

How Investors Can Profit Off Aging Baby Boomers

By **JULIE HALPERT**, The Fiscal Times July 1, 2011

If you were seeking safe stocks for your portfolio even a few years ago, your financial adviser might have recommended stalwarts like Kraft AT&T or Coca-Cola. But looking into the future, popular picks are more likely to include generic drug makers than junk-food companies.

Baby boomers have dominated the economy for the last 25 years, earning – and spending – more than any previous generation. But as seventy-seven million boomers consider retirement over the next two decades, they're likely to earn less overall and spend their money differently. That big silver wave will create challenges for the overall economy – and huge opportunities for individual investors who can figure out what they'll want next.

The **housing crisis** and **shaky economic recovery** has derailed many people's retirement plans. Still, boomers will account for roughly 40 percent of U.S. spending in 2015 and drive growth in such industries as consumer electronics, clothing, home furnishings, restaurants and health care, according to a report by McKinsey Global Institute.

Even though independent-minded boomers are likely to put their own **stamp on retirement**, experts say there are a few things investors can bet on. By 2020, "you can be confident that aging boomers will have lots of financial assets, will need to live somewhere, will have time to travel and will have health care expenses higher than earlier in life," said Harry Moody, director of Academic Affairs at AARP. He points to health care, travel and hospitality, financial services and retirement housing as the four industries likely to prosper as the population ages.

"We think health care will obviously be the biggest beneficiary," says Michael Walliser, a vice president at Condor Capital Investment Management. He says as the knees and hips of once-active boomers wear out, companies that provide the replacement parts will grow. He recommends **Stryker Corp.** (NYSE: SYK), a manufacturer of artificial knees and hips, and **Zimmer Holdings** (NYSE: SMH), which also specializes in joint-replacement technologies. They're industry leaders, Walliser says, and have strong trading volumes.

Walliser also is a big fan of **Teva Pharmaceutical Industries** (NasdaqGS: TEVA), one of the world's largest generic drug manufacturers. As Medicare and other insurers seek lower-cost drug alternatives, "generic seems to be an area where everyone is concentrating their efforts," he says. Walliser also likes **Medtronic Inc.** (NYSE: MDT), which manufactures devices to help patients manage chronic diseases, including defibrillators, pacemakers and insulin pumps.

Paul A. Speargas, with WMS Partners, is fond of **Abbott Laboratories** (NYSE: ABT), the global provider of medical devices and pharmaceuticals. In general, he favors high-quality, large-capital stocks that are based in the U.S., but have global revenue. Abbott "is attractively valued and has a good history of increasing the dividend and growing earnings." Speargas puts **Johnson & Johnson**, (NYSE: JNJ) in the same category.

Financial services companies also will undoubtedly benefit from a big wave of retirees. Walliser of Condor Capital likes **American Express**, (NYSE: AXP) a powerful boomer brand that caters to high-income clients. **Blackrock** (NYSE: BLK) and **Goldman Sachs** (NYSE: GS) manage pension funds for large institutions, a business that's likely to grow as changing demographics force companies to commit more capital toward funding pension obligations. (BlackRock is part of a group of institutional investors who sued Bank of America over selling them toxic mortgage bonds, resulting in a \$8.5 billion settlement earlier this week.)

But the opportunities for investors aren't limited to the obvious industries. Investors should look at all areas where affluent boomers will spend their money, including luxury cars, cruise lines, and college classes, not to mention clothes for their grandchildren, say AARP's Moody. "The growth of customers will occur in the fifty-plus population. That's where the numbers are," he says.

Boomers are likely to use their new leisure time to travel more. Walliser gives high marks to **Wyndham Worldwide** (NYSE: WYN), which franchises hotels and offer time-share vacation properties. Just like their parents, Walliser predicts retired boomers will hit the road in RVs. He doesn't recommend investing in this sector right now, however, because of high gas prices. But he says **Winebago Industries** (NYSE: WYN) is a big brand and stands to prosper if fuel prices stabilize.

Rahul Shah, Condor's manager of corporate services, is high on **PetSmart** (Nasdaq: PETM), the largest public company in the pet-care industry. He sees aging boomers craving animal companions as their children leave the nest. In addition to selling pet products, PetSmart stores offer luxurious overnight stays for pets, where they show them animal-themed movies and treat them to ice cream bones. "People like knowing their pets are well taken care of when they're gone," he said.

Industries that cater to boomers' desire to look and feel younger also will flourish, says Susan Ayers Walker, managing director of

Smart Silvers, a consulting firm that specializes in the intersection of technology and aging. She says boomers will embrace companies that make tech products that make it easy to monitor their health and fitness. She likes **Polar Wireless Corp.** (OTC: BB: BCDI.OB), which manufactures watches that wirelessly connect to heart monitors.

Some of the big tech players may also be worth considering. **Intel Corp.** (Nasdaq: INTC) is doing a lot of research on digital health care. Earlier this year, it teamed up with **General Electric Corp.** (NYSE: GE) to announce Care Innovations, a joint venture to develop disease-management technologies. "They are two of the biggest elephants that have jumped in the space," said Stephen Johnston, who runs Fordcastle, a consulting firm focused on mobile health and innovation.

Johnson put together a virtual portfolio of aging-focused stocks, to test success of a boomer play. He included obvious candidates, such as **Charles Schwab** (NYSE: SCHW) and **First Republic Bank** (NYSE: FRC), financial companies that already heavily targeted retirees. Cosmetics companies, including **Revlon** (NYSE: REV), **Estee Lauder** (NYSE: EL) and Avon also made it into his portfolio. And Johnson picked a few random stocks he thinks will get a boost from boomers: garden supply maker **Scotts Miracle-Gro** (NYSE: SMG), women's clothing retailer **Chico's FAS** (NYSE: CHS) and **CNO** (NYSE: CNO), which sells insurance products for seniors. The result: over the past year the stocks appreciated 20 percent, a pretty good return in any market. "It worked," he says.