

# RETIREMENT MANAGEMENT JOURNAL

*A reprinted article from Volume 11, Number 1, 2022*

## **BOOK REVIEW**

*Demographics Unravelled: How Demographics Affect and Influence Every Aspect of Economics, Finance and Policy*

BY AMLAN ROY

*Reviewed by Michael Zwecher, PhD*



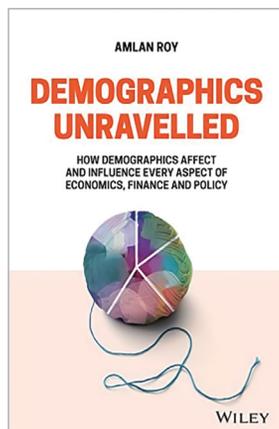
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# Demographics Unravelled

## How Demographics Affect and Influence Every Aspect of Economics, Finance and Policy

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In the introduction to *Demographics Unravelled*, author Amlan Roy stresses the following proposition:

*Demographics affects the income statement and balance sheet of every household, every company, every industry, and every country. This is because consumers and workers are the core of revenues and costs of every producing unit, be it at the household level or company level or industry level or national level.*

This fragment sets the tone for the book. First, it shows that Roy is explicitly considering a general-equilibrium style model where consumption and production are interlinked. While embarking on this ambitious goal, Roy makes every attempt to keep the reader engaged by providing intuitive explanations and accessible data representations.

The purpose of the book is to explore and explain some of the wider issues related to demographic determinants of behavior, particularly at an aggregated level, as well as policy design and the impact of policy choices. This is not a book geared toward the problem of retirement, but it contains solid insights that practitioners and academics working in the retirement space will find useful.

Roy does a good job of finding a level that is engaging, useful, and informative. Many of the data representations in the book

will be new to those not steeped in demography. The book provides an engaging walk-through of a variety of demographic data and views from the perspective of demography in relation to economic phenomena. In that sense, it may make a welcome addition to a library where occasional reference to demographic information, demographic issues, or a more general demographic view is desired.

The book is organized into eight chapters, each providing a survey of a topic for which the reader may want to take a deeper dive.

Chapter 1 provides an introduction to the topics, highlights the upcoming chapters, and argues the basic case of why this material is of interest to those who work in the retirement space, either in policy, wholesale delivery, or retail delivery.

Chapter 2 provides an overview of demographic trends, both in the United States and selected other countries around the world. One aim here is to explore how countries that seem similar on the outside, e.g., the Scandinavian countries, face a variety of demographic currents that make for important differences beneath the surface, including urbanization, migration patterns, and age of first marriages, among other topics.

Roy's book, it should be emphasized, has a wide scope. It is not a book about the aging of the population and the implications of those changes for demographics. It is a book that relates all aspects of economics, finance, and policy to differing demographic realities across nations as well as evolving demographics within nations. However, one topic that I wish had been explored in more detail is the interplay between the overall trend to urbanization, particularly among those operating in their most productive years, and policy opportunities for the part of the population that may be seeking both vibrancy and pastoralization.

Chapter 4 relates demographics to asset prices, particularly real assets such as single-family homes. Of course, real assets are not the only focus. There is a discussion of debt instruments and bond yields varying with demographic characteristics. There also is a fulsome discussion of the impact of hypothe-

sized equity drawdown, a staple of many gloomy articles suggesting that demographic changes are likely to lead to diminished demand for equity securities, at some point. Fortunately, Roy provides a balance of arguments here.

Much of the chapter remains on firm ground, relating demographic changes and the demand for particular asset types, e.g., single-family housing. The harder part is trying to relate short-term asset price movements to demographic changes. Of course, some events may trigger responses that impact demographic groups differently, and some responses may make for short-term opportunities, but it's hard to position strategically for any tactical gain that likely will arise without warning.

Chapter 5 is devoted to the topic of longevity and health, in particular the difficulties for long-term planning, both at the individual level and at the public-policy level. This is an exceptionally timely chapter given the recent experience with COVID and the ever-present potential for future pandemics. Managing the risk of the evolution of future health- and longevity-related obligations is difficult, and Roy highlights some of the difficulties.

This chapter contains some optimistic notes. For example, several of the leading causes of death are now both more controllable and less likely to lead to long, and expensive-to-treat, debilitation preceding death. For example, the effects of childhood malnutrition, high blood pressure, or smoking can now be treated with relatively simple and very cost-effective actions—with nutrition assistance for children, medications that can control conditions that can lead to debilitation or death, and the promotion of lifestyle changes that pay off nearly immediately.

Chapter 6 is concerned with exploring the impact of demographic changes on the collective world of pensions. Here, importantly, the focus widens beyond the United States and provides some interesting highlights about pension funding, hybrid pensions, and planning from other nations.

After a brief history of the U.S. pension and retirement market that most American readers will find familiar, there are some interesting comparisons with the rest of the world. For example, comparing the normal age of retirement with the statutory ages invites some nice cross-country benchmarking.

Though not presented as such, Roy provides information in chapter 5 on longevity, and in chapter 6 on income-replacement rates of state pensions, as well as poverty rates among older age groups that are useful for level-setting at a

macro level. It would be very interesting to see in more detail the decomposition of post-retirement income into state-funded versus self-directed components, and whether the countries with expansive self-directed pensions but meager state-funded pensions fare better, on average, than those nations with expansive state-funded pensions but less-expansive programs for self-directed funding.

Chapter 7 focuses on demographic issues of gender, human capital, governance, and quality of life. Some of the metrics used here are not traditional pecuniary metrics; the chapter provides an interesting tour through demographic differentials and how the mix of old and young cohorts, with different views on the importance of sustainability, impact policy discussions and policy choices.

As an example of the interplay among longevity, health, and gender, Roy examines how women enjoy greater longevity at a cost, because the incidence of Alzheimer's is a function of both longevity and gender, both of which can diminish the beneficial effects of the nutrition, medication, and lifestyle changes noted above. This has implications for policy planning, individual long-term-care choices, and insurance pricing—as well as quality of life.

Chapter 8 ties together and summarizes the previous chapters, discussing how globalization, technology, geopolitics, and politics will possibly interact to influence behaviors and outcomes. In summing up, Roy repeats the point that demographics is not about age alone but about all of the characteristics, both immutable and changeable, that determine the prosperity, vibrancy, and sustainability of a nation and its people.

In all, Roy (2022) is a valuable addition to the bookshelf of retirement professionals. The book's high-level view will be of primary benefit to those in the policy or macro space who are a layer removed from retail clients. However, as a clearly written tour through the demographic issues of the retirement problem, it will be of benefit to many of those who work anywhere along the retirement chain. ●

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## REFERENCE

Roy, A. 2022. *Demographics Unravelled: How Demographics Affect and Influence Every Aspect of Economics, Finance and Policy*. John Wiley & Sons.



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