Life expectancy has increased dramatically over the past century, with a person born in 2010 expected to live to age 79–32 years longer than a person born in 1900. However, for the purpose of retirement planning, the more relevant statistic is not one’s life expectancy at birth, but one’s life expectancy during retirement. We have seen a significant increase in the life expectancy of a 65-year-old over the past generation. In 1980, the average life expectancy for a 65-year-old male was 79.1 years and for a 65-year-old female it was 83.3 years. In 2010, this number increased by over three years to age 82.7 for a male and 85.3 for a female. These figures are averages. It is important to understand that your life expectancy may be longer depending on such factors as family history, lifestyle, and advances in medical technology.

How long will you live? The answer to this question has major implications for your retirement plans as the longer you live, the more money you will need to save for your retirement. While almost no one will know with absolute certainty how long they will live, it’s important to understand your longevity potential and plan to live longer than previous generations.

The following are some points to consider on how longevity may impact your retirement plans.

**PLANNING FOR EXPENSES**

While an increase of three years, as noted above, may not seem dramatic over one’s lifetime, it can have a significant impact on one’s retirement security. Say a person has annual expenses of $50,000 in retirement. In this example, the impact of inflation is set aside. Expenses for a 65-year-old living 14 years in retirement would total $700,000. Now assume that a 65-year-old lives 17 years in retirement. These additional three years increase expenses by $150,000 for a total of $850,000, an increase of 21%.

Now let’s factor in inflation assuming an annual rate of 3%. Under this scenario, a 65-year-old living 14 years to age 79 would need $854,000 in income to meet their expenses. And by living an additional three years to age 82, he or she would have total retirement expenses of $1,088,000, an increase of 27%.

**TIMING OF RETIREMENT**

At what age an individual plans to stop working is a critical factor for retirement planning. For starting with that age, individuals will be relying on savings accumulated throughout their working lifetime for the balance of their lives. Retiring at a younger age means more savings will be needed to cover those additional years in retirement.

To illustrate the importance of this point, let’s use the example above in planning for expenses. That example assumes an individual retires at age 65. What if that person retired at age 60? That person would need $950,000 in income to meet their expense if the person lived until 79 and $1.1 million to age 82. These figures do not take into account the effects of inflation.
LONG-TERM CARE

The older you are, the more likely you will need long-term care. According to the Census Bureau, the number of individuals age 85 and older is projected to increase by 52% over the next 20 years. Census data also show that individuals age 80 and older are most at need for long-term care. In 2010, 71% had a disability, 56% had a severe disability, and 30% required at least some assistance with daily living. Another study shows among individuals age 65 in 2005, 69% experienced a need for some type of long-term care during the balance of their lives with the average duration of needed care reaching three years.

HEALTH CARE COSTS

Costs of health care in retirement are one of the main concerns for individuals planning their retirement. The Insured Retirement Institute (IRI) and Health View Services estimate the cumulative health care expenses for a 65-year-old man in 2011 was $370,000 and for a woman, $417,000. That doesn’t include the high cost of long-term care. Nor does it take into account additional costs you may incur if you decide to take — or are forced into — early retirement before you are eligible for Medicare. Medicare coverage does not begin until age 65.

IRI’s and Health View Services’ estimates include the cost of deductibles and copayments, premiums for optional coverage for doctor visits and prescription drugs, out-of-pocket expenses for prescription drugs, and other expenses that Medicare doesn’t cover, such as hearing aids and eyeglasses.

LIFETIME INCOME

The majority of workers today save for their retirement through individual account plans, defined contribution plans and individual retirement accounts. This means consumers will need to take responsibility for managing their savings throughout their retirement years. Individuals will need to consider income producing strategies and products that will provide them with a steady stream of income throughout their retirement years.

Note: This document is for educational purposes only. The information does not constitute financial, legal or tax advice. Please consult with your appropriate professional for matters pertaining to your personal situation.

Note: Guaranteed living benefits and guaranteed lifetime annuity payments are subject to the claims-paying ability of the issuer of the annuity contracts and do not relate to the investment performance of the underlying investment portfolios.

Sources: Census Bureau, Health View Services and the Insured Retirement Institute.
July 29, 2013

Danielle Holland  
Insured Retirement Institute  
1101 New York Avenue, NW., Suite 825  
Washington DC 20005

Reference: FR2013-0718-0471/H  
Link Reference : FR2013-0523-0229

ORG Id : 91039

REVIEW LETTER

1. Longevity: How It Impacts Your Retirement Plans  
   Rules: FIN 2210, VARIABLE  
   2 pages  
   Fee: $125  
   Total Fee: $125

Attention: Danielle Holland

The material submitted appears consistent with applicable standards. However, we have the following comment:

Please note that when used by FINRA member firms, the firm’s name must be clearly and prominently set forth pursuant to FINRA Rule 2210(d)(3)(A).

Reviewed by,

Joseph S. George  
Supervisor

jws

This year’s Advertising Regulation Conference will be held on October 10-11 in Washington, D.C. For more information and to register, please view our online brochure at http://www.finra.org/conferences/adreg3.

NOTE: This review is limited to the communication that was filed. We assume that the communication does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis. This communication may be described as
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