



The Social Portfolio

Why friendships are so important to aging well

By Dr. Joseph Coughlin, Director and Founder of the MIT AgeLab

“**W**hat if I outlive my money?!” Anticipating this longevity risk has long been a hallmark of retirement planning. But there’s another major threat to living well in older age that people don’t guard themselves against—“Social” Security. No, not the Social Security distributed by the government, but rather the security provided by our friends.

Our collection of friends makes up our social portfolio. And like our financial portfolios, our social portfolio is dynamic. It has ups and downs. If not managed well, can be depleted. Even more, the state of our social portfolio could be as important to our wellbeing as our financial portfolios.

It comes down to health, happiness, and quality of life as you age. Studies have shown that social isolation and loneliness can result in higher mortality rates and increased risk of depression, cognitive decline, and illnesses such as coronary artery disease.¹ Other symptoms include disrupted sleep patterns, altered immune systems, inflammation, and higher levels of stress hormones. One recent study found that isolation increases the risk of heart disease by 29% and stroke by 32%. Loneliness is as important a risk factor for early death as obesity and smoking.²

On the flip side, research found that those with strong social networks experienced improved immunity, lower blood pressure, and higher cognitive function.³ Studies have also shown that aging adults with friends are more likely to live healthier happier

lives than those who don’t have many close friends.⁴

Therefore, investing in our social connections as we age is vital to our wellbeing and should be a critical component of comprehensive longevity planning.

What We’ll Cover

- Social portfolio dynamics across our lifespan
- Four categories of friends
- Investing and managing your social portfolio

61%
of Americans
reported
feeling lonely



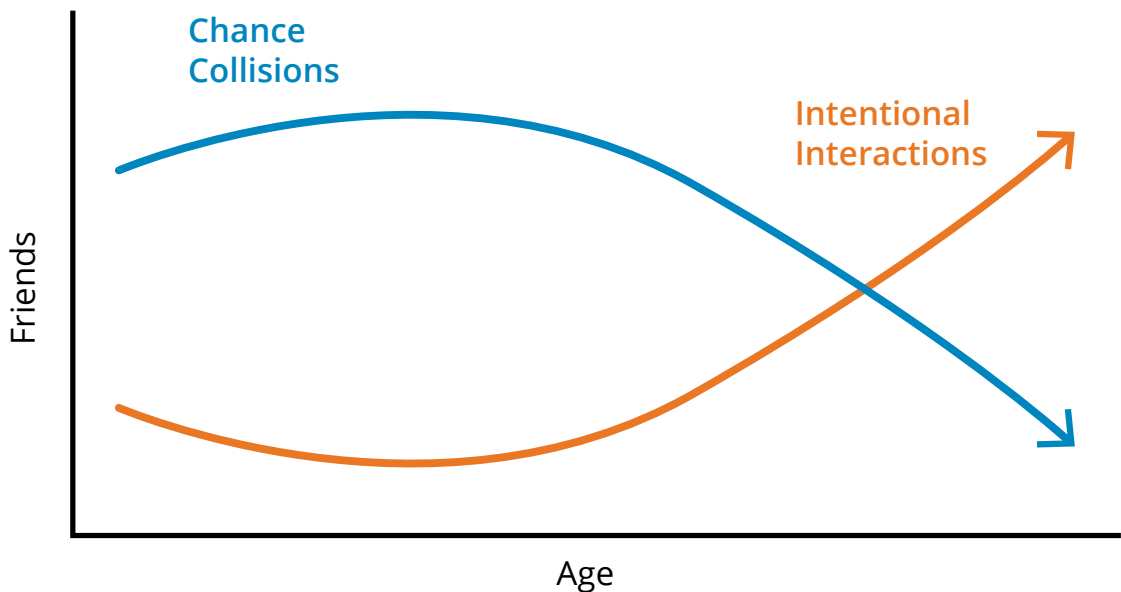
Source: Loneliness and the Workplace, Cigna, 2020

Social Portfolio Dynamics Across Our Lifespan

Our social portfolios fluctuate. They're affected by life stage as well as lifestyle. Over time, the places where we learn, live, work, play, and ultimately retire, change the people we're connected to.

As children, our world of friends is shaped by a small geography of school, neighbors, perhaps a club, or faith-based organization. As a result, we begin making a variety of friends. Later in our teens and early 20s, our lives expand beyond our neighborhoods and families. Meeting people becomes wildly serendipitous, and the opportunities for connection grow dramatically and rapidly. As we participate in summer programs, work, and sports, and meet friends of friends, our number of friends grows.

As We Age, Friendships Require More Effort



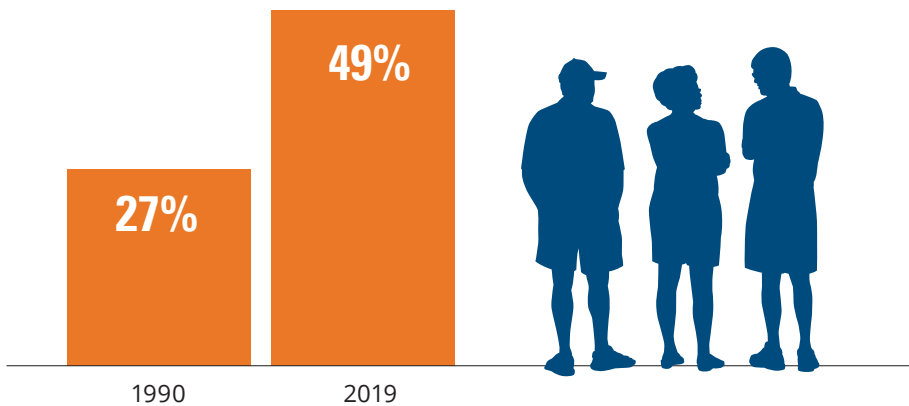
Younger people tend to have more opportunities to make friends. Social scientists refer to these opportunities as "chance collisions:" serendipitous opportunities to meet people as the result of being in the right place, at the right time. As we age, chance collisions tend to decrease as shown by the blue line. As a result, making new friends as we age may require more intention as shown by the orange line. Source: MIT AgeLab, 2022

In adulthood, our lives are more regimented and shaped by our work life, community groups, and often our children's lives. Unlike young adulthood, our friends are connected to a set of steady, well-defined activities that may go on for many years. The shared experiences with neighbors or perhaps parents on sports fields, at community events, or as colleagues at work make relationships stable and sometimes deep. Stable that is, until those places and activities change.

And when retirement does come, it isn't just the end of work but the end of years of daily chitchat over cubicle walls, water coolers, or lunchroom tables. We may be banking on spending most of our time with our family, but when our spouse, children, or grandchildren aren't as available as we expect, we may end up lonely.

Research found that supportive friendships are a stronger predictor of wellbeing than having strong family connections.⁵ As we age, interaction with family is often dictated by obligation, whereas interaction with friends is primarily motivated by pleasure. That's why it's essential that we strive to build a network of friends who support us and spend time with us as we age.

% of People Who Reported Having Three or Less Friends



Source: The State of American Friendship: Change, challenges, and loss, Survey Center on American Life, 6/8/21

We're Making Fewer New Friends

31%

of people
(65+) have not
formed a new
friendship in



Source: The State of American Friendship: Change, challenges, and loss, Survey Center on American Life, 6/8/21

Four Categories of Friends

Since humans were, well, humans, they've depended upon others. Survival, not just social connection, was always more likely in the company of others. Despite today's ubiquitous technological connection, we still need and rely on personal connection to live well.

As we age, we may find that friends become even more necessary to survive and thrive. Unlike our younger years where school, work, and perhaps children compel us to be socially engaged, it may only be our friends that pull us off the couch and out of our homes, helping to ensure that we remain connected to life in older age.

Over 2,000 Years Ago, Aristotle Defined Categories of Friends

Even the ancient Greeks recognized the importance of friends. The great philosopher Aristotle categorized our friends into what might be described as the first portfolio approach to friends—utility, fun, and virtuous friends.

UTILITY

Utility friends are the people you see during routine activities, sometimes daily. The people with whom you share a smile, exchange a few good words, or may even have an occasional coffee with. They might be a coworker, the receptionist you say hello to each morning, or a local barista, who already knows your order before you step up to the counter.

FUN

Fun friends, as the name might suggest, are those you "just wanna have fun" with, e.g., you're not looking for advice, consolation, etc. Fun friends are the people that we plan activities together to go out to eat, a hike, or a cruise. In short, they're often the people that keep you going and doing.

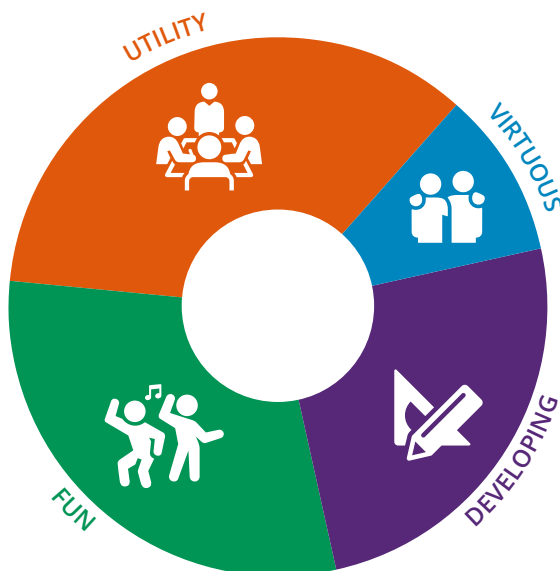
VIRTUOUS

Virtuous friends are our closest friends. They understand where we've been and where we are in our lives. They're the ones who have our permission to nudge us in the right direction or provide support when it's needed most (e.g., through a medical crisis or the loss of a family member).

DEVELOPING

While Aristotle named the three types of friends above, there's another category of friends in our modern lives—developing. They're acquaintances with whom you think there's potential for a closer relationship. They're the endless number of people that we see, cross paths with, and may even share a few words with in-person and online.

Categories of Friends



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Evaluate Your Social Portfolio

Similar to how a well-diversified investment portfolio includes different types of investments, your social portfolio should include different types of friends. Do you think you're lacking friends in any of the categories? There aren't hard-and-fast

rules about exactly how many friends you should have in each category. It's good to have at least a few friends in each category.



Methods of Developing Friendships

Making new friends can be tough, but the methods below may help you make friends with people in your "Developing" category.



Rekindle

Reconnecting with old friends can be easier than making new friends, because you may already have some sort of existing relationship. This provides the chance to revisit good memories and make new ones. Example: Reach out to an old college roommate or get coffee with an old co-worker.



Repot

As with a live plant, you may want some friendships to grow beyond their initial containers. In other words, if you have a relationship with someone in one environment, how can you take the relationship outside of that? If you had a coworker who liked the outdoors, consider asking them to join you for a hike on the weekend.



Ritual

Consistency is important when it comes to connection, especially friendship. If you meet someone you'd like to befriend, or even maintain a friendship with someone you used to see regularly (like a former coworker), try getting together on a weekly basis. Activities might include attending an exercise class, a book club, meeting for lunch, etc. The keys to building friendships through ritual are being intentional, available, and reliable.

Investing & Managing Your Social Portfolio

For anyone thinking their social portfolio needs a boost, there's good news. There are ways to strengthen it using principles from financial investing: systematic investing, diversification, and monitoring.



Systematic Investing

In finance, systematic investing means investing small amounts on a regular basis over a long period of time. Why does it work? Without a consistent habit, investing is an easy thing to procrastinate.

The same approach can be applied to your social portfolio by investing time in your friendships over time. As we age, especially in retirement, it's important to invest more time to renew connections with old friends and spend more time meeting new people. Consistency and ritual can help bridge the gap between acquaintances and friends.



Diversification

Diversification means including a wide variety of investments within a portfolio. "Don't put all your eggs in one basket" is sage guidance when it comes to investing. Investing in only one company or fund can be risky if that investment loses value.

Diversification can apply to your social portfolio too—it's likely to be stronger if you have a variety of friends. Start by taking an inventory: Can you identify 3-5 friends in each category? If you feel like you're lacking friends in any of the categories, focus on places and activities where you may have more opportunities to develop friendships (See the *Methods of Developing Friendships* sidebar on page 5).



Monitoring

It's important to review results in your financial portfolio on a regular basis, at least annually. Why? Reviewing gains and losses can help us decide if any portfolio adjustments should be made.

We should monitor our social portfolio too: Last year, did I gain or lose friends? Did my friendships get stronger or weaker? Am I making enough effort to maintain and make new friends? The answer to these questions can help us determine if our social portfolio needs a little more work or if there are any areas we can tweak.



Remember Three Things About Your Social Portfolio

First, the quality of our friendships is vital to our wellbeing as we age. A strong social portfolio can provide more satisfaction, less isolation, and better health. Second, a social portfolio consists of friends in all four categories: utility, fun, virtuous, and developing. Third, building and maintaining a strong social portfolio requires investing in it using systematic investing, diversification, and monitoring.

To Age Successfully, Don't Forget to Invest In Your Social Portfolio

What do you think will bring happiness and satisfaction in retirement? Many believe the answer lies in having enough money and time to do the things you want. However, the *Harvard Study of Adult Development* found otherwise. Their research found that among aging adults surveyed, having healthy relationships was the single most important trait of happiness.⁶ The quality of our friendships is vital to our wellbeing as we age. A strong social portfolio can provide more satisfaction, less isolation, and better health.

Next steps

1. Take an inventory of your friends. List a few friends you have in each of the categories: utility, fun, virtuous, and developing.
2. Determine if you're lacking friends in any of the categories
3. If you are, try to repot, rekindle, or create rituals to build them up

Sources

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- ⁶ What makes a good life? Lessons from the longest study on happiness, TEDx, Nov. 2015. Most recent data available.



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Please note that systematic/continuous investment plans neither ensure a profit nor protect against a loss in declining markets. Because these programs involve continuous investing regardless of fluctuating price levels, you should carefully consider your financial ability to continue investing through periods of fluctuating market prices. Please note, Diversification does not ensure a profit or protect against a loss in a declining market.

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