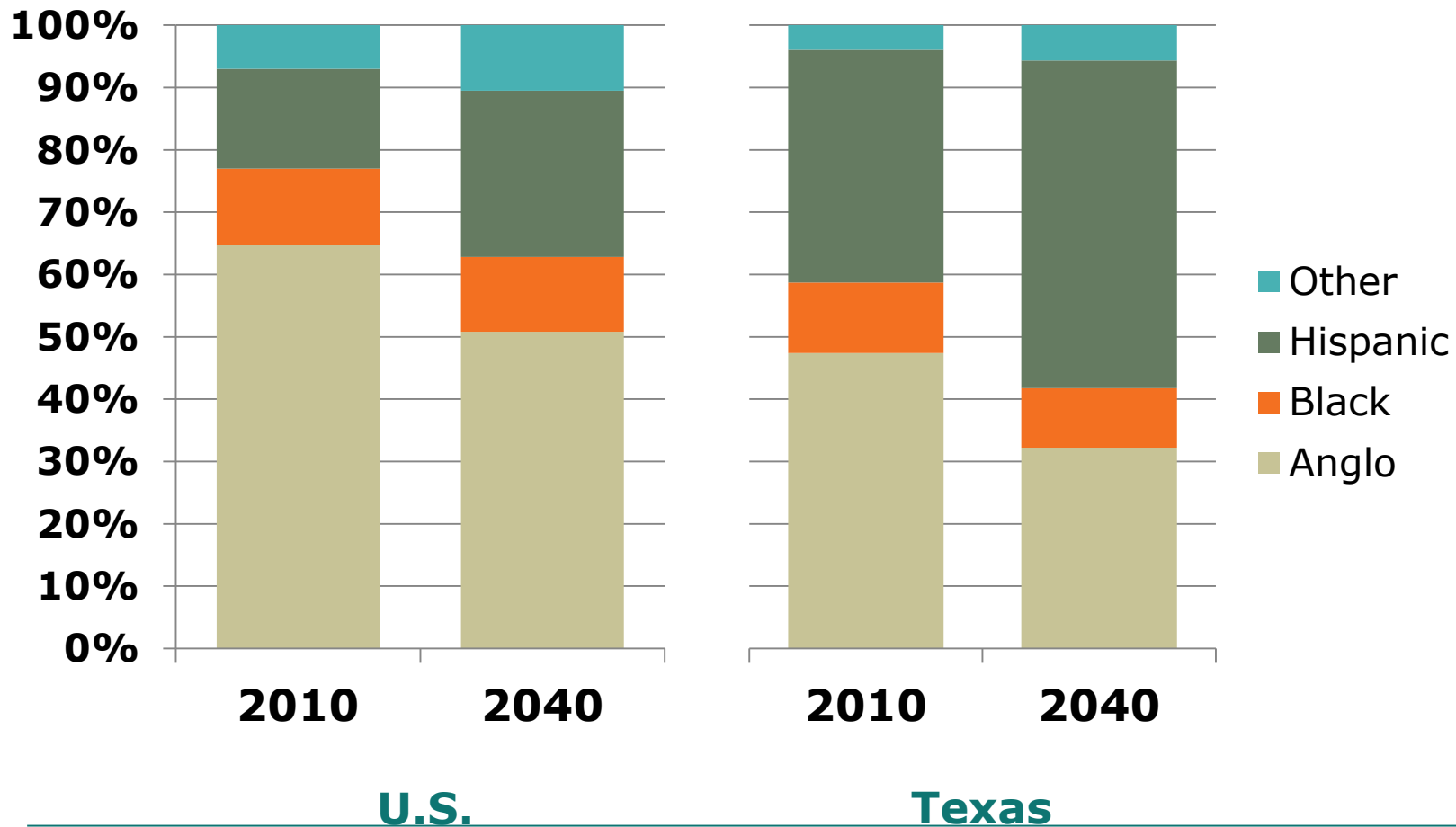
# Must be able to adapt

## Performance in Making Complex Financial Decisions



# The population is getting more diverse

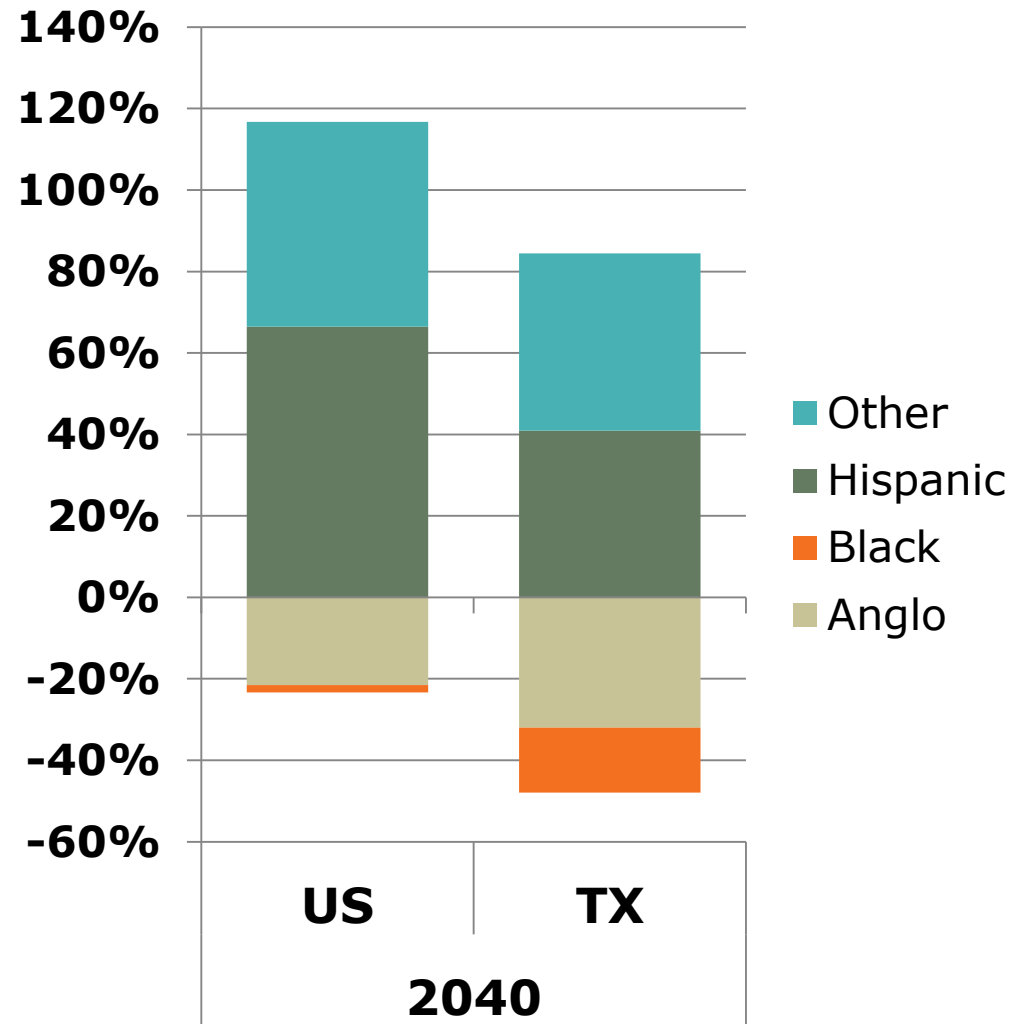
## Estimated population by broad race/ethnicity group for U.S. and Texas



# The population is getting more diverse

Over the next 30 years (2010 – 2040) the proportion of ...

- Anglo people will decline by 22% nationally and 32% in Texas.
- Black people will decline by 2% nationally and 16% in Texas.
- Hispanic people will increase by 66% nationally and by 41% in Texas.
- “Other” population will increase by 50% nationally and by 44% in Texas.



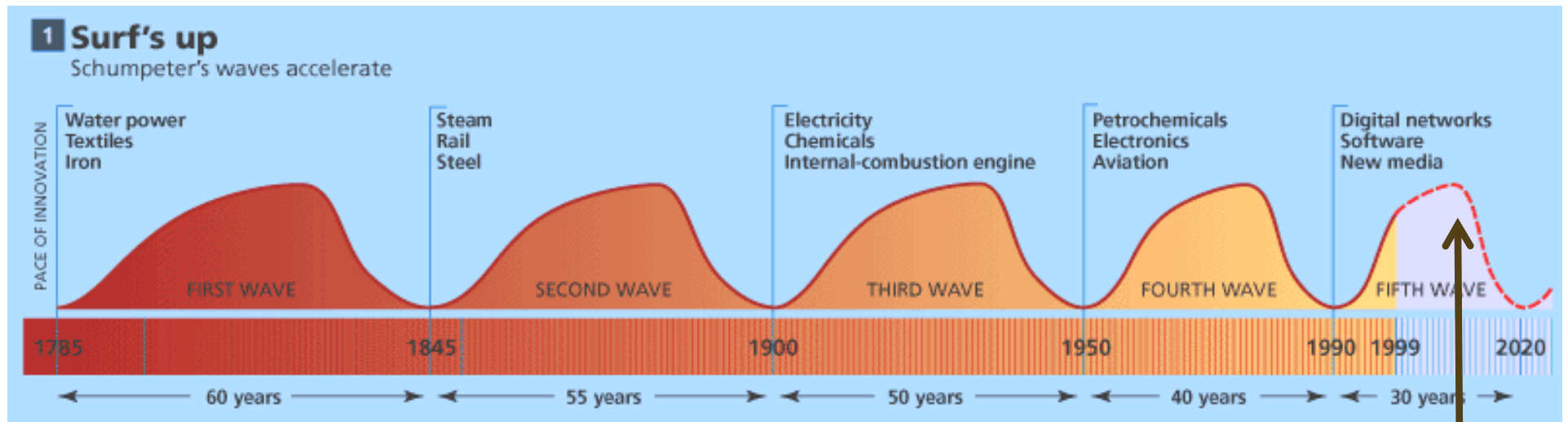
# Composition of the world's population is changing

## Top 10 Countries by Population

	1950 Rank	2010 Rank (Estimated)	2050 Rank (Estimated)	1950-2010 % Change	2010-2020 % Change	2010-2050 % Change
China	1	1	2	136%	4%	-2%
India	2	2	1	217%	13%	41%
United States	3	3	3	103%	9%	37%
Russia	4	9	16	37%	-5%	-22%
Japan	5	10	17	52%	-2%	-16%
Indonesia	6	4	5	193%	10%	29%
Germany	7	15	21	19%	-2%	-12%
Brazil	8	5	8	276%	11%	30%
United Kingdom	9	22	22	24%	5%	14%
Italy	10	23	29	29%	3%	1%
Bangladesh	11	8	9	242%	17%	60%
Pakistan	13	6	6	357%	16%	58%
Nigeria	15	7	4	408%	29%	149%
Philippines	21	12	10	373%	19%	72%
Ethiopia	24	14	7	336%	37%	216%

# Living through an increasing number of social and economic cycles

## Schumpeter's "creative destruction" accelerates...



### Speed of change:

- Internet 1.0, 2.0, 3.0 ...
- From PCs, to laptops, to smart phones
- From AOL to Facebook
- Songdo, South Korea – The "Networked City-in-a-Box"

# Consumer Products changing quickly

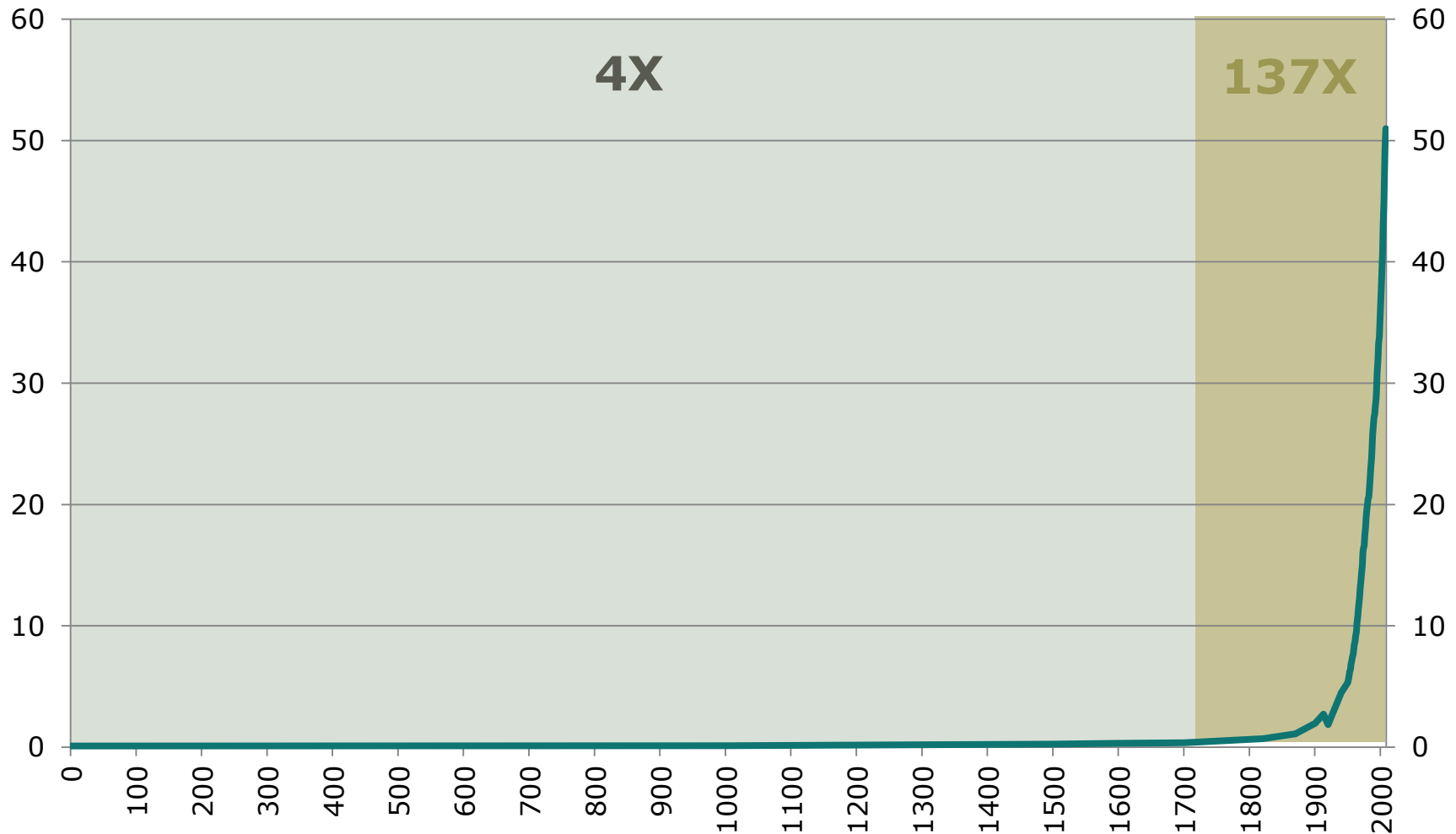
## 4<sup>th</sup> Annual Silvers Summit at CES 2012- Agenda:

- A conversation with the “Change Agents” who are continuing to drive the aging+ technology market
- New products that embrace an aging market but have universal appeal**
- Boomer consumer loyalty and your new revenue stream
- The smart home of the future**
- The rise of the Silver Surfers: online dating, gaming, shopping, travel, connecting with grandchildren
- Products that will keep our brains in shape – are these myth or miracle?**
- Products will keep us living longer in our homes, keep us safe and sound, keep us on the road, on the go and connected as we grow older
- Technology that will help the 44 million family caregivers who care for someone over age 50**
- Best Boomer Mobile App Mania event and showcase

# Continued expansion of the Global Economy?

## World GDP (in trillions)

- Gains in life expectancy since 1900 have added about \$3.2 trillion per year to U.S. wealth
- A 1% reduction in death due to cancer is estimated to be worth \$500 billion



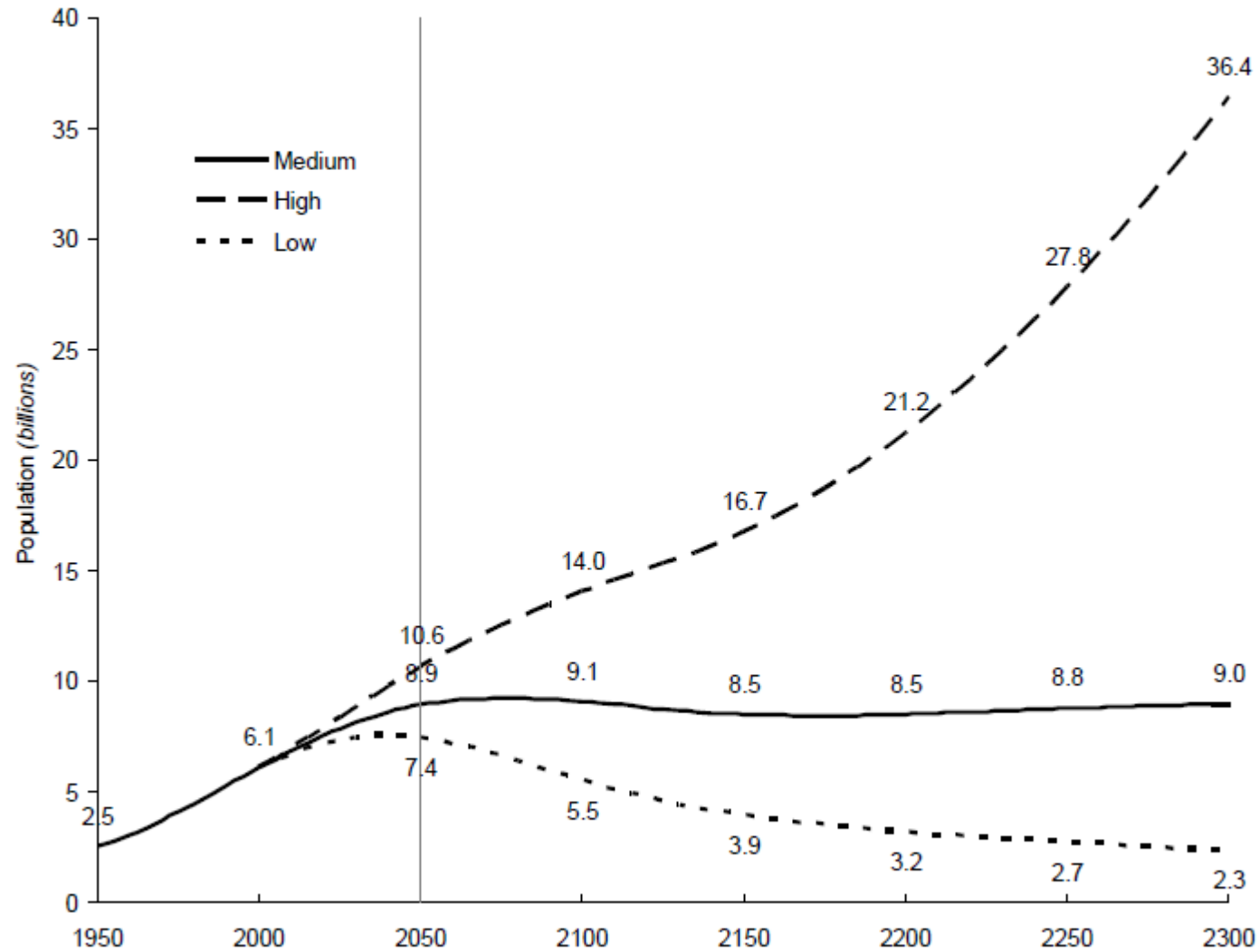
**In October of 2011 the World Population hits 7 Billion**

**“U.N. Forecasts 10.1 Billion People by Century’s End”**

*The New York Times*

May 3, 2011

# The Actual UN Report

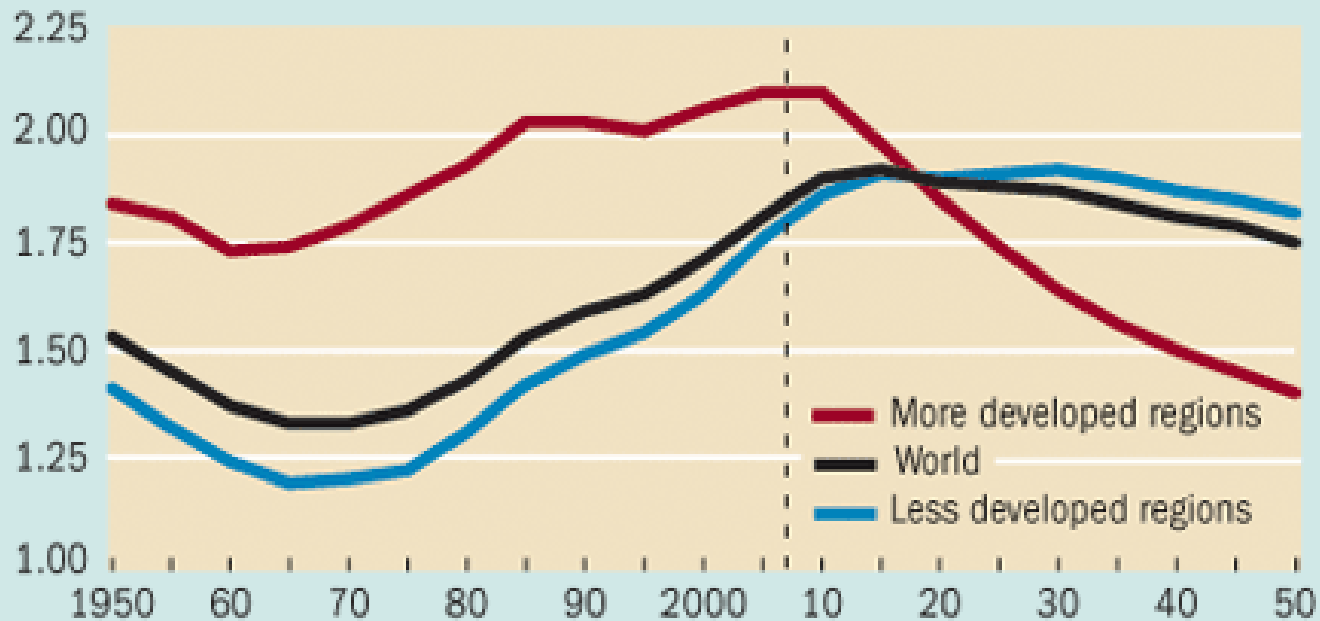


# Population Dividend?

## Tracking the bulge

Developing countries are nearing the peak of their opportunity to benefit from a high ratio of workers to dependents.

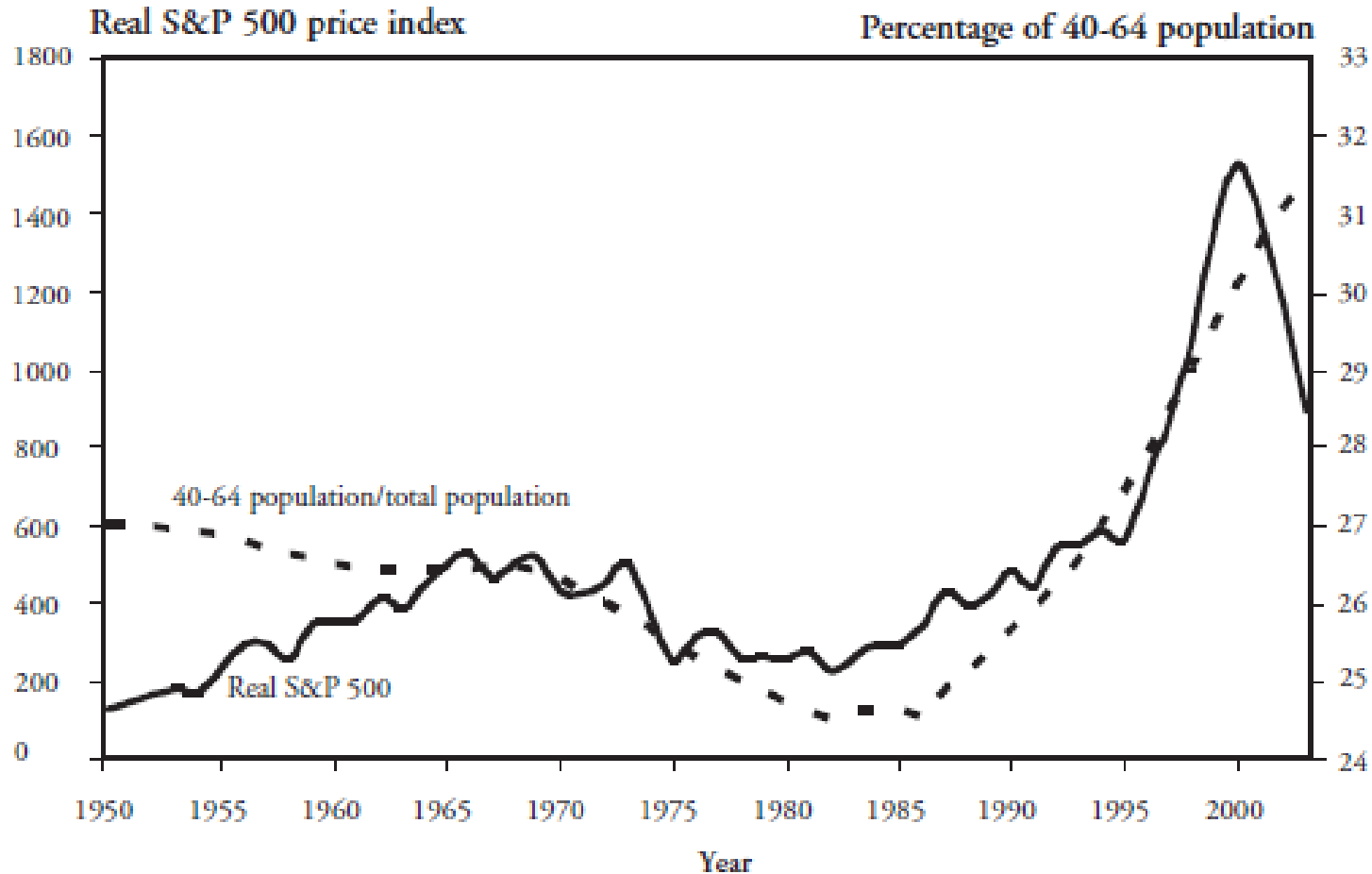
(ratio of working-age to non-working-age population)



Source: United Nations, *World Population Prospects*, 2004.

# Changing Population and the Stock Market

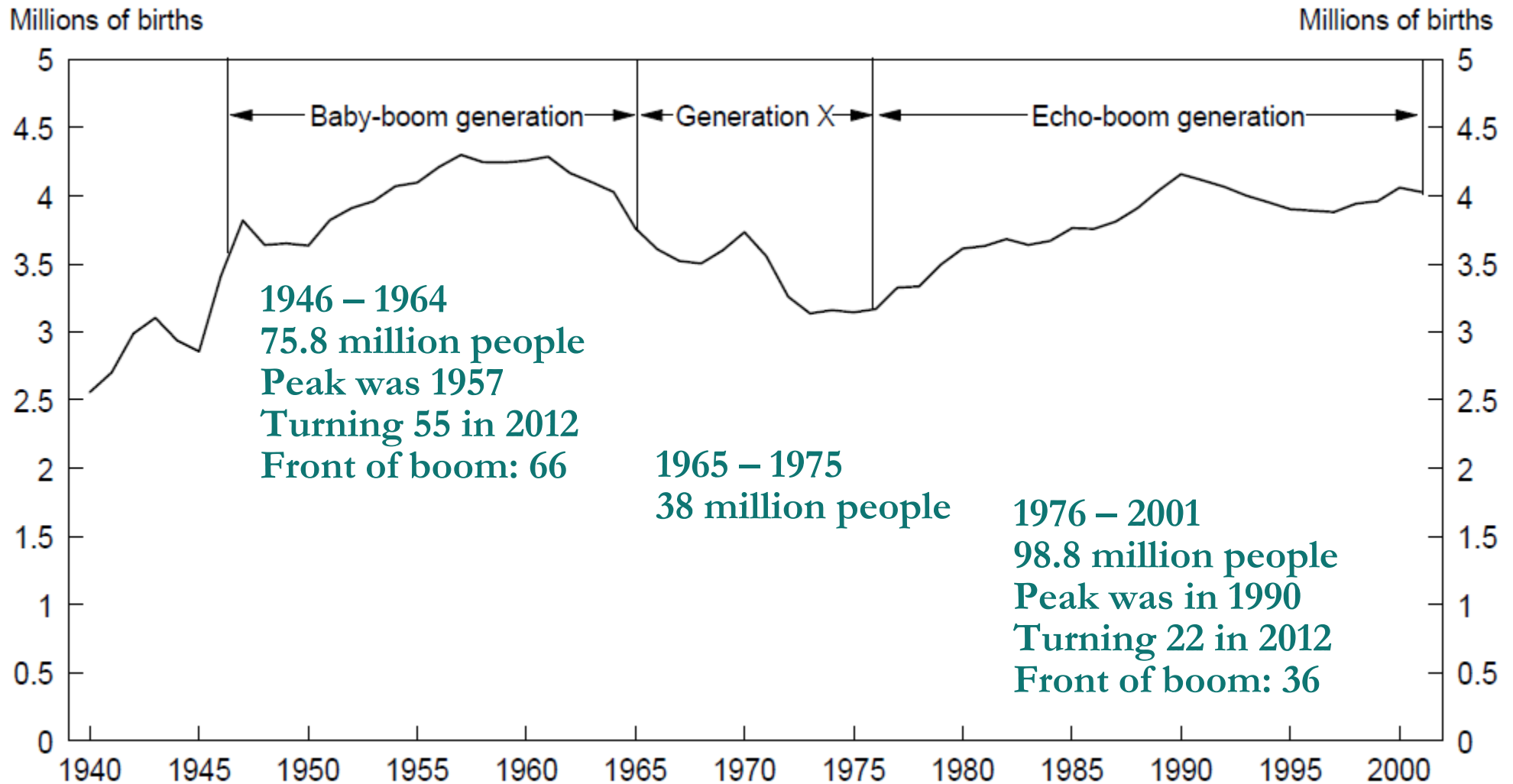
## Real S&P500 Price Index and Percentage of 40-64 Population Among Total Population, 1950-2003



The Real S&P 500 reflects the returns of the S&P 500 minus inflation. The S&P 500 is a representative sample of 500 leading companies of the U.S. economy. An investment cannot be made in it and past performance is not a guarantee of future results.

# U.S. Population: Baby to Echo-Boom

Annual number of births in the United States, 1940 - 2001



Source: U.S. Bureau of Labor Statistics, Monthly Labor Review, June 2004, Jessica R. Sincavage

# Changing Work Requirement to Meet Basic Needs

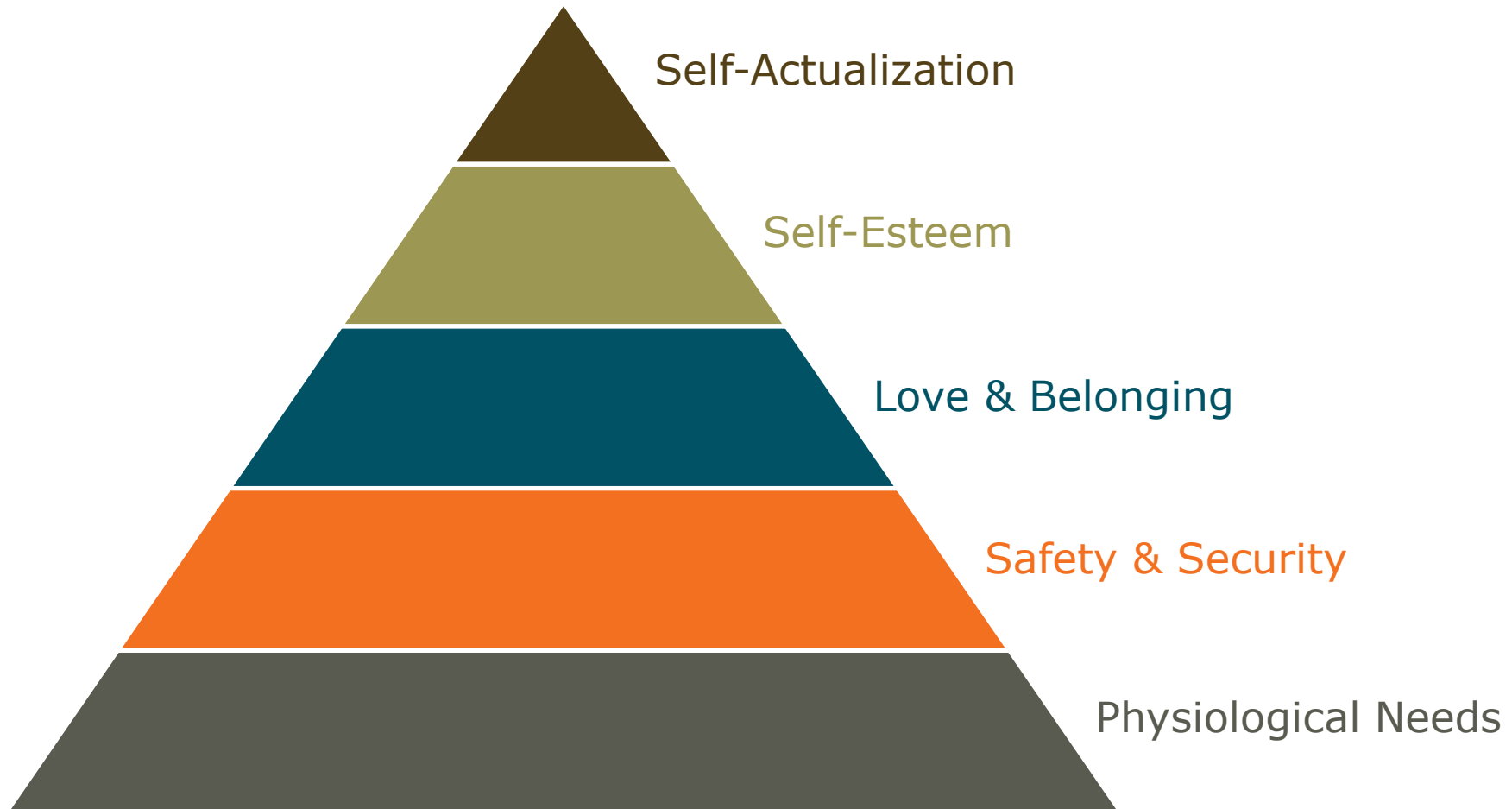
## The Average Hourly Division of the Day of Average Male Household Head (Based on 365-day work year)

	1880	1995	2040
Sleep	8	8	8
Meals and essential hygiene	2	2	2
Chores	2	2	2
Travel to and from work	1	1	0.5
Work	8.5	4.7	3.8
Illness	0.7	0.5	0.5
Subtotal	22.2	18.2	16.8
Residual for leisure activities	1.8	5.8	7.2

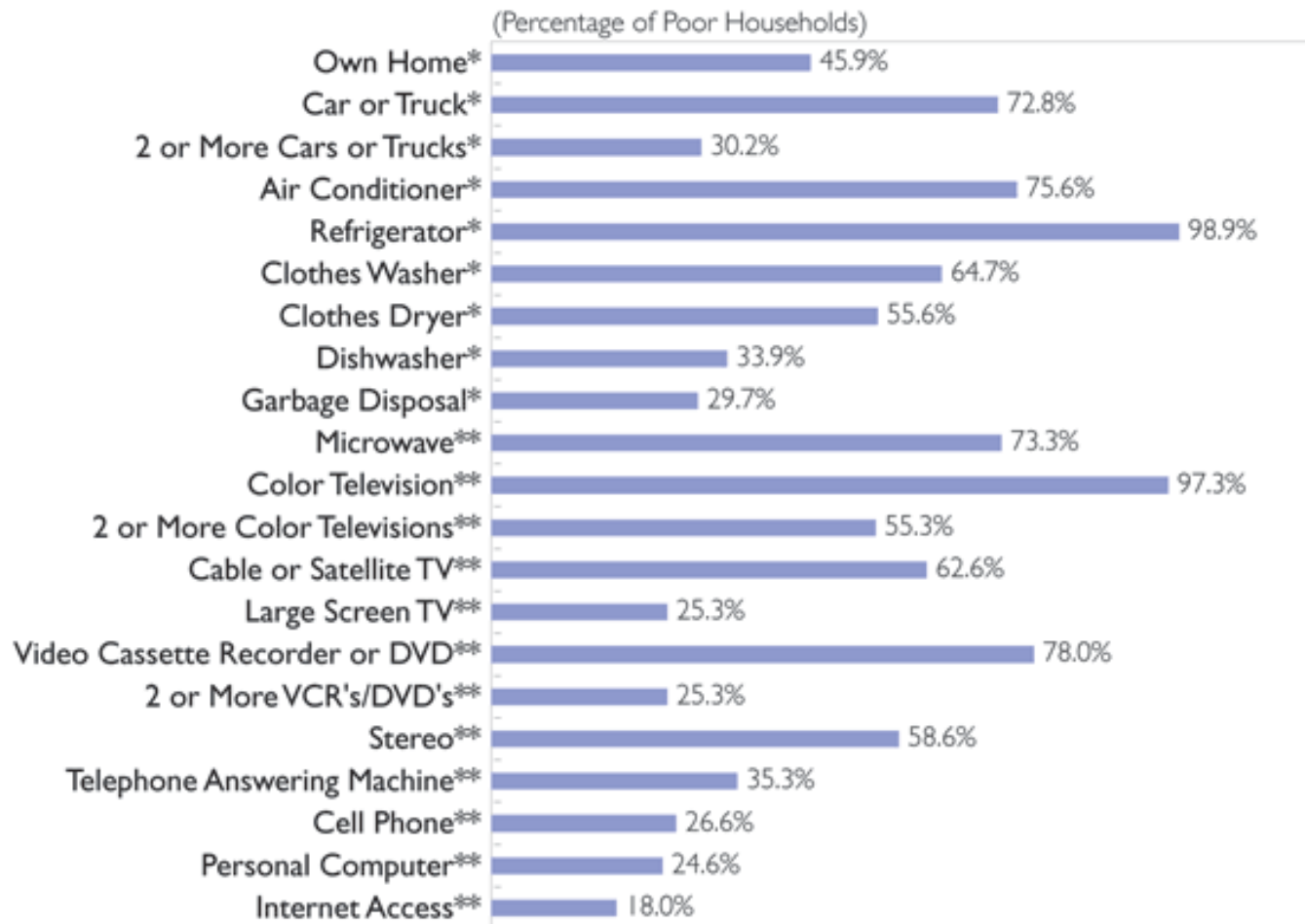
Source: The Escape from Hunger and Premature Death 1700-2100, Robert W. Fogel

# We have worked our way up!

## Maslow's Hierarchy of Needs



## Ownership of Property and Consumer Goods Among Poor Households



Note: \*Figures from *American Housing Survey 2001*

\*\* Figures from U.S. Department of Energy, *Housing Characteristics 2001*

Sources: U.S. Department of Commerce, U.S. Department of Housing and Urban Development, *American Housing Survey for the United States in 2001*, Current Housing Reports H150/01; U.S. Department of Energy, Energy Information Administration, *Housing Characteristics 2001*.

# The opportunity is vast

**Exhibit 6. The Middle-Class Population of Emerging-Market Cities Is Burgeoning**

Approximately 170 people join the middle class every minute

Middle-class and above-middle-class population (millions)



Middle-class population increase, 2010-2015 (millions)

China <sup>1</sup>	142	India <sup>1</sup>	180	Russia <sup>2</sup>	32	Indonesia <sup>1</sup>	54	Brazil <sup>2</sup>	21	Turkey <sup>2</sup>	15	Mexico <sup>2</sup>	9	South Africa <sup>2</sup>	4
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Approximately 460 million people in emerging-market cities will enter the middle class between 2010 and 2015, an increase of 70 percent

2010 2015

Sources: Economist Intelligence Unit; Brazilian Institute of Geography and Statistics (IBGE); Instituto Nacional de Estadística y Geografía (INEGI); BCG China population and income forecast database, 2010; "The Great Indian Middle Class," National Council of Applied Economic Research (NCAER), 2004; BCG analysis.

<sup>1</sup>Middle-class households are those with annual income exceeding \$5,000.

<sup>2</sup>Middle-class households are those with annual income exceeding \$10,000.

# Summary

- Our world is changing very quickly. Learn to adapt!
- Recognize your frame of reference and the frame of reference of those around you.
- The past has been pretty good! Be optimistic about the future!
- The echo boom is coming and the global middle class is growing.
- Seize the opportunity!

**For a copy of this presentation see:**

**[www.bairdfamilywealthgroup.com](http://www.bairdfamilywealthgroup.com)**

## **About the Baird Family Wealth Group**

The Family Wealth Group is a multi-family office committed to providing customized and comprehensive wealth management services to business owners or executives with at least \$25 million in investable assets. Our depth of investment and planning expertise, combined with our commitment to highly personalized attention, allows us to simplify your financial life while providing you with world-class portfolio management.

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