

Aging and Financial Inclusion



Fast Facts

The population of older people will almost double in middle-income countries between 2010 and 2020, and will increase by 40 percent worldwide.

By 2020, life expectancy in most regions will be above 65.

By 2050 there will be 1.5 billion older people in the world.

One in four older people in low and middle-income countries do not have a pension, and most pensions are inadequate to meet individual needs.

As lives grow longer, older people must find sources of income. Many will work longer; some will start businesses. Traditional family-based strategies will be stretched to or beyond their limits.

Client protection is an important consideration for older people since they are especially vulnerable to fraud and abuse.

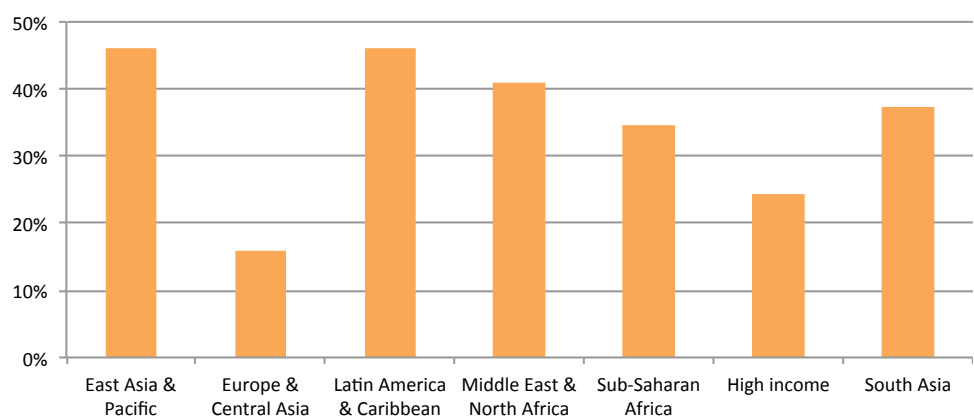
With slowing birthrates and rising life expectancy, older people will soon be the fastest growing population segment in the world. In fact, this segment is already the fastest growing in many middle-income economies. By 2020, the number of older people in the world will be 40 percent higher than in 2010 – totaling more than 710 million people. These fast-rising numbers will require significant changes in the way societies respond to later life.

An Overlooked Need

Individuals need to begin preparing financially for older age well before they reach it, and well-crafted financial services can play a key role.

Needed financial services include savings accounts, pensions, small loans for home accessibility, access to business loans later in life, health and life insurance, and intergenerational transfers of assets. Financial services providers have the opportunity to create relevant products for this growing market. Governments also play an important role in preparing societies for population aging. But for those at the base of the pyramid globally, government support must be supplemented by private strategies. For older people at the base of the pyramid, retirement is not typically an option, despite the necessity of a slowed work pace. And with smaller families, individuals can no longer count on their children to take on their care, though intra-family transfers will continue to be very important. One in four older people in low and middle income countries do not have a pension, and in many lower-income countries, pension systems are inadequate to secure minimum financial security for a broad range of people. Yet, savings by most adults at the base of the pyramid are far below the level needed for an expected period of retirement or an ability to pay for medical care. In many countries that have pension systems, responsibility is shifting toward cooperation of the public and private sector to create a more effective set of offerings, and individuals must be educated and encouraged to save and invest more.

Percent Rise in Older People by Region, 2010-2020



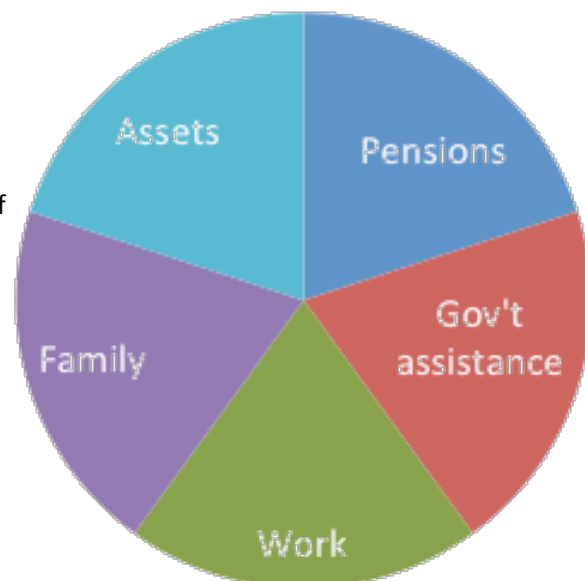
Income Streams for Older People Are Varied and Unpredictable

In most parts of the world, older people are not likely to have the resources to stop working, although they may have to adjust their work. The income streams that older people rely on often come from a variety of places, including pensions, work, family, and assets already owned. These sources are often informal.

The varied income strategies that older people employ have implications for their financial services needs, especially since their expenses may be unpredictable. Savings and credit may be important for making sure that there are not significant income gaps. Insurance is critical to mitigating financial shocks, especially those related to health.

In many contexts, financial service providers discriminate against older people through the imposition of age limits, sometimes mandated by law and sometimes in an organization's policies. Age limits for credit or microinsurance mean that older people have limited options in their financial management and income. Many of these discriminatory practices are based on longevity expectations that are no longer relevant, as life expectancy has risen. Many people could be (and need to be) economically active for 15-20 years after reaching age 60. Moreover, blanket age limits do not consider the individual needs and abilities of older people.

While older people can be excellent financial services clients, some accommodations may help. Some older people have physiological issues, such as decreasing vision, mobility or dexterity, or lack of comfort using newer technologies. In high-income countries, fraud and financial abuse have emerged as problems that disproportionately affect older people. Client protection efforts that pay specific attention to the needs of the older people could aid in correcting this problem.



Data Sources: Qualitative data: Conversations with representatives from World Granny, HelpAge, Opportunity Romania, Age UK, AARP, Dignity Foundation, Eurofound, Micro Pensions, Consumers International, the Sapienza University of Rome, the National Community Reinvestment Coalition, and the Consumer Financial Protection Bureau. Quantitative data: Age data come from the United Nations 2010 and the World Bank 2013, financial services data come from the World Bank 2011.

About HelpAge

HelpAge International is a non-profit organization and a global network of over 100 affiliated organizations in 70 developing countries, which work together to improve the lives of older people. We work to ensure that older people are included in international development and have access to emergency relief, income security, health services and human rights. HelpAge USA, the US-based affiliate, raises awareness about global aging and works with our global network of affiliates and partners to implement programs and policies that address the needs of older people in the world's poorest communities. To learn more about HelpAge, visit www.helpageusa.org.

About the Center for Financial Inclusion

The Center for Financial Inclusion at Accion (CFI) is an action-oriented think tank working toward full global financial inclusion. Constructing a financial inclusion sector that reaches everyone with quality services will require the combined efforts of many actors. CFI contributes to full inclusion by collaborating with sector participants to tackle challenges beyond the scope of any one actor, using tools that include research, convening, capacity building, and communications. For more, visit www.centerforfinancialinclusion.org