

The Social Portfolio

Why friendships are so important to aging well



By Dr. Joe F. Coughlin, Director, MIT AgeLab

“What 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

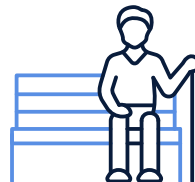
On the flip side, research found that those with strong social networks experienced improved immunity, lower blood pressure, and higher cognitive function.³ Studies have also shown that

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



30%

of adults experienced feelings of loneliness at least once a week

10%

say they’re lonely every day

Source: Loneliness and the Workplace New APA Poll: One in Three Americans Feels Lonely Every Week, American Psychological Association, 2024

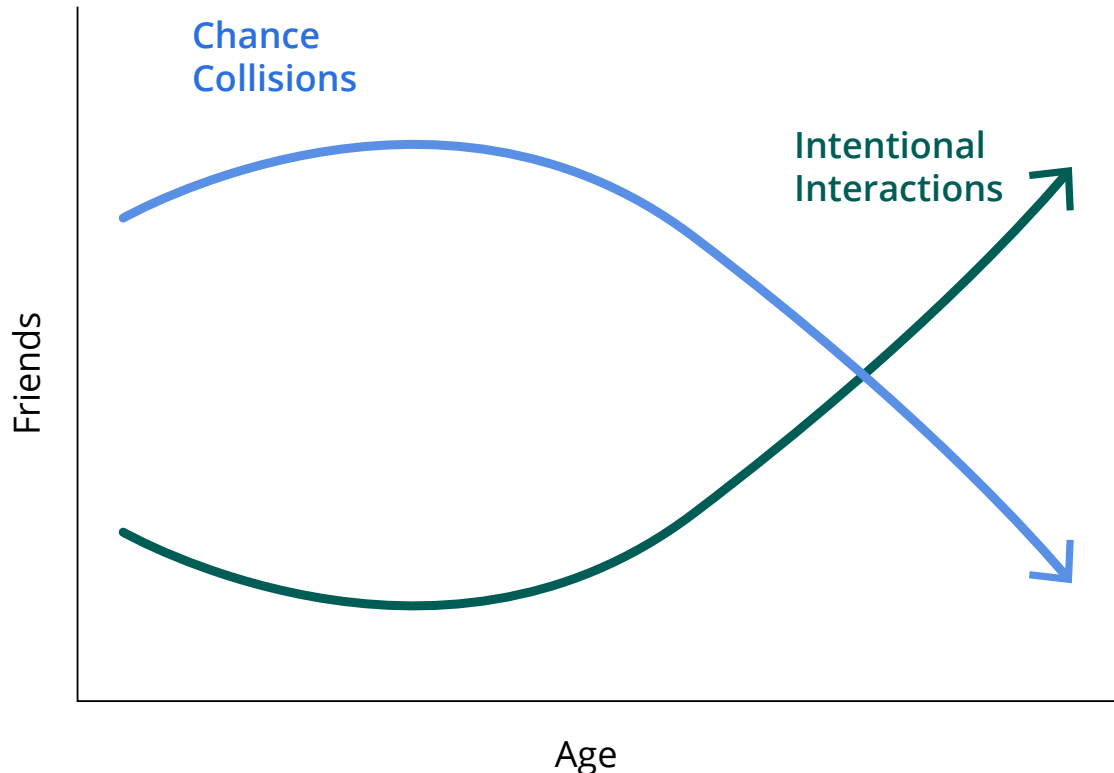
Social Portfolio Dynamics Across Our Lifespan



Our social circles change over time, influenced by our life stages and lifestyles. The places where we learn, live, work, play, and eventually retire all shape the people we connect with.

As we get older, making new friends can become more challenging. Opportunities for those spontaneous “chance collisions”—those serendipitous moments when we meet new people—become rarer. Studies show that 31% of people over 65 haven’t made a new friend in over five years.⁵ Simply put, the older we get, the harder it is to form new friendships.

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

As kids, our circle of friends is pretty small, usually limited to school, neighbors, maybe a club, or a faith-based group. We start making all kinds of friends—those we have fun with, those who help us out, and those who help us grow.

When we hit our teens and early 20s, our world expands beyond our neighborhoods and families. Meeting new people becomes a lot more random and exciting, with tons of opportunities to connect. Through summer programs, jobs, sports, and friends of friends, our social network really takes off.

As adults, our lives become more structured, shaped by work, community groups, and often our kids' activities. Unlike our younger years, our friendships are tied to a set of regular, well-defined activities that can last for years.

Shared experiences with neighbors, fellow parents at sports events, community gatherings, or colleagues at work create stable and sometimes deep relationships. That stability lasts until those activities or places change.

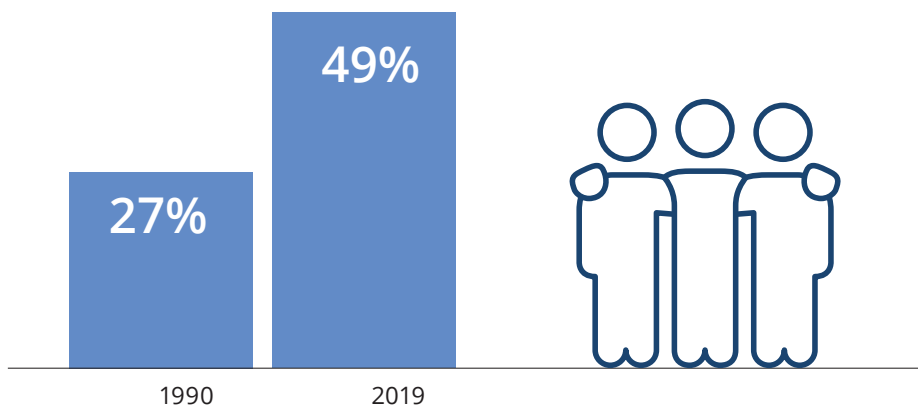
We're Making Fewer New Friends



31%

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

% of People Who Reported Having Three or Less Friends



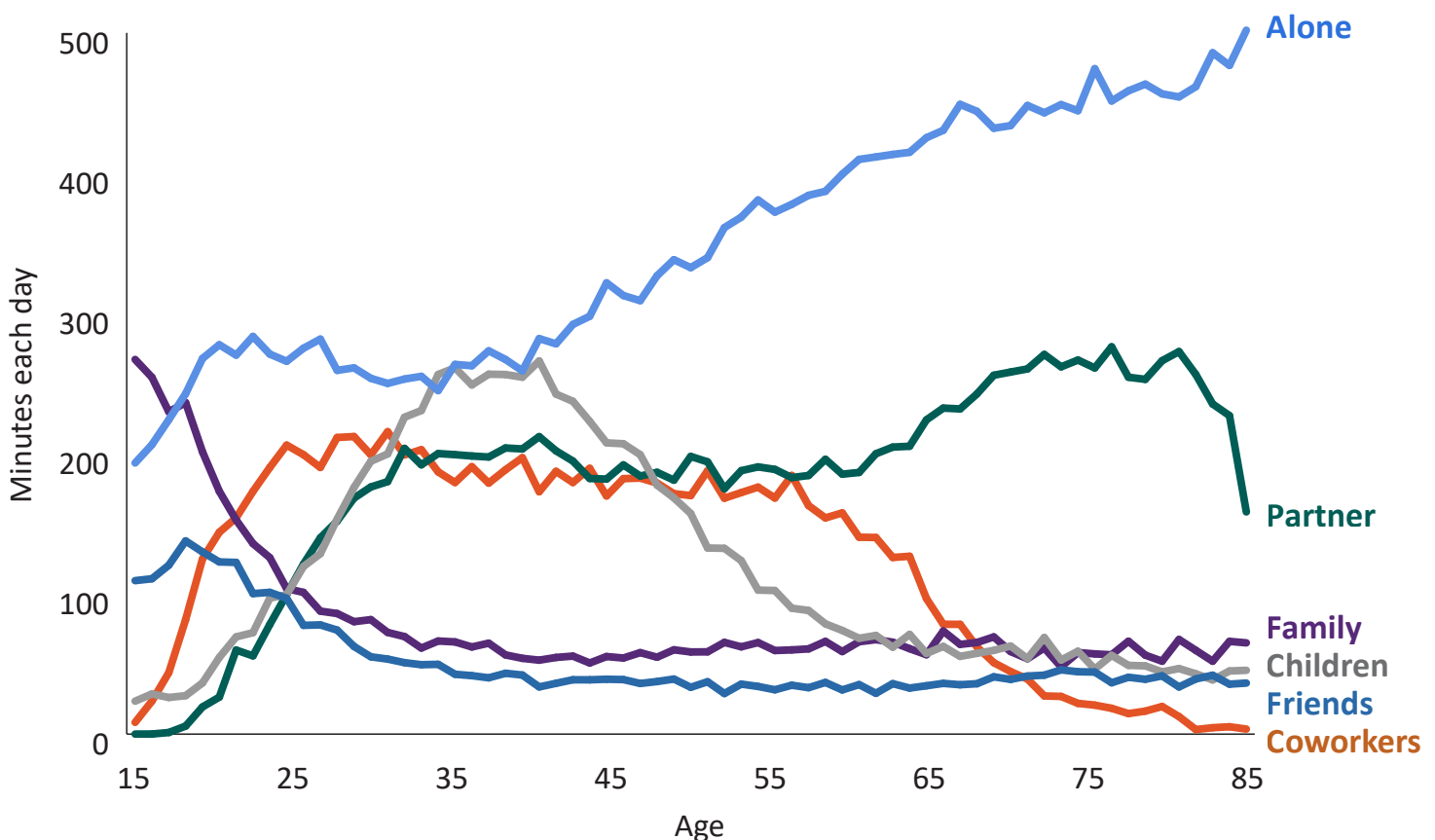
Source: The State of American Friendship: Change, challenges, and loss, Survey Center on American Life, 6/8/21

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When retirement finally arrives, it marks not just the end of our professional careers but also the conclusion of countless daily interactions over cubicle walls, around water coolers, or at lunchroom tables. We might plan to spend most of our newfound free time with family, but reality often falls short of our expectations. Our spouse, children, or grandchildren may not be as available as we had hoped, leaving us feeling unexpectedly lonely.

This transition highlights the importance of nurturing friendships as we age. Research has shown that having supportive friendships is a stronger predictor of overall wellbeing than even strong family connections.⁶ While family interactions can sometimes feel like obligations, friendships are typically driven by mutual enjoyment and shared interests. Therefore, it's crucial to actively build and maintain a network of friends who can offer support and companionship in our later years.

Who Americans Spend Time With by Age



As individuals approach old age, around 65 years old, they gradually spend less time with coworkers as they retire, and more time either alone or with their spouse. Between the ages of 65 and 75, they predominantly spend their time alone, followed by time with their partner and family.

Source: Visualized: Who Americans Spend Their Time With, Visual Capitalist, 10/28/22. Most recent data available.

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.

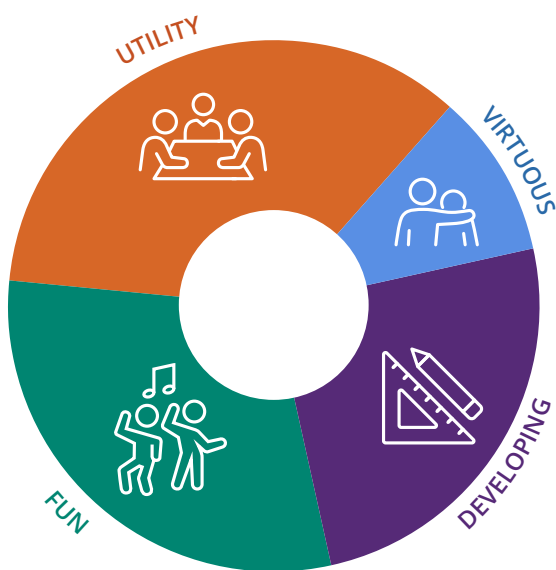
VIRTUOUS

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.



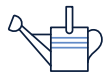
Ritual

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 and 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 6).



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.⁷ 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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- ³ How to Rearrange Your Post-Pandemic 'Friendscape,' The New York Times, 6/7/21. Most recent data available.
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- ⁶ Why Friends May Be More Important Than Family, Time Magazine, 6/7/17. Most recent data available.
- ⁷ 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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