



8 Expert Opinions



Forecasts for the Next 35 Years

CNN Money.com

8 forecasts for your financial future

Money

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

[< BACK](#)
[NEXT >](#)

1 of 8

John C. Bogle on: The future of financial services

The U.S. share of the world stock market will drop by half.

The next few years will be all about lower fees and better disclosure, both of which will be great for individual investors. We've already seen lower-cost managed funds and very low-cost index funds become popular, but expect them to become even more dominant.

That's because more people will begin to realize that low transaction costs are the ultimate consumer benefit: They put more money in your pocket without additional risk. You'll also see financial service firms lower fees for other products, including life insurance, banking and mortgages, in order to compete more effectively for your business.

As for better disclosure, we'll soon see the devastation wreaked on families who were not adequately warned about the risks of adjustable-rate mortgages. That will prompt a public outcry for full disclosure of borrowing costs. The public will also demand full disclosure of costs and risks (including the risk of inflation) for mutual funds, annuities and other savings accounts.

All this has major implications for the financial services industry. Financial services is currently the most profitable sector in the S&P 500 - its share of corporate earnings rose from 5 percent in 1980 to an estimated 33 percent in 2007 - but that can't continue. With low-cost pressures increasing, the profitability of this sector will inevitably diminish.

Thirty-five years from now, the way we put our money to work will be radically different. We'll learn from experience and focus on the wisdom of investment rather than today's foolish (and costly) focus on the folly of speculation. Most of us will buy and hold a diversified portfolio of corporations for the long term. We'll do far less swapping of pieces of paper with one another, as we do today in trading stocks back and forth, in hedge funds, in exchange-traded funds, and in complex derivative securities.

Look for the Dow Jones Average to reach around 70,000 in 2042 - but realize that's only about 28,000 in today's purchasing power, a modest double. As the economies of China, India, and Southeast Asia surge, the U.S. share of the value of the world stock market, now nearly 50 percent, will decline to 25 percent. That means your investment portfolio will no longer be largely local, but truly global.



FROM UNIVERSITY OF PENNSYLVANIA

John Bogle is the founder of Vanguard, an investment-management firm that introduced the first index mutual fund.



John
Bogle



Chris
Mayer



Margaret
Regan



Paco
Underhill



Ray
Kurzweil



Uwe
Reinhardt



Jason
Furman

[MORE >](#)

8 forecasts for your financial future

Money

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

[< BACK](#)
[NEXT >](#)

2 of 8

Chris Mayer on: The future of real estate

"Superstar" cities will become even more unaffordable.

Over the next five years, the housing market will face major challenges as the mortgage market recovers from a credit crunch caused by irresponsible subprime lending.

But the slump won't last forever. After all, the major driver of the national housing boom was record-low interest rates. If rates stay low, Americans have jobs, and mortgages are available at reasonable terms, the housing market will stabilize.

And in 35 years? I think housing will reflect three key trends:

The aging population According to the Census Bureau, more than one-quarter of American adults will be over age 65 by 2040. Their plans, more than almost any other factor, will change the face of housing.

Some of the newly retired are now millionaires - not because they saved much money, but because they bought a house in the right place at the right time. So there will be huge growth in retirement communities in scarce and beautiful locations, such as the Gulf Coast, Florida, Arizona, and California, with rising prices to match.

Increasing differences between the haves and the have-nots The rich, and their houses, will likely continue to get richer. "Superstar" cities that have led the nation in house-price appreciation - cities like San Francisco, New York, Los Angeles, Boston - will become ever more attractive to the best educated and wealthiest Americans, with house prices rising to match.

In 35 years it will be tough to find any neighborhood in these cities that hasn't become gentrified. With a limited supply of new housing and great amenities, it is hard to envision the rich moving away from these superstar cities. You're not rich? Those places will be even less affordable for you than they are now.

Globalization We all hear that the world is getting flatter. Sooner or later, the housing market will have to do the same. That means rising house prices abroad - a mixed blessing for you.

On the plus side, you'll snap up vacation homes south of the border in Mexico, the Caribbean, and beyond, and watch them appreciate. You may well retire there.

But globalization also means that people around the world will be richer. So they'll start to compete with you to buy and live in the best locations all over the globe - including those superstar cities we just mentioned.

However, house prices in many cities in the U.S., such as Houston, Detroit, and St. Louis, will likely remain affordable.



COURTESY: COLUMBIA BUSINESS SCHOOL

Chris Mayer is the director of the Milstein Center for Real Estate at Columbia University.



John
Bogle



Chris
Mayer



Margaret
Regan



Paco
Underhill



Ray
Kurzweil



Uwe
Reinhardt



Jason
Furman

[MORE >](#)

8 forecasts for your financial future

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

Money
[< BACK](#)
[NEXT >](#)

3 of 8

Margaret Regan on: The future of work

Goodbye wired desks. Hello wearable wireless networks.

Five years from now, the phrase "chained to your desk" will sound positively antique. You may be spending only 40 percent of your workday in the office, 40 percent at home and 20 percent in the "third place" - Starbucks, the park, your local Internet café, or, really, anywhere, because wireless connections will be ubiquitous.

PDAs and other devices will make the blurring of work/life boundaries even more common than it is today. You'll "attend" meetings, participate in business learning simulations, travel to distant places, and create digital clones or avatars to be your representatives in virtual worlds. You will be judged not by the time you put in, but by the results you produce.

As the boomers decide to rewire instead of retire, your work team will consist of four generations - creating "gray ceilings" for Generations X and Y waiting to move up. Those younger generations will increasingly insist on meaningful work that is done anytime and anyplace, using the technology they grew up with. Time will become the new currency, and for many younger people it will serve as a tradeoff for money.

With the U.S. facing a talent shortage, your organization may be made up of ad-hoc networks of workers around a small core. Many workers will be free agents, selling their services and negotiating pay through an international network of brokers - some of the outsourced HR people of today.

But nothing will compare to the surprises waiting for you in 35 years. By 2042, there will be no "workplace" as we know it. Goodbye wired desks; hello wireless personal wearable networks. It will be difficult to even talk about your "dream job" since 70 percent of the job types you might pursue do not exist today, and 80 percent of the technology is not invented yet.

Your younger colleagues will have 10 careers in their lifetime, so loyalty will be to the profession, not to the employer. Work will feel like a Hollywood movie in which managers, directors, and team members come together around a specific project, collaborate intensely and then disband. The new employment contract will say, "I will stay as long as it's a good deal for me."

The jobs that do exist will demand problem-solving, managing teams of global virtual people, and creating new ways to make life easier. To get the work done, outsourcing and "homeshoring" will be common. Some of you will outsource some of your work to concierge-type assistants in India and other countries who will perform tasks while you sleep.

In short, flexibility will mean "my job, my way" - flexibility with your time, the content of your work, and the pace of your career. The benefits that employers offer will change dramatically too, to a "my perks, my way" approach. One size will not fit all four generations.



COURTESY: THE FUTUREWORK INSTITUTE, INC.

Margaret Regan is the president and chief executive of the FutureWork Institute, a research and consulting firm in Brooklyn, N.Y.



John
Bogle

Chris
Mayer

Margaret
Regan

Paco
Underhill

Ray
Kurzweil

Uwe
Reinhardt

Jason
Furman

[MORE >](#)

8 forecasts for your financial future

Money

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

< BACK

NEXT >

4 of 8

Paco Underhill on: The future of shopping

Out of milk? Send your icebox to the supermarket

Need food? Ten years from now, you won't have to go to the grocery store. Your appliances will order for you. So-called smart kitchens and smart laundry rooms, today found only in high-end concept houses, will be common in newly constructed middle-class homes.

They'll be equipped with high-tech sensors that will be able to tell when your staples of choice - Tropicana orange juice with lots of pulp, Tide high efficiency detergent, no-fat Dannon yogurt - are running out (or going bad), and will automatically alert your local supermarket to replenish them.

In 35 years, most of your other shopping tasks will be done via personal computing devices. Imagine a phone, laptop and wallet, all in one tiny gizmo, the workings of which - for security reasons - will be placed on a chip under your skin.

Increasingly globalized and more efficient manufacturing will mean that new-and-improved versions of products will be available almost continuously. Shopping will be all about convergence: More stuff, available faster and easier for you to buy (or rent, as the case may be).

Not everything will be automated, though. The joy of a farmers market is not going to disappear, nor will your interest in things local and organic. You'll continue to shop in person, but only when doing so gives you pleasure.

In terms of the sheer volume of stuff you'll be consuming in 35 years - well, that has to drop significantly. Our landfills, our forests and our planet won't be able to sustain Americans' current habit of buying cars, computers and appliances just because they want to upgrade rather than because the products no longer work.

You (and everyone else) will be much more conscious of not creating waste. One result: There will be an explosion of super-efficient secondary markets - the next generation of Craigslist and eBay - where you'll buy, sell, and trade items you no longer want or need.



COURTESY: ENVIROSELL

Paco Underhill, the author of "Why We Buy" and "The Call of the Mall," is the president and founder of Envirosell, a research and consulting firm in New York City.



John
Bogle



Chris
Mayer



Margaret
Regan



Paco
Underhill



Ray
Kurzweil



Uwe
Reinhardt



Jason
Furman

MORE >

8 forecasts for your financial future

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

[< BACK](#)
[NEXT >](#)

5 of 8

Ray Kurzweil on: The future of personal technology

Cell-sized robots will keep us healthy from the inside out.

About five years from now, tiny computing and communication nodes will be everywhere. The electronics we need will be woven into our clothing. We will have a very high bandwidth wireless connection to the Internet at all times.

Images will be written directly to our retinas from our eyeglasses, creating high resolution virtual displays. These displays will be able to overlay the real world and create an augmented reality - for example, information bubbles that pop up to remind us of people's names and birthdays.

Your search engine of choice will listen to your conversation and won't wait to be asked what to do. If it hears you wonder about "that actress, who played the princess in the early 'Star Wars,'" a popup will appear, saying, "Carrie Fisher played Princess Leia in episodes 4 through 6."

These displays will be able to replace real reality to create full-immersion virtual reality. Increasing numbers of Americans are already spending time in virtual worlds such as Second Life, with real economic transactions and real romance.

The cartoon-like visual presence of today's virtual worlds will evolve into highly realistic alternatives to real reality. That means you'll be able to overcome geographical distance at the touch of a (virtual) button, you'll have millions of virtual environments to choose from, and perhaps most interestingly, you can become someone else.

As amazing as that may sound, information technology will be a trillion times more capable (for the same cost) in 35 years. Scientists will have completed the reverse-engineering of the human brain, and we will apply the powerful methods of human intelligence to super-powerful computers.

The result will be a merger between our biological intelligence and the intelligent technology that we are creating. It will transform every aspect of our lives, from energy to our longevity. A few examples:

- We will meet all of our energy needs with nano-engineered (engineered at the molecular scale) solar panels that are very efficient and inexpensive. We'll need to capture only about 3 parts in 10,000 of the sunlight that falls on the Earth to meet all of our projected energy needs.
- Intelligent nanobots (robots the size of blood cells) will keep us healthy from the inside, augmenting our immune system and overcoming its many limitations. We will continually rebuild and rejuvenate our bodies at the cellular and molecular level, providing radical extensions to human longevity.
- Billions of nanobots will go into our brains non-invasively, through the capillaries, and interact directly with our biological neurons. This will provide full-immersion virtual reality from within the nervous system, incorporating all of our senses.

Most importantly, technology will vastly extend our minds. By 2042, the non-biological portion of our intelligence will be far more capable than the biological portion. From my perspective, we will still be human, because I don't define "human" by our restrictions. Rather, we are the species that routinely goes beyond our limitations. That is a very old story, but it will go into very high gear over the next 35 years.



COURTESY: KURZWEIL TECHNOLOGIES

Ray Kurzweil is the founder of Kurzweil Technologies, a research and development company in North Andover, Mass.

[< MORE](#)


Chris
Mayer



Margaret
Regan



Paco
Underhill



Ray
Kurzweil



Uwe
Reinhardt



Jason
Furman



Aubrey de
Grey

8 forecasts for your financial future

Money

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

◀ BACK

NEXT ▶

6 of 8

Uwe Reinhardt on: The future of health care

***For lower-middle class workers
the outlook is grim.***

The amount that Americans spend on health care per person is currently about \$7,500 per year, or 16.2 percent of GDP. In 10 years, it will be roughly \$13,600, or 20 percent of GDP. Part of that increase will undoubtedly be due to better medical technology that (theoretically at least) leads to better care. But will you be better off?

If you earn a good salary and have employer-paid health insurance, then yes. You'll have access to many new therapies only dreamt about in 2007, and your out-of-pocket costs, while higher, will still be tolerable as a percentage of your disposable income.

Your employer will reduce your take-home pay by roughly the amount it's paying for your insurance premiums, and you'll have to pay higher taxes for Medicaid and Medicare. Most Americans will be blissfully ignorant of these indirect costs.

If you're lower-middle class, however, the future looks dire. That's because health insurance ostensibly paid by employers must be borne by the employees' gross wage base.

In the jargon of economics (hang in with me here), an employee's gross wage base is the price of labor in the marketplace, or the sum of all debits the employer makes to the payroll expense account.

For lower-income people, the gross wage base per worker is expected to rise only about 3 percent a year over the long term. At the same time, private health insurance premiums will rise somewhere from 5 percent to more than 15 percent per year.

That means for more and more moderately paid workers, the gross wage base will become too small a donkey to carry the rapidly growing burden of employer-paid health insurance and out-of-pocket spending. Millions of families headed by these people - hard-working waiters, taxi drivers, sales clerks - will join the ranks of the uninsured. They are sailing into a perfect storm.

I see two options to address this problem. Americans in the upper third of the nation's income distribution could subsidize (via added taxes) the health care of everyone else. Or the U.S. could restructure the health-care system so that it rations health care by income class. Which will you vote for?



COURTESY: UWE REINHARDT

Uwe Reinhardt is a professor of economics and public affairs at Princeton University.

◀ MORE



Margaret
Regan



Paco
Underhill



Ray
Kurzweil



Uwe
Reinhardt



Jason
Furman



Aubrey de
Grey

8 forecasts for your financial future

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

[< BACK](#)
[NEXT >](#)

7 of 8

Jason Furman on: The future of social security

Look for a fix - but with fewer benefits and higher taxes.

Wondering what it will be like to retire in five years? If you're the typical hard-working middle-class to upper-middle-class American, you'll probably be eligible for about \$25,000 a year in Social Security benefits - not much, but enough to provide a financial cushion. You'll likely also receive Medicare, with the choice of the government-run plan or enrolling with a private insurance company.

If you are retiring in 35 years, forget all that. According to the latest predictions by the Social Security Trustees, if the government does not take action, the Social Security trust fund will be exhausted in 2042. (That doesn't mean Social Security would be gone forever. Even if no changes are made, the program would still collect enough payroll taxes that year to pay 75 percent of scheduled benefits.)

Medicare will be deeper in the red. The trust fund that covers hospital insurance will be long gone (in 2019, according to the latest projections), so the government will have to devote a larger and larger share of the budget to pay for it.

Before you panic, know that events won't unfold like this. Social Security and Medicare are both popular programs, which means they will both be around in 35 years. Sometime between five and 35 years from now, Congress will pass a Social Security fix. (Given that the last major fix passed in 1983, just months before the trust fund was to be exhausted, I suspect it might be closer to 35 years from now.)

As you might expect, this fix will likely include benefit trims and revenue increases. Some of the revenue increases will likely be in the form of higher taxes on high earners - probably extending payroll taxes past the current cap of \$97,500. But extra revenues from high earners will not be enough to pay for the benefit levels that Democrats want. Meanwhile, Republicans are unlikely to support higher payroll tax rates.

One plausible compromise: Any additional revenue would come in the form of mandatory, add-on contributions to individual accounts. For example, everyone would be required to invest an additional 3 percent of his or her pay in a limited set of diversified stock and bond funds that are automatically turned into an annuity at retirement.

That would be a profound change for the one-third to one-half of families who are saving too little and have no exposure to the risks and rewards of the stock market.

That would be a profound change for the one-third to one-half of families who are saving too little and have no exposure to the risks and rewards of the stock market.



COURTESY: THE BROOKINGS INSTITUTION

Jason Furman, an economist and former policy adviser to the Clinton Administration, is a senior fellow at the Brookings Institution.

[< MORE](#)


Paco
Underhill



Ray
Kurzweil



Uwe
Reinhardt



Jason
Furman



Aubrey de
Grey

8 forecasts for your financial future

Money

You've come a long way since Money Magazine first hit the stands 35 years ago. So what do the next 35 years have in store for you and your wallet? We asked eight experts for their predictions.

◀ BACK

NEXT ▶

8 of 8

Aubrey de Grey on: The future of old age

Get older without feeling older.

Many of us fear old age because we dread the problems that so often accompany it: frailty, disabilities, dependence. If you're a baby boomer caring for an ailing parent, you've probably seen all this up close.

And, as anyone who suffers from age-related debility or cares for such a person knows, the social, psychological and economic costs of those last years of life are astronomical. But in 35 years - when the youngest boomers turn 78 - things may well be totally, utterly different.

Ask most people in middle age how long they expect to live, and they'll guess roughly their parents' age at death, but this is pessimistic. In the past 50 years, average lifespan has risen by around two years per decade. That's been happening not through our increasing ability to keep frail people alive, but through postponing the age at which most people descend into frailty in the first place.

The time a typical American spends with mild disability has substantially shrunk, probably because better education and prosperity can affect that stage of aging quite powerfully. In the coming years, there is every reason to expect that trend to continue.

Ultimately, our bodies fail us in old age because of microscopic problems that have been accumulating throughout life. For a few decades our metabolism can work around them, but eventually they become too numerous, and we start going downhill.

As scientists learn more about these changes and about how to repair them, we'll significantly postpone the age at which severe physical and mental debilitation emerges. Eventually we'll be able to wave goodbye to the debilitation of aging altogether, because we'll postpone its onset faster than time is passing.

With advances in medicine, there's no reason why we can't move gains in average lifespan from 2 years per decade to 10. The result: a longer life and a much healthier one. If we push the relevant research forward as fast as possible, I estimate that we have a good chance of achieving this within 35 years. If not, it's mainly Gen X and beyond who will benefit.

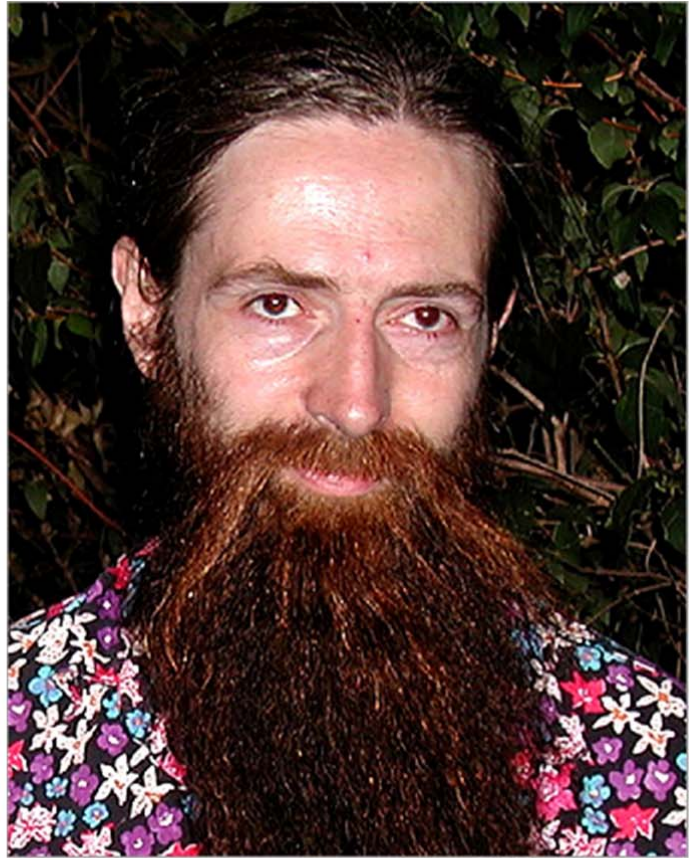


PHOTO: KEVIN PERROTT

Aubrey de Grey is a biomedical gerontologist in Cambridge, UK.

◀ MORE



Ray
Kurzweil



Uwe
Reinhardt



Jason
Furman



Aubrey de
Grey