

## 100 is the New 80



**To ‘celebrate’ my recent 100th blog article, I thought that I would write something about the number 100.**

I will start by posing a question that I know everyone secretly considers from time to time; “How long am I going to live?”

Of course, nobody knows the answer to that, and it is good that we don’t, but from a financial planning standpoint it is a very big question.

This is because how long we can expect to live has a big impact on our ability to have a successful retirement.

Here are a few statistics;-

According to the United States of America Social Security Administration, if you are currently 65 years of age, you can expect to live another 19 years if you are a man or 22 years if you are a woman, (which we will come back to later).

So, the ‘average’ 65-year-old will probably live to between 84 and 87. However, we also know that some people live longer or shorter lives than that. In fact, about a third of the current 65-year-olds will be alive at 90.

One in seven will live beyond age 95, and therefore move very close to that 100-year milestone.

However, this has not always been the case.

In 1960, the same Social Security Administration said that for a 65-year-old man, the life expectancy was 13 years, not the current estimate of 19 years. For a 65-year-old woman, their life expectancy was a further 17 years, not the current estimate of 22 years.

## **Why Are People Living Longer?**

There are lots of reasons, and here are a few.



Better hygiene is a big factor. Lifestyle changes like more frequent showering and hand washing, thanks in part to more access to hot running water in homes. Our current obsession with alcohol-based hand gel due to Covid-19, is something that may well become completely normal and routine in the future, too.

Clean drinking water is another. We take it for granted in developed countries, but it's becoming more common around the world. As most of us know, unclean water often contains parasites and other things that can be very detrimental to our health.

As well as clean drinking water, having a constant running water supply makes a big difference, particularly with flushing toilets disposing of all those disease-causing microbes. In many parts of the world, the safe treatment of all that flushed sewage further prevents human exposure to its multitude of sickness and death causing bacteria, viruses and parasites.



Since 2003, we have also had an amazingly greater understanding of human genetics than ever before.

That is because of the Human Genome Project, which started in 1990.

Essentially it was wrapped up in 2003 and now allows experts to study and explore how the human body works in more detail than ever imagined in the past, which is allowing us to make great advances in all aspects of medicine and human health. Childhood vaccination programs, sophisticated antibiotics and many other aspects of modern medicine all play their part in extending life expectancy.

Other factors include an increased public focus on health and fitness, with increasing gym memberships. More frequent routine medical examinations (that are catching things like cancer at an earlier stage). Fewer people smoking cigarettes along with smoking generally being banned in public places and offices etc. (Just watch the excellent 'Mad Men' TV series to see what office life was like in the 1960's!). Finally, there is more focus on whole foods and healthy eating, and greater understanding of nutrition, partly through regulatory food labelling around the world.

### **Why Does Life Expectancy Matter?**

Logically speaking, living longer can only be a good thing. Therefore, we shouldn't have to worry about it.



That's the theory, and the longer we live, the more years we experience life, do the things we like, and achieve our ambitions. The problem is that if we plan financially for living to the age of 85, but actually live to be 100, those extra 15 years may prove to be quite uncomfortable.

The main purpose of retirement planning is to ensure sufficient income from retirement; and there are three main questions as you start planning:

1. How long do you need to work?
2. How much do you need to save while you're working? And
3. How long do you need a plan for those funds to last?

Notice how I didn't mention returns in the market or anything that you don't have control over. The market does what the market does. But you have control over how much you spend, you have control over how much you save, and these days you have at least some control over how long you work. These are the things you need to focus on because they are the aspects you can adapt and adjust to.

How long you're going to live also matters because that spending difference could be huge.

## What is the Best Approach to Take?

There are really two ways to look at this.

Firstly, you could ensure you have enough money in retirement for an 'average' lifespan and then possibly run out of money because you happen to live longer than you are expecting.

Or the other way around, you could plan to live longer than average and be comfortable in knowing that all your needs will be catered for.

Which way is a better way to approach it? It's probably a rhetorical question, but I would say the preferred scenario is you plan to live for a long time.

However, that does mean you will need a bigger savings pot for retirement or a larger range of other assets you could call upon if needed, like property.

While this may not be what you want to hear, in general, planning for a long life means you will have leftover money that you can then designate for inheritance, for legacy, for giving, or for whatever you want. That will please your kids!



Remember, 1 in 7 people get to the age of 95, and while these are just statistics, if you are married or living with a life partner, when you combine the two of you, again, according to the US Social Security Administration, together, you have a higher probability (1 in 3) that one of you will reach 95.

The reality is that people are still retiring at about the same age as in the past, but they're living longer - So your retirement planning should take into consideration that 100 may very well be the new 80.