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WHAT'S INSIDE?

Join the Retirement Planning Conversation

Longevity Assumptions and Disparity in Benefits

Last month's issue launched a multi-part series identifying the variables that may play into the *"When should I file?"* question. Part One covered the seemingly natural 2-step tango between a client's anticipated retirement date and the starting date for Social Security benefits. Recent research indicates that people generally underestimate the number of years they will be retired.

Therefore, taking the immediate plunge from earned income to Social Security benefits could lead to permanently reduced cash flow and a strain to meet income needs over a long retirement. If underestimating the likely length of retirement can lead to problems, the logical next step for advisors is to shed light on how long clients might live, after their paychecks stop. Our follow-up, then, is to look at longevity in Part Two of this series.

Accordingly, this issue will focus on practical tips regarding longevity assumptions for single individuals, as well as married couples, and how the disparity of Social Security benefits between spouses may impact the claiming age decision.

Longevity Assumptions

A client's expectation as to how long he or she will live can be a critical factor in determining when to file for benefits, often right behind an immediate need for income. That expectation should be based, at least in part, on underlying health issues and the family history — *the fewer anticipated years in retirement, the more it makes sense to start sooner rather than later.*

That said, relying too heavily on an individual's health and family story can create unintended consequences. Longevity risk, the possibility of outliving one's retirement assets, may be greater than clients realize.

With life expectancy on the rise and the tendency of those approaching retirement to underestimate longevity, making a subjective assumption is important. An advisor's thoughtful analysis, backed by current data, can help seniors reduce the risk of living longer than their retirement assets will last.

According to a study by the Stanford Center on Longevity (longevity.stanford.edu/underestimating-years-in-retirement), two out of three male pre-retirees underestimate the average life expectancy of a 65-year old man while 50% of female pre-retirees underestimate the average life expectancy of a 65-year old woman. *What life expectancy might be realistic?*