

How women can *plan* for increasing longevity

Americans today benefit from overall healthier living thanks to significant improvements in technologies and medical breakthroughs as well as greater understanding of life-threatening behaviors such as smoking, excessive drinking and driving without a seat belt. As a result, Americans today generally live longer than their ancestors.

While longevity has increased in the last few decades, when it comes to retirement security there has also been a shift *from* government and employer *to* individual responsibility. In the past, employer-funded defined benefit plans or pensions were the norm. And Social Security was another reliable source of retirement income. Generations retired from work with the security of a retirement income that would last their lifetime.

Three key retirement planning challenges for women:

- *Ensuring assets and income last through retirement*
- *Protecting retirement income against inflation*
- *Avoiding spend-down for long term care in old age*

Retirement today requires a much more active role, including planning and saving, by the individual.

In most cases the employee must set aside a portion of earnings in defined contribution plans such as 401(k)s in which the employer may or may not provide additional contributions. The government component of the retirement equation has also changed. As we've heard for the last decade, Social Security is a system under enormous strain and there are no guarantees that it will

remain as we know it today. Sole reliance on one's employer and the government simply does not equate to retirement security in the 21st Century.

Americans must now take control of their own financial futures if they are to have a financially secure retirement. Women in particular need to address this responsibility because they enjoy greater longevity and, therefore, must plan for a potentially lengthy retirement – one that may exceed 20 years. The blessing and challenge that longevity poses to women is only one consideration they need to address when planning for retirement – inflation and long-term care needs must also be considered.

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Long Life, Long Retirement

Longevity and Retirement

- A woman turning 65 years old in 2015 can expect to live until 86.6 years of age.¹
- About one out of every four 65 year-olds today will live past age 90, and one out of 10 will live past age 95.¹
- The average retirement age is 64 years old and yet Medicare benefits start at age 65 and full retirement age for starting Social Security payments is 66 years old.²

Women tend to live longer than men. Women also tend to have fewer retirement savings due to time out of the workforce for care giving responsibilities, less access to financial knowledge, and historically earning less than men.

Retiring prior to age 66 may create a gap in medical coverage and delivers less income, unless other financial resources are available. Living well into one's 80's means having at least 20 years of retirement income set aside. Without adequate savings, women are faced with limited options like working past the average retirement age or relying on family to cover expenses after their savings are depleted. Being a burden is *not* what most women want. By developing planning and saving habits early in their careers, women can work to expand their options and attain more goals and greater control in retirement.

The Increased Cost of Living Longer

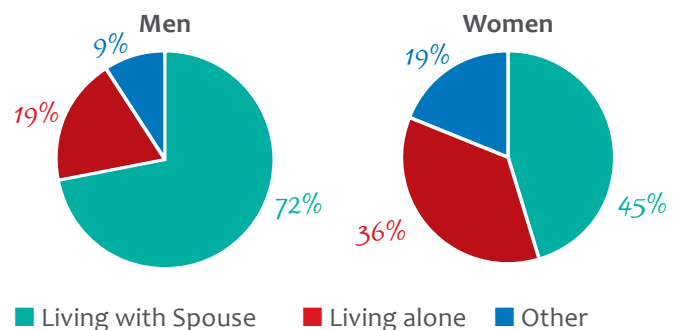
Statistics on the Cost of Living Longer

- Over 70 percent of nursing home residents and 75 percent of assisted living community residents are women.³
- The average annual cost in the U.S. of a private room in a nursing home is \$91,250 and \$80,300 for a semi-private room.⁴
- The average annual cost for a home health aide to assist 44 hours a week is \$45,760.⁴

With older age comes the increased likelihood of medical problems and extended care needs with significant costs that increase at an alarming rate. While most medical costs are at least partially covered by Medicare, most long-term care costs are not.

In addition, women are much more likely to live alone in old age, increasing their potential need for long-term or assisted care simply because there is no spouse or family member to provide the care.

Living Arrangements of 65+ year olds, 2012



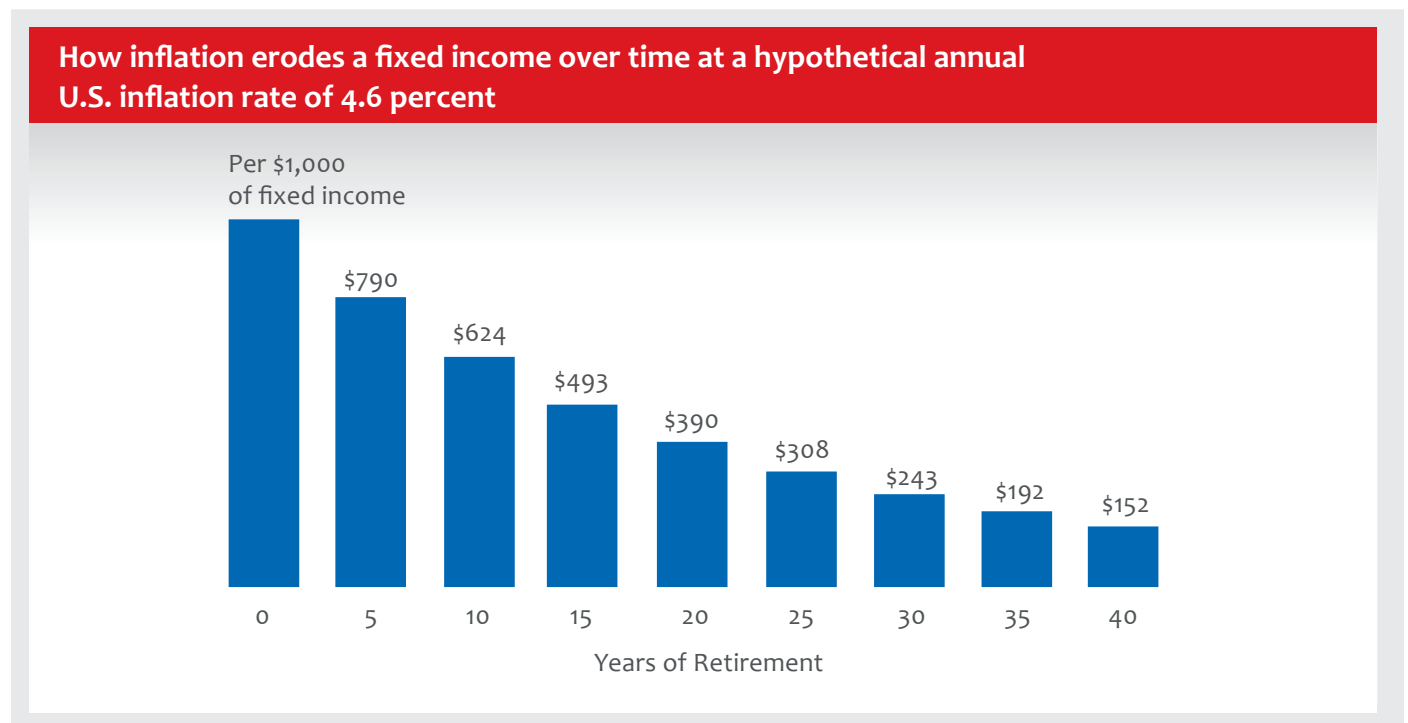
Sources: A Profile of Older Americans 2012, U.S. Department of Health and Human Services. Based on online data from the U.S. Census Bureau's American Community Survey, the Centers for Medicare Services Medicare Current Beneficiary Survey.

The *Impact* of Inflation

Because women generally live in retirement longer than men, they are more vulnerable over time to purchasing power erosion, caused by high inflation. Since 1913, we've been tracking inflation and have learned much about its impact on elderly Americans on fixed incomes.

The graph below shows how the purchasing power of each \$1,000 of fixed income hypothetically is eroded by a 4.6 percent annual inflation rate over time in retirement.

Inflation is an inevitable reality, but with thoughtful planning and selection of financial products and policy riders designed to help minimize the impact of inflation, a financially secure retirement is possible.



For illustrative purposes only. Actual results will vary.

In the above example, a woman begins retirement with a fixed income of \$100,000. After 25 years, the purchasing power of that income would be reduced to \$30,800 ($\308×100).

In summary, greater longevity is a fact of life and a blessing. But with increased longevity comes the challenge of planning a potentially long retirement, especially for women. By addressing this challenge as soon as possible with the benefit of sound financial advice, women can increase their confidence and financial security, and be prepared for whatever their future may hold.

Footnotes

¹ <http://www.ssa.gov/planners/lifeexpectancy.html>, April 13, 2015

² Center for Retirement Research. What is the average age of retirement? August 2011. http://crr.bc.edu/images/stories/Briefs/IB_11-11.pdf

³ <http://www.aaltci.org/long-term-care-insurance/learning-center/for-women.php>

⁴ The Cost of Care Survey 2015

Make the Most of *Longevity*

No matter what your life stage, it's never too late to start taking control of your financial future and making the most of longevity. Use these action steps to start taking control now and gain peace-of-mind and greater financial options.

10 Step Action Plan for Addressing Longevity and a Long Retirement

- 1.** Your life may last even longer than the average 'life expectancy'. Use the myWorth Longevity Score Card to evaluate the probability of outliving the averages.
- 2.** Get into the saving habit right away and strive to live within your means. If you're over-extended, make getting out of debt your immediate priority and then focus on saving.
- 3.** If your employer offers a defined contribution plan start contributing to it immediately. If your employer offers matching contributions, contribute at least the percentage required to receive the matching contribution.
- 4.** If you are married and returning to work after some time off, try to save or invest your new income or at least a portion of it, to make up for time out of the workforce. Better yet, before taking time out of the workforce, make larger contributions to your defined contribution plan so you are not playing catch up.
- 5.** Rather than spending bonuses on vacations or splurges at the mall, save or invest bonuses for your financial future. The power of compounding over the long-term can turn small bonuses into a large nest egg.
- 6.** Consider how guaranteed lifetime annuity payment streams offered by leading life insurance companies can factor into your retirement income plan. Be sure to select insurance companies with integrity and financial strength as all guarantees are based upon the claims-paying ability of the insurer.
- 7.** Evaluate planning techniques for protecting income streams against the potential for higher inflation in the future. Some annuities and life insurance products offer the potential for long-term growth and help to protect against inflation.
- 8.** Evaluate the alternatives for protecting against the cost of a lengthy need for long-term care. Long-term care (LTC) insurance can help pay for a stay in a nursing home, or for home health care aide. Cash value accumulated in a permanent life insurance policy can be used as needed to help cover unexpected health and long-term care costs, too. (Note: Life Insurance policy cash values can be accessed through loans and withdrawals, which will reduce stated cash value and death benefit amounts.)
- 9.** Consider postponing retirement if your financial situation isn't viable because your retirement savings or health care coverage are not adequate. Or another option is to consider working part-time until you are in a better financial position to fully retire.
- 10.** Seek advice from professionals that understand the challenges facing women today in planning for longer retirements. Work with a trustworthy financial professional who will educate you on planning techniques, explain financial products and periodically meet with you to review your plan in light of any major life events or changes in your financial objectives.