



# Managing Retirement Risks

# LONGEVITY



**Our longevity calculator** will help you experience why longevity is the most important retirement risk you face....

**Welcome to Managing Retirement Risks** – an interactive tool which will help you solve the challenges and issues of retirement planning. You’ve spent decades accumulating your savings and assets, so it makes sense that you spend some time learning about the most critical risks you face – and how to address them. The time spent could mean the difference between success and failure. Take control of your financial destiny today!

## Why Is Longevity Risk So Important?

Longevity risk is the downside of a very positive trend: we’re all living longer! Because we’re living longer, we face longevity risk: the risk of living many years longer than we might have imagined. What are the undesirable consequences of this risk? The two primary consequences are

- running out of money before we run out of life, and
- having to reduce our standard of living sometime during retirement.

Think of longevity risk as ***the mighty versus the likely***: it’s not just how long you’ll *likely* live, but how long you *might* live. Failure to understand and plan for how long you might live is the most important factor in determining whether your retirement will be successful or catastrophic.

## What Do I Need to Know?

Let’s start with the idea of average life expectancy. In its simplest terms, average life expectancy is the age before which half of the people with that life expectancy are expected to die, and the age after which half the people with that life expectancy are expected to die. So “average” actually means “half” or 50%. In other words, there is a 50% chance that you will live well beyond your average life expectancy! One other way to view average life expectancy is that your chance of dying in any given year is very roughly 4%.



## LONGEVITY continued

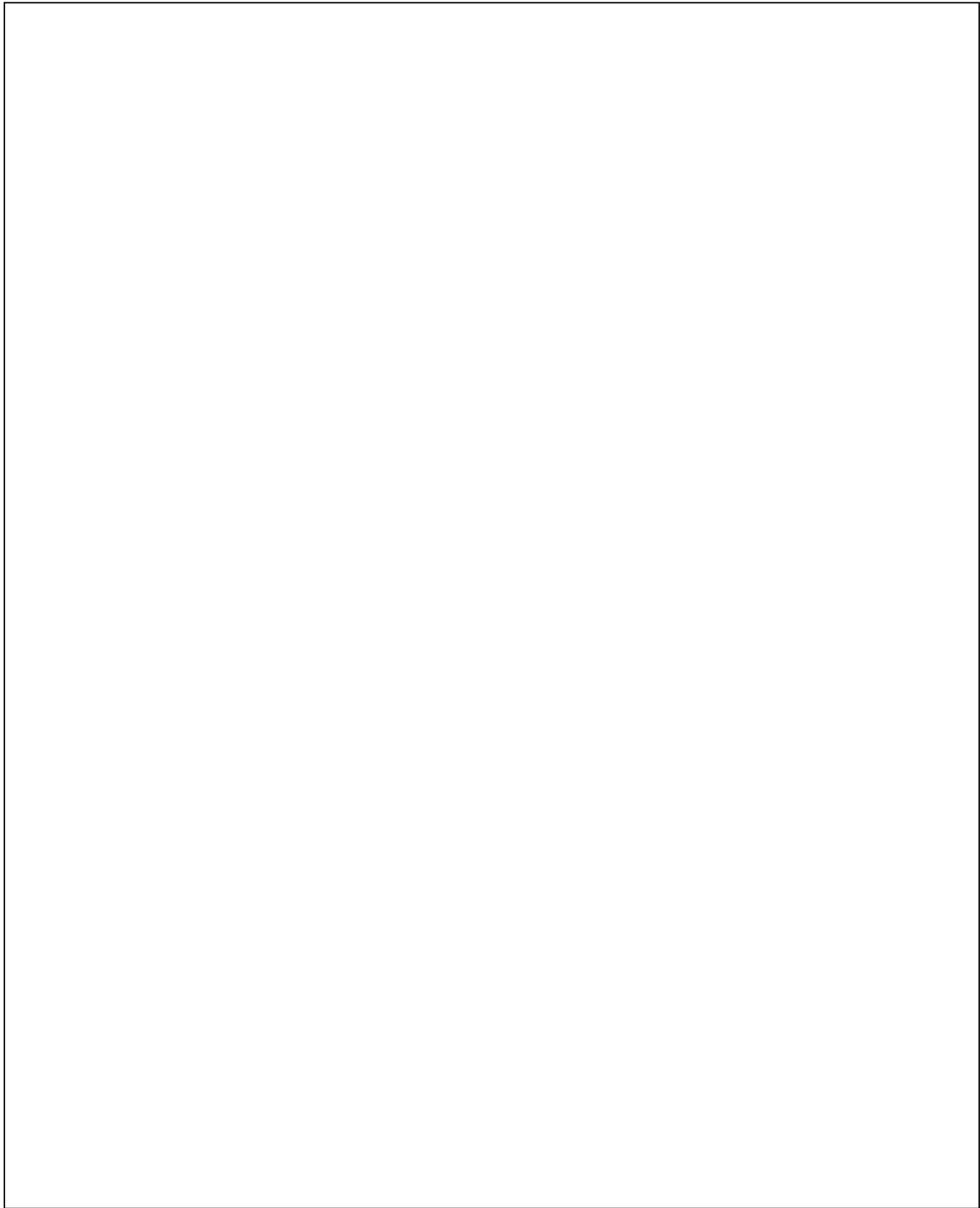
This is the essential idea with longevity risk. It is the risk that you will live many years longer than you might have imagined. Many people believe that they should construct a retirement plan for as long as their life expectancy. But such a plan has only a 50-50 chance of success because of longevity risk!

### Use the tool on the next page to:

- Estimate your life expectancy (or that of you and your spouse together).
- Understand how long your retirement might last.
- See that couples generally have a longer retirement than singles.

### Here's what to do:

- Choose whether to plan as an individual or a couple.
- Set the tool to your age(s).
- Choose your personal health assessment. This choice is subjective but important, so be as accurate as you can.
- Note your average life expectancy as indicated in the highlighted blue box.
- Move the *Years Past Life Expectancy* slider and see the chance that you will live beyond your average life expectancy.





## LONGEVITY continued

### What Should I Do Now?

#### Remember these key points about longevity:

- Do not underestimate your average life expectancy, or that of your spouse. Remember the “odds.”
- It’s not how long you’ll *likely* live, but how long you actually *might* live.
- A retirement income plan just up to your life expectancy has a 50% chance of failure.
- Couples have a greater chance of a long retirement.

#### Consider taking these actions:

- Plan past the averages and use a realistic number for your life expectancy when you do your retirement income plan.
- Focus first on generating stable income throughout your potential retirement, then consider the potential effects of other retirement risks such as inflation.
- Structure a retirement income plan that includes vehicles which can guarantee to provide you with retirement income that lasts as long as you and your spouse do.
- Do not delay – discuss initiating or updating a plan with your financial advisor.

#### IMPORTANT ASSUMPTIONS AND DISCLOSURES

This calculator has been designed for educational purposes only and is not intended to provide investment or financial advice.

This calculator does not predict the age of death of you or your spouse. We use the A2000 Annuitant Mortality Table to estimate life expectancy and the chance that you will live to various ages in future. We adjust the mortality tables by a factor or percentage depending on your self-assessment of your general health outlook. The following describes the assessment choices and corresponding factors: Excellent 100%; Very Good 150%; Good 200%; Fair 300%; Poor 400%. For example, if you select Good health, we assume that you will experience a rate of mortality that is 200% of the A2000 table. However, the mortality that you will experience may be higher or lower than that which is assumed in this calculator.

The A2000 table is published by the Society of Actuaries. The Society of Actuaries has not endorsed this calculator.

You should consult a financial advisor for investment or financial advice or to assist with financial planning.