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Aging Gracefully: Emerging Issues for Public Policy and Consumer Welfare

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Abstract

To be an aging consumer in a youth culture means facing several challenges, including maintaining self-esteem in the face of negative media portrayals, redefining the meaning of being sexually active, coping with vulnerability, planning for retirement and investing for the final years. Despite tremendous differences and contradictions among aging consumers, many policymakers take a narrow, single-minded approach to issues of consumer welfare and public policy, which fails to address the wide variation among members of this group.

Few people know how to be old.
- La Rochefoucauld (*Stack 2005*)

A critical question regarding aging consumers is: What does it mean to be an aging consumer in a youth culture? Probing this issue leads to many more questions: How do aging consumers reconcile their increasing years with the value put on youth? How do they maintain their self-esteem when they perceive that others want to put them “out to pasture”? How do aging consumers feel valued when media images exclude them in favor of the 18–49 demographic? How do they cope with negative portrayals such as physical and mental decline, unattractiveness and loss of independence when they encounter images of their own demographic group?

One of the challenges that aging consumers must face is abruptly being perceived as “old” once they attain a certain age. Upon turning 50, many consumers who still regard themselves in their prime are dismayed, even insulted, to discover they are on the mailing list of AARP. Furthermore, researchers have found that people 50–59 years old have experienced more life-changing events than in any other decade of their life (e.g., care for a parent, the return of an adult child to the home, retirement, loss of a parent), which prompted **Silvers (1997)** to call the “50-something” the “50-anything.”

This leads us to another important question: When do consumers become senior citizens? Various retailers offer senior citizen discounts, but some do so as early as age 50 whereas others wait until consumers become 55, 60 or 65. Although marketing factors determine the age when senior citizen discounts are offered, the variation leaves consumers uncertain as to what point others perceive them as old. Accepting a senior citizen discount may offer attractive savings but can also result in a loss of self-esteem at being identified as a senior.

Though the descriptors vary, terms such as seniors, aged, old, mature, elderly and the gray or silver population all carry some degree of mental baggage for aging consumers. Some researchers have approached the topic of old age chronologically (**Long 1998**) with segments such as “young old” (55–64 years old), “mature old” (65–74 years old) and “old old” (75 years and older). Others have found that segmentation is better accomplished through psychographics, life-changing events and experiences. For example, **Moschis (2003, pp. 521–522)** separates aging consumers into four segments: “healthy hermits” (those who reacted to life events by withdrawing psychologically), “ailing outgoers” (those who maintain positive self-esteem while accepting their old age status), “healthy indulgers” (those who have experienced the fewest life-changing events) and “frail recluses” (those who have experienced a large number of life-changing events associated with physiological, social and psychological aging). Regardless of the strategy for segmentation, we must question what it means to consumers' self concept when they are segmented by old age categories or by lifestyles of the aged.

One factor to consider is that many consumers do not feel their chronological age. **Myers and Lumbers (2008)** interviewed older consumers, who reported that they are staying younger longer and taking longer to age. These participants regarded themselves as more fit and active than their parents were at the same age and also perceived themselves as a decade younger than their actual age. Thus, it comes as no surprise that roughly 50% of the male consumers in North America, Asia Pacific and Europe consider the 60s as the new middle age (**Souiden and Diagne 2009**).

Our challenge with terminology may be a function of uncertainty regarding the effects of aging. Is decline inevitable with age? Are aging consumers in denial when they perceive themselves as youthful? Have negative media portrayals presented aging consumers with a self-fulfilling prophecy? **Kohlbacker, Prieler, and Hagiwara (2011)** report a significant underrepresentation of older people in advertising and further conclude that when older consumers are depicted in ads, many see themselves portrayed as socially inactive and unproductive or otherwise stereotyped. They are noticeably absent in ads for food and beverages but are present and accounted for in ads for health-related products, medicines and insurance. The negative influence of the mass media is a dual problem in that it not only leads to ineffective marketing approaches (**Robinson et al. 2003**) but also raises concerns about social responsibility and the need to improve cultural perspectives on aging (**Rotfeld, Reid, and Wilcox 1982**).

Perception is so instrumental to interpreting events that researchers have long investigated strategies for transitioning to new roles. Because transitions can evoke powerful and stressful emotions, the coping literature identifies strategies for negotiating and adapting to major life challenges (**Lazarus and Folkman 1984**). For example, **Hopkins, Roster, and Wood (2006)** identified four primary transitions to retirement: making a new start, continuing the pre-retirement lifestyle, disrupting a meaningful lifestyle and transitioning to old age. The first two segments apply to consumers who regard retirement favorably, either as a fresh start or an opportunity to be more invested in activities they already enjoy. The latter two segments apply to consumers who regard retirement negatively, either as a significant loss of self-identity that is imposed upon them, or a time to wind down rather than to start new things. Thus, the meaning of retirement in a youth culture can mean different things to different consumers and can trigger varying coping strategies.

A different coping strategy in the transition to aging consumer is the alteration of one's appearance. Consumers who attribute great importance to youthfulness find signs of physical aging problematic. Such consumers seek ways to slow down the aging process or try to project a youthful appearance through the consumption of grooming products. **Coupland (2007)** concludes that advertising messages effectively convey the undesirability of signs of age and communicate to consumers that they must either assume the responsibility of staying young looking or must disguise physical aging.

AGING IN THE MARKETPLACE

Accounts in the popular media suggest that the associations with aging, particularly for Baby Boomers, evoke both denial and angst. The truth is that certain changes in cognitive and physical abilities are inevitable with age. Cognitive psychologists have suggested that over time, fluid intelligence or the ability to process information, tends to decline (**Cattell 1987**). Because of these effects of aging, policymakers and consumer advocates worry about older consumers' abilities to navigate the rapidly changing marketplace.

At the same time, crystallized intelligence or the body of accumulated knowledge and skills, can improve with age (**McGrew 2005**). Recent research also suggests that while complex decision processes may be more of a challenge as individuals age, intuitive decision capability is often unaffected by age (**Queen and Hess 2010**). **Yoon, Cole, and Lee (2009)** argue that future research needs to explore the circumstances under which crystallized knowledge can compensate for declining processing capabilities.

Thus, there are a number of areas in which age and experience have particular benefits, and other areas that may warrant policy attention. Several issues have been brought to the forefront by the current economic crisis and its effects on the financial well-being of aging consumers.

Members of the Baby Boomer generation are likely to remain in the workforce longer than previous generations, are more resistant to layoffs, and are often preferred by employers due to their knowledge, skills and work ethic (**Mermin et al. 2008**). According to **Yang and DeVaney (2011)**, individuals who reported that they would continue to work even if they did not need the money were more likely to engage in retirement planning activities, and thus, these consumers are also likely to continue to access credit and investment markets. However, once unemployed, these older individuals remain out-of-work, on average, longer than their counterparts (**Mermin, Johnson, and Toder 2008**). According to Vanguard, hardship withdrawals from 401K plans increased by 49% between 2005 and 2010. At the same time, allegations of age discrimination are widespread. According to a U.S. Equal Employment Opportunity Commission report, in 2010, nationwide filings of workplace discrimination charges reached an unprecedented high. These periods of unemployment can place an additional burden on retirement savings.

The recent economic crisis has sparked concerns about retirement planning, due to declines in stock prices and in particular, home values. In 2007, consumers in the over 50 segment held approximately 41% of all mortgages

in the United States (**Shelton 2008**). However, homeowners in this age category are more likely to hold high-interest, subprime mortgage loans, and as a result, are significantly more likely to face foreclosure. Households headed by someone 50 or older account for approximately 28% of all delinquencies and foreclosures (**Shelton 2008**), and bankruptcy filings among debtors over the age of 55 have been on the rise (**Institute for Financial Literacy 2010**). As a result, financial counseling, loss mitigation, loan refinancing, borrower “work outs,” and other efforts to prevent financial distress, may need to be tailored to meet the needs of aging consumers. However, currently, lender-based servicing operations, as well as government, legal aid and community housing organizations, are overwhelmed with demand for services to support troubled borrowers from all age groups.

In addition to these disturbing financial trends, many researchers argue that the existing housing stock is inadequate and/or too expensive to accommodate the aging population (**Matthews and Turnbull 2008**). It is also worth noting that many consumers wish to “age-in-place”—i.e., to remain in their existing homes and communities. It is unclear to what extent and in what direction these trends will affect mobility and housing quality.

According to socioemotional selectivity theory, older individuals invest greater resources in emotionally meaningful activities. In addition, older individuals tend to place more emphasis on positive vs. negative information (**Carstensen 1993**). This may explain, in part, the tendency of older consumers to delegate decision making (**Yoon, Cole, and Lee 2009**). A recent study on how older consumers search for information about home and financial services found that often only one service provider was identified before making a decision, and that participants typically relied on friends and other professionals for referrals (**Nasco and Hale 2009**). This is consistent with other evidence suggesting that older consumers are more brand loyal and are more likely to rely on heuristic processing, i.e., decision shortcuts (**Yoon, Cole, and Lee 2009**). This can pose a challenge to aging consumers as technology changes the way that transactions in the business environment occur. A particular concern is that because older consumers are less prone to gather information or conduct business via the Internet, they may be more likely to defer to familiar, more personal sources. Assessing the credibility and trustworthiness of these sources requires additional cognitive resources. Thus, policymakers and regulators need to monitor likely agents for deceptive or fraudulent practices.

The Dodd-Frank Financial Reform Act of 2010 created the U.S. Consumer Financial Protection Bureau, whose mission is to improve the provision of information to consumers about risks and costs of financial products (**cfpb.gov**). One of the key challenges in designing effective information disclosures is the fact that “one size fits all” is often the default approach. Thus individual differences in information acquisition and use, such as those associated with aging, often go unaddressed. According to **Leet al. (2011)**, these concerns are prevalent in financial services advertising as well. An important area for future research will be to understand how products, information and distribution channels can be designed to better accommodate the aging consumer segment. Given the state of the economy, issues surrounding employment, financial services and marketing practices for aging consumers will continue to be a critical policy priority.

What can we conclude about the key issues that face aging consumers and their implications for consumer welfare and public policy? There are various other questions related to aging that all impact marketplace abilities, interests and behavior, such as: what it means to be sexually active at 50+ (**Morton, Kim, and Treise 2011**); how consumers organize their investments to plan for the “final” years (**Yang and Devaney 2011**); the effects of being perceived as vulnerable (**Moschis, Mosteller, and Fatt 2011**) and the circumstances under which older consumers actually are vulnerable (**Griffiths and Harmon 2011**). One conclusion is that there are substantial problems with taking a single-minded approach to issues within this widely varied group because there are many contradictions.

Some consumers endeavor to resist or delay the aging process, while others take active steps to manage unforeseen consequences. It is widely accepted that aging is associated with declining cognitive abilities in some areas, but it is less appreciated that some cognitive abilities improve with age. Baby Boomers are often preferred by employers but allegations of age discrimination are widespread.

Many older consumers have planned well for retirement and hold great wealth, yet changes in the economy have led to increased foreclosures and hardship withdrawals. These differences in the circumstances of aging consumers may be at odds with the way that researchers and policymakers have traditionally approached growing old.

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