YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Rising Longevity and Your Retirement

New research conducted by the Society of Actuaries (SOA), a leading membership-based organization for actuaries in the United States and Canada, revealed that older Americans are living longer than previously estimated. Specifically, SOA's data showed that since its last report published in 2000 the life expectancy of men age 65 has risen two years from age 84.6 to age 86.6 in 2014. Similarly, among 65-year-old women, longevity rose 2.4 years, from age 86.4 in 2000 to age 88.8 in 2014.[1]

Commenting on the findings, Dale Hall, managing director of research for the SOA stated, "The purpose of the new reports is to provide reliable data that actuaries can use to assist plan sponsors and policy makers in assessing the financial implications of longer lives."[1]

What about individuals? How might this news affect the financial lives of retirees and/or the retirement planning strategies of those nearing retirement age? Those additional two years could mean that the time the typical person might expect to spend in retirement could increase by 10% or more than he or she originally anticipated. As a result, the values associated with a retirement accumulation and/or distribution plan may need to be adjusted accordingly.

For example, individuals still accumulating retirement assets who had previously determined they needed a $1 million nest egg, would now need $1.1 million to finance those two added years. For someone who is in mid-stream on a retirement savings plan, increased longevity could mean boosting contributions by 20% or more to catch up. Similarly, individuals who are already retired might need to scale back their annual withdrawal amounts in order to create reserves for those extra two years.

Making Your Money Last

Because of increased longevity, managing cash flow in retirement is more critical than ever. As a starting point you will need to clarify your current financial situation, as well as any significant changes you expect. Two sources will provide this information:

- A net-worth statement, which provides a snapshot of your assets, debt, and cash reserves.
- Your monthly or annual budget, with itemized breakdowns of your income and expenses. If you haven't retired yet, it's a good idea to prepare a projected budget of your retirement income and expenses.

Even with reasonable assumptions about investment returns, inflation, and retirement living costs, it is likely you will encounter numerous changes to your cash flow over time. Experts often recommend a monthly review of your budget, as well as a comprehensive annual review of your financial situation and goals.

As you monitor your finances keep the following factors in mind, as any one of them could affect your cash flow and necessitate adjustments to your plan.

- Interest rate trends and market moves may result in an increase or decrease in income from your savings and investments.
- Changes in federal, state, and local tax rates and regulations.
- Changes in Social Security or Medicare benefits or eligibility, as well as new rules affecting employer-sponsored retirement benefits and private insurance coverage.
- Inflation and health care costs.
- Life events such as marriage, the death of a spouse, or the addition or loss of a dependent may also affect your cash flow.

It is worth paying close attention to cash flow, making sure you budget carefully, monitor income and expenses frequently, and take action whenever you believe that significant changes may be necessary.

[1]Society of Actuaries, press release, "Society of Actuaries Releases New Mortality Tables and an Updated Mortality Improvement Scale to Improve Accuracy of Private Pension Plan Estimates," October 27, 2014. The calculations presented are based on public mortality tables, which were developed with certain populations in mind, and reflect probabilities based on averages in large populations.

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