



Putting On Your Diapers One Leg at a Time

Diapers instinctively make us squeamish. We don't want to smell them, see them or be around them. But what if they were the next big opportunity!?

In Japan, more than 20% of the nation's nearly 130 million people are over age 65, and the market for adult diapers is growing at 6% to 10% per year.

Adult diapers are more profitable than their baby counterparts because adults will pay a higher price and can potentially be using them for many years. Even better, there is a technological innovation coming in the world of diapers.

Diaper maker Pixie Scientific is launching a diaper for babies that contain urine testing strips positioned on the outside of the diaper. Parents can scan the results via a Smartphone with the company's Smart Diaper app. The app will notify the user of the test results and send an alert if the wearer needs medical attention.

Seeing the potential for a product that could serve both the incontinence and at-home health monitoring needs of the elderly, our friends at Dent Research reached out to Pixie Scientific to see if they had the same idea. Dixie reported they initially made the diaper for children, but after being inundated with questions about adult sizes, the company is now focusing on developing the Smart Diaper for all ages. We aren't surprised.

Whether Pixie Scientific is a good company or a bad company is not the point. The issue here is the changing nature of demand as our country ages. Japan has the oldest population of all the developed countries, but the rest of us – the U.S. and Europe – are not far behind. If Japan is waist-deep in the adult diaper industry, then the rest of us are just putting our first foot in.

We watch consumer habits because we believe people, and how they spend money, drive the economy. Consumer spending patterns move the ebbs and flows of industries and sectors. We can spot these trends by watching how people shift their buying habits as they age.

As the mass of Baby Boomers moves into old age, industries that cater to this group will grow and expand. This will provide new investment opportunities for the makers of products like adult diapers. You have the advantage of being part of a team that has been tracking these changes for years so we can spot the opportunities as they arise... even if they come in a diaper.

Sincerely,

Jeremy E. Portnoff

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