Will Your Money Last as Long as You Do?





When your parents retired, they probably counted on substantial outside income to fund their retirement, including Social Security benefits and a corporate pension plan that also may have provided health benefits to retirees. While Social Security remains a crucial part of a retirement plan, pensions are dwindling and becoming a part of the American landscape of the past.

Instead, the responsibility for funding retirement is moving to the individual. Although there is a wide range of excellent ways to save — including 401(k)s, IRAs, annuities and more — many individuals find themselves questioning if they will ever be able to retire.

Keys to a confident retirement today include **KNOWLEDGE AND ACTION.** Knowledge begins with a clear understanding of your financial picture, knowing where you're starting from and identifying your unique retirement goals. It's also important to grasp the challenges you might face during retirement. Action is taking steps to put you on the path toward your goals and overcoming the challenges that threaten to derail them.

Let's face it: The days of relying on Social Security and pensions to fund retirement are disappearing. As financial professionals, it's our job to provide a strategy that helps ensure your hard-earned money doesn't follow suit. Read on for a basic understanding of the financial challenges you may face down the road. Then, act on that knowledge by meeting with us for a retirement income analysis.

FOREVER YOUNG



Americans are living longer. On average, men who have reached age 65 can expect to live an average of 84.1 years, while women who have reached age 65 live an average of 86.8 years.[1]

We can thank a variety of factors for our increasing longevity. Advancements in medical technology, knowledge about fitness and nutrition, and access to vaccines and medicines have all played a role in adding years to our lives. Older Americans are also putting more life in those years; many retirees enjoy active lifestyles that may include travel, exercise, gardening and other physical activities among their hobbies.

Longer lives mean a need for income that will cover the additional years. While many retirees have eliminated some of the costs from their working years, living an active lifestyle often creates new expenses to add to the budget.

Women, especially, face challenges in creating income that spans retirement. Women are more likely than men to live alone in their later years.[2] Despite an increased presence in the workforce, the average woman working part time or full time still earns 82% of the income earned by her male counterpart.[3] Studies show women are also more likely to take time off to provide caregiving for children, aging parents or disabled family members. Because Social Security benefits are calculated based on working years and salary, many women have reduced benefits.

How long will you live and how much money will you need to live comfortably until you pass away? If you knew the exact answers, planning for lifelong income would be a much more straightforward process. Instead, a solid retirement income plan must address a variety of possible scenarios, with the goal of striking a balance between maximizing annual income and ensuring you won't run out of money in your golden years.

Through a retirement income analysis, a financial professional can help you consider strategies for maintaining finances during retirement. The objective of this analysis is to explore methods for taking distributions from retirement accounts, potentially reduce tax liabilities and determine how much income you'll need every month in retirement to help ensure your money doesn't run out after you stop working.

Average Life Expectancies Since 1960[4]

YEAR*	MALE	FEMALE
2023[5]	84.1	86.8
2010	82.7	85.3
2000	81.0	84.0
1990	80.1	83.9
1980	79.1	83.3
1970	78.1	82.0
1960	77.8	80.8

*Average expectancy for individuals who have reached age 65 in the indicated year, according to the CDC

"The secret to living well and longer is: eat half, walk double, laugh triple and love without measure."
~Tibetan Proverb

DOCTOR, DOCTOR, GIMME THE NEWS



Chronic disease affects approximately six in 10 older adults in the U.S.,[6] and for many people, health care is one of the largest expenses in retirement.[7]

Consider this: An average retired couple age 65 in 2023 may need approximately $315,000 saved (after tax) to cover health care expenses in retirement.[8] That number includes things like insurance premiums, out-of-pocket expenses and prescriptions, but excludes long-term care.

Those who wait until age 65 to retire may have access to extended health care benefits through their employer, while people who retire at age 62 will need to cover insurance premiums out of pocket until they are eligible for Medicare at age 65. These are important factors to consider as you approach retirement.

When building a retirement income plan, a financial professional will ask questions that may provide clues to your health care needs during retirement. Do you have an existing medical condition that requires extensive treatment or an array of prescriptions? What is your family history for health and longevity? These factors will all be considered and put into play in your financial plan.

DID YOU KNOW?

In 2000, an average American's health care cost $4,672.[9]

In 2022, U.S. health care spending grew to $13,493 per person.[10]

> Health care is the only civil system where new technology makes prices go up instead of down.
> ~Jaan Tallinn

Know the Stats About Long-Term Care

71.6 million
Estimated number of U.S. baby boomers[14]

70%
The percentage of Americans age 65 or older who are expected to need some type of long-term care[15]

3.7 years and 2.2 years
Average duration of long-term care for women vs. men[16]

20%
Percentage of 65-year-olds who will need long-term care for longer than five years[17]

$116,800
Median U.S. annual private-room nursing home cost in 2023[18]

$210,954
Projected median U.S. annual private-room nursing home cost in 20 years[19]

TAKE GOOD CARE OF MY BABY



Longer lives also bring about an increasing need for long-term care. On average, about 70% of Americans turning 65 will need long-term care at some point.[11]

According to Genworth's Cost of Care Survey, median costs can range from approximately $24,700 to $116,800 per year.[12] Factors affecting the cost include geographic location, type of care needed and length of stay. For most retirees, this is a substantial cost that could impact their financial stability.

Medicare doesn't provide benefits for long-term care. While Medicaid does pay for long-term care, it requires "spending down" assets before it will provide any coverage.[13] Waiting to purchase personal long-term care coverage can be expensive, as rates increase with age.

Your financial advisor can assist you in structuring a long-term care strategy that accounts for your unique needs. The planning conducted in a retirement income analysis can provide you with more choices and options you might not have considered, increasing the likelihood your funds will last as long as you do.

> "The future depends on what we do in the present."
> ~Mahatma Gandhi

I WANNA HOLD YOUR HAND



Many Americans require care that may not qualify for long-term care facilities or in-home services. As a result, more individuals are finding themselves in the role of primary caregiver, both in the years leading up to and during retirement.

It's estimated that about 20% of caregivers are age 65 or older.[20] In some cases, they are caring for an aging spouse, and in others they are providing for a disabled child. In addition, caregiving can come in the form of grandparents raising grandchildren. According to the 2022 State of Grandfamilies report, 8 million children were in grandfamilies. And of those grandparents responsible for grandchildren, 46% were age 60 and older.[21]

Caregivers often find it rewarding to take responsibility for loved ones, but it can also take a toll on the caregiver's financial and physical well-being. Tending to a chronically ill or disabled loved one may mean additional expenses that place a financial burden on the household. Many caregivers spend more than 24 hours a week providing care for ill loved ones,[22] making it difficult to work outside the home. Taking in extended family may also mean postponing retirement or returning to the workforce to provide for the additional people in the household.

A solid financial plan is flexible and adaptable to life as it happens. After laying the initial groundwork in a retirement income analysis, your financial advisor should meet with you regularly to review the plan and adjust to any life events as they happen, no matter the circumstances.

Caregiving by the Numbers[23]

61%
Number of caregivers who are female

19%
Number of caregivers age 65+

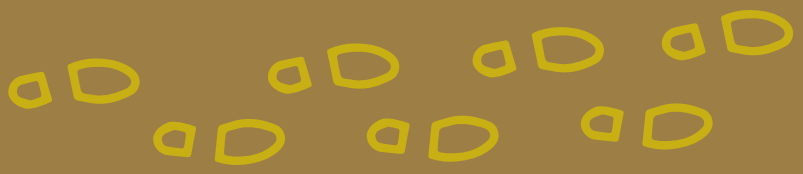
46%
Number of care recipients age 75+

53.0 million
Total number of caregivers who provide unpaid care to an adult or child with special needs

26%
Percentage of individuals with Alzheimer's disease or other dementia being assisted by a caregiver

> "No act of kindness, no matter how small, is ever wasted."
> ~Aesop

WHAT NOW, WHAT NEXT, WHERE TO?



You've done it: You've worked hard and saved for your retirement. But now you have questions. How do I make sure the money lasts? How do I cover all my expenses? Will my taxes increase? Will I have anything left to leave to my loved ones?

Today's retirees are facing unique challenges related to longer lives, increasing health care costs, greater need for long-term care and growing demand to care for loved ones. Understanding the options and navigating the obstacles resulting from these challenges can be overwhelming for many individuals.

An experienced financial advisor can help devise a plan that addresses your questions and "what-ifs" about retirement. He or she will work with you to find solutions that fit your unique circumstances, moving you along the path to the retirement you envisioned.

The journey to retirement is a long one. You should start today to help ensure you'll have enough income tomorrow. Call now to schedule your personalized retirement income analysis and get answers for questions about your retirement. It's your retirement — make it a great one!

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