Clients are living longer, putting pressure on retirement advice

By

- Charles Paikert

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Dave Asprey is planning to live to 180.

He's not joking. The 43-year-old self-described biohacker is the founder of Bulletproof, a company dedicated to high performance living, which sells specially blended coffee, a diet book and training programs. Asprey vows he will relentlessly experiment with food, biology and technology to achieve his goal. Some longevity experts won't dismiss Asprey out of hand. The oldest human is 116 years old, and there are now twice as many centenarians in the U.S. (about 70,000) as there were 20 years ago, according to the U.S. Census Bureau.

J. Craig Venter, who gained worldwide fame for sequencing the human genome, now runs Human Longevity, a genomics-based, technology-driven company whose goal is to extend healthy human life.

Venter won't say if he thinks Asprey and others can live to be 180, but he is adamant that the odds of humans living into their 90s "with good health and vitality is highly possible."

Quote
Life expectancy for females born in 2013 is now 81 years and 76 for men.

The DNA in a person's genes is their "life software," Venter explains. Up to 50% of cancers are "directly gene related," he says, so detection of cancers and heart problems by genomic analysis will "make disease preventable and treatable if discovered early."

Similar revolutionary advances in MRI imaging, immunotherapy, organ replacement and prosthetics are all contributing to push the limits of not only how long people will live, but how long they will be healthy as they age. Indeed, both life expectancy and the number of older people in the U.S. are expected to climb.

Life expectancy for females born in 2013 is now 81 years and 76 for men. That's an increase of eight years for women in the past 50 years, and 10 years for men.

A man reaching age 65 this year can expect to live to 84. A similarly aged woman can expect to live to 87. And those are just averages. Approximately one out of every four 65-year-olds now alive will live past 90, and one out of 10 will live past 95.

In 2050, the population of Americans 65 and older is projected to be close to 84 million, nearly double the 43 million seniors alive in 2012, according to the U.S. Census Bureau.

What does this mean for planners?

"If anything, the Census Bureau underestimates life expectancy," says Steve Vernon, a research scholar for the Stanford Center on Longevity's Financial Security Division. "It's just an average. The challenge for advisors is the uncertainty of how long clients might live and how active they are going to be. They're going to have to help clients think through the consequences of living longer and help them avoid making dumb decisions."

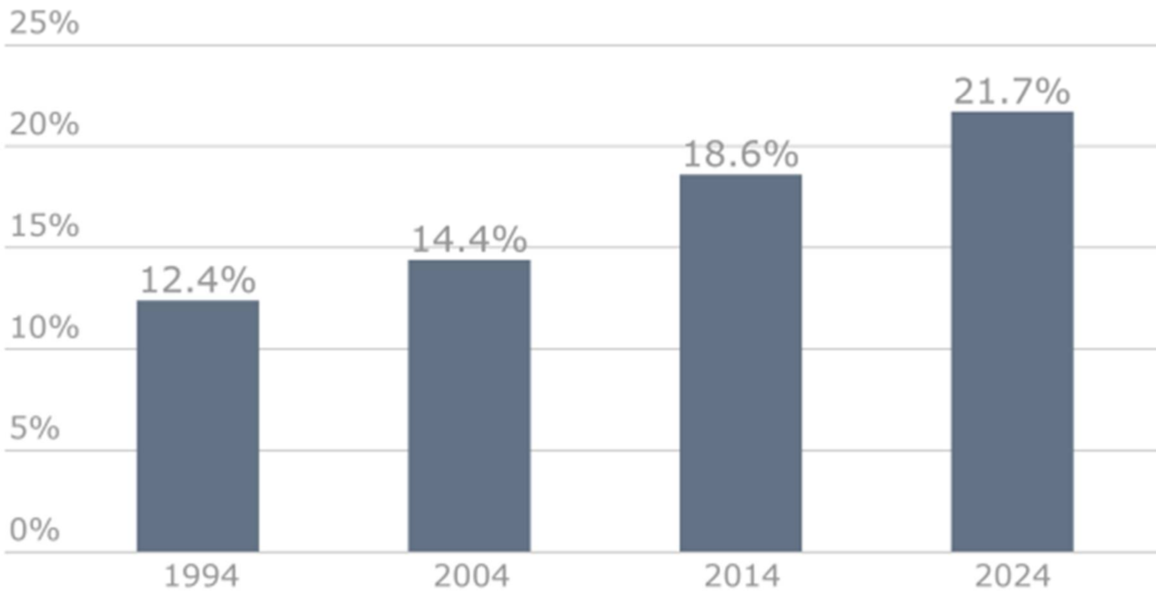
LIVE LONGER, WORK LONGER

For Dr. Steven Podnos, the 60-year-old principal of Wealth Care in Cocoa Beach, Fla., that means advising his older clients to keep working.

"That's the first thing I tell them," says Podnos, a medical doctor who became a CFP in 2004. "There are going to be many more medical advances in their lifetime, and they need to budget that in. The most important planning advice I can give my clients is that they should work longer than they thought they would. There's no reason they can't work until their 70s. It doesn't necessarily have to be full-time, but they should be producing income at least on a part-time basis."

The graying workforce

The percentage of U.S. workers 65 and older is growing



Source: U.S. Bureau of Labor Statistics

Working longer is already a trend.

The percentage of civilians in the workforce over age 55 is now 22%, the highest figure since 1948, according to the Bureau of Labor Statistics. Nearly one-third of Americans age 65 to 69 are now in the labor force, up from only one-fifth in that age cohort who were either working or looking for work two decades ago.

And the number of older workers is expected to keep increasing. By 2024, the percentage of civilians over 55 participating in the labor force is expected to reach 22%, according to the BLS, nearly double what the participation rate was in 1994.

While employers currently aren’t doing as much as they could to retain and attract older workers, that appears to be changing, says Martha Deevy, director of the Stanford Center on Longevity’s Financial Security Division.

“More and more employers are acknowledging they need to do something,” Deevy says. “They know they have to adapt to older workers in a different way.”

Older workers are viewed as more loyal to companies, more flexible when it comes to time off and more emotionally stable than younger workers, Deevy says.

405 Sims Way Merritt Island, FL 32952 | www.WealthCareLLC.com | T. 321.543.1099 | F. 815.301.3777 | E. Steven@wealthcarellc.com

But they also face challenges in the workforce, she adds, including the perception that seniors absorb more health care costs, require higher salaries and aren't as technologically adept as they need to be.

Not every senior has to be a full-time employee, of course. The rise of the gig economy, exemplified by Uber drivers, has vastly increased opportunities for part-time work. And more and more seniors are becoming entrepreneurs, whether opening their own businesses or selling products on such web sites as eBay and Etsy.

In fact, there are now twice as many entrepreneurs 50 or older than those younger than 25, according to the Kauffman Institute, and the highest rate of business creation over the past 10 years has come from entrepreneurs aged 55 to 64.

VIRTUAL REALITY?

What's more, those with physical limitations will be less restricted in their work options, says Jeremy Bailenson, founding director of Stanford University's Virtual Human Interaction Lab. And virtual reality will become a planning tool.

"Social VR will be so compelling that we will no longer need to physically travel for work," Bailenson says. "Instead, avatar communication will be as rich as face-to-face meetings.

"In one study, people walked up to a virtual mirror, and their mirror image was digitally altered to make them look 70 years old," he adds. "Half the people saw a version of their older selves while the rest saw a virtual version of their current selves. Later, study participants were asked a series of questions about finances and retirement. Those who had seen their older selves reported that they were willing to put twice as much money into long-term savings accounts as those who had seen their current selves."

Quote
More-productive life spans are also forcing planners to focus on how their clients are actually going to live.

Longer, healthier and more-productive life spans are also forcing planners to focus on how their clients are actually going to live.

"How to live and where to live is a major issue," says Miami-based advisor Ellen Siegel. "It's no less important than making money last so you don't outlive your savings and how you're going to handle medical costs."

Siegel, an active 66-year-old who owns her own firm, says she begins with the assumption her clients will live to be 100 and asks them where they want to live as they age and who they want to live near.

If continuing-care retirement communities are an option, Siegel helps clients research facilities with an eye to cost, location and corporate history.

"It's a huge decision," Siegel says. "Retirement communities can cost $300,000 just to get in, and things can change — there may be corporate M&A activity, and the facility is not owned by the company you signed up with, but you're stuck."

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Another consideration, Siegel says, is personal relationships. “One of my clients had a wonderful social network of friends where she was living, but her son lived on the other side of the country and wanted her to be in a retirement community near him,” she recounts. “It can get very sticky, and there’s no perfect answer.”

Options include co-housing — living in a semi-communal arrangement with other people the same age.

Multigenerational living is also an increasingly popular choice. More homes are now being built specifically to be multigenerational, and the number of homes with more than one adult generation has doubled in the last 30 years, according to the Pew Research Center.


Advisor Ellen Seigel assumes her clients will live to 100.

Then, of course, there’s the option of reverse mortgages. They can be costly, but they allow older people to use their home equity to extend their time in their own home.

“The [client’s] families almost always object, since it invariably means selling the home when mom passes away to cover the loan,” Siegel notes. “The client objects because the costs of the home equity conversion mortgage are high, and the process required to obtain one is quite detailed, including a class on reverse mortgages.”

Both Siegel and Podnos also advise their clients to be as active as possible, even if they’re not working.

Podnos, who continues to practice medicine as a doctor in the Air Force Reserve, urges his clients to volunteer if they’re not working.

Siegel, who is a volunteer park ranger at Everglades National Park and an avid kayaker, highly recommends that older clients hire a life coach to help them navigate the next chapter of their lives.

“A life coach is a trained professional who has experience with these issues and can be both a cheerleader and someone who will hold your feet to the fire,” Siegel says. ‘They can also help you explore what is it about money that’s really important to you, and if you’re handicapped by your approach to money.”

The approach taken by Siegel and Podnos should be emulated by other advisors, Vernon says.

In fact, the Stanford Center on Longevity is completing research demonstrating that older people's "social portfolio is just as important as their investment portfolio," he says. "Just as a client's investment portfolio should have diversified assets, so should their social portfolio be comprised of people with a variety of interests."

AGE-OLD PROBLEMS

Advisors are also still grappling with traditional longevity risks such as inadequate income and burdensome health costs.

For maximum income, most advisors encourage clients to wait, if possible, until age 70 to claim Social Security benefits. "For every year one delays filing between 66 and 70, the lifetime monthly benefits will increase 8%," notes Paul Norr, a CFP in Thousand Oaks, Calif. "If one delays for four years, the lifetime Social Security benefits will be 32% higher. That's a pretty good deal."

High-yield stocks are another source of income, albeit with more risk, says Anne Chernish, president of Anchor Capital Management in Ithaca, N.Y.

"I scan a large database searching for balance sheet and income statement items indicating that these companies are stable," Chernish says. "I look at lower beta and higher-yielding stocks for those requiring retirement income. Analyzing a company's prospects of staying in business and growing at a reasonably moderate rate while providing a stream of dividends is critical."

While health savings accounts are no panacea for exorbitant medical costs, Vid Ponnapalli, principal of Unique Financial Advisors in Red Bank, N.J., strongly recommends that his clients take advantage of the tax-advantaged savings instrument.

"The longer you live, the more you're going to spend on medical," Ponnapalli says, "You must budget more for savings, and an HSA, which allows clients to save up to $7,650 a year tax-free if they're over 55, is a great way to do it."

While annuities and long-term care insurance remain controversial because of high costs and risks associated with issuers, advisors say the instruments still need to be considered within a comprehensive retirement plan.

"I tell clients a good longevity plan revolves around lifetime guaranteed income from reliable sources that will automatically be deposited into their bank accounts," says Jim Saulnier, a CFP with his own firm in Fort Collins, Colo., who recommends immediate-income and deferred-income annuities.

"I tell them don't look through a longevity plan through the eyes of a 50- or 60-year-old, but through the eyes of their 80- or 90-year-old selves," Saulnier says.

Long-term health concerns are also spurring advisors to push all the boundaries of longevity planning, says Cynthia Hutchins, director of financial gerontology for Bank of America Merrill Lynch.

Long life is not the same as good health, of course; “50% of people who reach 85 suffer some cognitive decline,” Hutchins says.

“The average cost of long-term care is $85,000 a year, and it can exceed $120,000 a year. Advisors have to be thinking about how much it may cost, who will pay for it, how will it be paid for and where will it take place.”

Those who can afford it should consider long-term care insurance, Hutchins says, but they need to examine the details thoroughly. Indeed, nonstop premium increases and stories about buyers who paid thousands of dollars in premiums without receiving any benefits before they died have caused traditional LTC insurance policies to drop 60% from 2010 to 2014, according to the American Association for Long-Term Care Insurance.

New hybrid insurance and annuity products are coming on the market, however, and advisors are also helping clients tap into community resources for aging and coordinating with family members for care.

Advisors can’t stop innovating, because medical breakthroughs leading to even longer lives aren’t going to stop either.

As Podnos put it: “Think of the medical advances we’ve seen in the last 10 years. I don’t think we can even imagine what we will see in the next 10 to 20 years.”

Charles Paikert

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