



**HealthView**  
SERVICES

# RETIREMENT PLANNING, LONGEVITY & HEALTH DOES IT MAKE SENSE TO PLAN TO 95?

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WHITE PAPER

# Introduction

Longevity is one of the most significant factors in determining how much a client will be able to spend in retirement, and whether savings will be sufficient to meet their goals. It is a key variable in determining how much needs to be saved during working years to cover total retirement expenses. Longer lives mean more years of expenses and additional savings needed to maintain quality of life.

## Life Expectancy Methodology:

HealthView Services utilizes mortality projection data that draws on longevity tables produced by actuaries. These tables are based on multiple studies that, when combined, draw on 266 million cases. Factors impacting life expectancy include current age, sex at birth, and health condition(s). This methodology is embedded into HealthView Services' wide range of financial and retirement planning tools and the firm's upcoming standalone longevity calculator for financial institutions and advisors.

Longevity risk – living longer than expected and outlasting retirement savings – is a significant concern for advisors and clients. Planning to age 95 has become a little questioned industry rule of thumb. But, the vast majority of Americans will not live to age 95, even if they are in good health. Healthy clients are the exception in retirement. In fact, 95% of retirees in their 60s or older have at least one chronic condition<sup>1</sup> that will reduce their actuarially-projected life expectancy.

For the almost 30% of the 65-plus population with diabetes, there is less than a one percent chance they will reach 95. An average male client with type 2 diabetes will only live into their late 70s; for an average female with the condition, their early 80s. Longevity expectations for those with other common health conditions are significantly lower than for the rare retiree who makes it through retirement without a health condition.

Low probability does not mean no probability; longevity risk should be discussed with clients. But so does the other side of the equation: the much greater likelihood that clients will pass away before 95. As with all aspects of retirement planning, advisors should use the best available data to help clients address their individual needs.

Actuarial longevity provides a foundation for discussions that take into account savings required to meet income goals in retirement, the needs of a surviving spouse, the desire to leave a legacy, and the risk of living longer than expected.

In this report, we highlight the case for using actuarial longevity as the starting point for retirement plans, illustrate the probability that clients will actually live to 95, and show the impact of using individualized, health-based longevity expectations on retirement income requirements.



## Key Highlights

1. Sex at birth and health status are the leading drivers of average life expectancy for the healthy and those with specific health conditions.
2. 95% of Americans aged 60 or older have at least one chronic health condition that may impact longevity.
3. Although age 95 is a default planning goal in financial services, the probability of reaching this age for most is low. For the 30% of retirees with diabetes, they have a less than 1% chance of living to 95.
4. Total retirement savings needed to maintain lifestyles in retirement vary dramatically based on life expectancy. A client approaching retirement with a serious health condition and expecting to live to actuarial longevity will need more modest savings to cover their needs than their healthy counterpart.
5. Individuals who have achieved income replacement ratio (IRR) goals based on living to 95, but based on their current health are unlikely to live that long, will potentially be able to spend more in retirement.
6. Using actuarial longevity as a foundation for planning is a credible starting point for clients and advisors to build upon existing plans that consider the needs of a surviving spouse, the desire to leave a legacy, and the savings required for retirement.

## Actuarial Longevity: Age, Health Condition & Sex at Birth

At any age, health conditions and sex at birth are the most significant factors in determining projected longevity (see Table A). Since health status may change through retirement, projecting longevity based on a client's current health should be a dynamic process and part of an annual plan review. For example, 41.5% of Americans over the age of 60 suffer from obesity<sup>2</sup>, and other chronic health conditions such as high blood pressure and high cholesterol are prevalent. It is important to understand the impact of existing conditions and new diagnoses throughout retirement on projected longevity.

**Table A:** Projected Life Expectancy for a 65-Year-Old, Based on Sex at Birth & Health

Health Status	Female	Male
No Chronic Conditions*	90	88
High Blood Pressure	89	86
Cardiovascular Disease	88	85
Cancer	82	82
Diabetes	82	79
High Cholesterol	87	85
Tobacco Use	84	81
Obesity	85	83
Parkinson's	88	85

\*Only around 5% of the population over the age of 60 is in this category.

## Actuarial Longevity Probabilities

Actuarial life expectancy is the median point of longevity projections, or, the age at which half of individuals with these health factors will have passed away. Once actuarial longevity has been reached, the probability of living beyond this age declines.

As Table B shows, the probability of living to age 95 or beyond is relatively low, even for the rare case of a senior with no chronic health conditions. For the majority, particularly those who are obese or who have diabetes, the odds are not in their favor.

**Table B:** Probability of Living to At Least Age 95, 65-Year-Old Male, by Condition

Condition	Probability of Living to 95 or Beyond
None	19.3%
High Blood Pressure	17.5%
Cardiovascular Disease	15.8%
High Cholesterol	12.5%
Obesity (BMI 35-39)	8.8%
Obesity (BMI 40-44)	2.0%
Tobacco Use	7.4%
Diabetes	0.4%

*Since the above data is based on one primary chronic health condition, and half of those age 65 or older have at least two chronic conditions<sup>3</sup>, these longevity projections are conservative.*

The data also assumes average management of these conditions. A diabetic would, for example, need to be maintaining their weight and diet, take medications (e.g. insulin) as directed, and meet recommended standards for physical activity. Those who manage their health poorly would have a lower chance of reaching the average life expectancy for someone with that specific condition (and those who manage it better than average may have a higher chance).



## The Financial Impact of Longevity

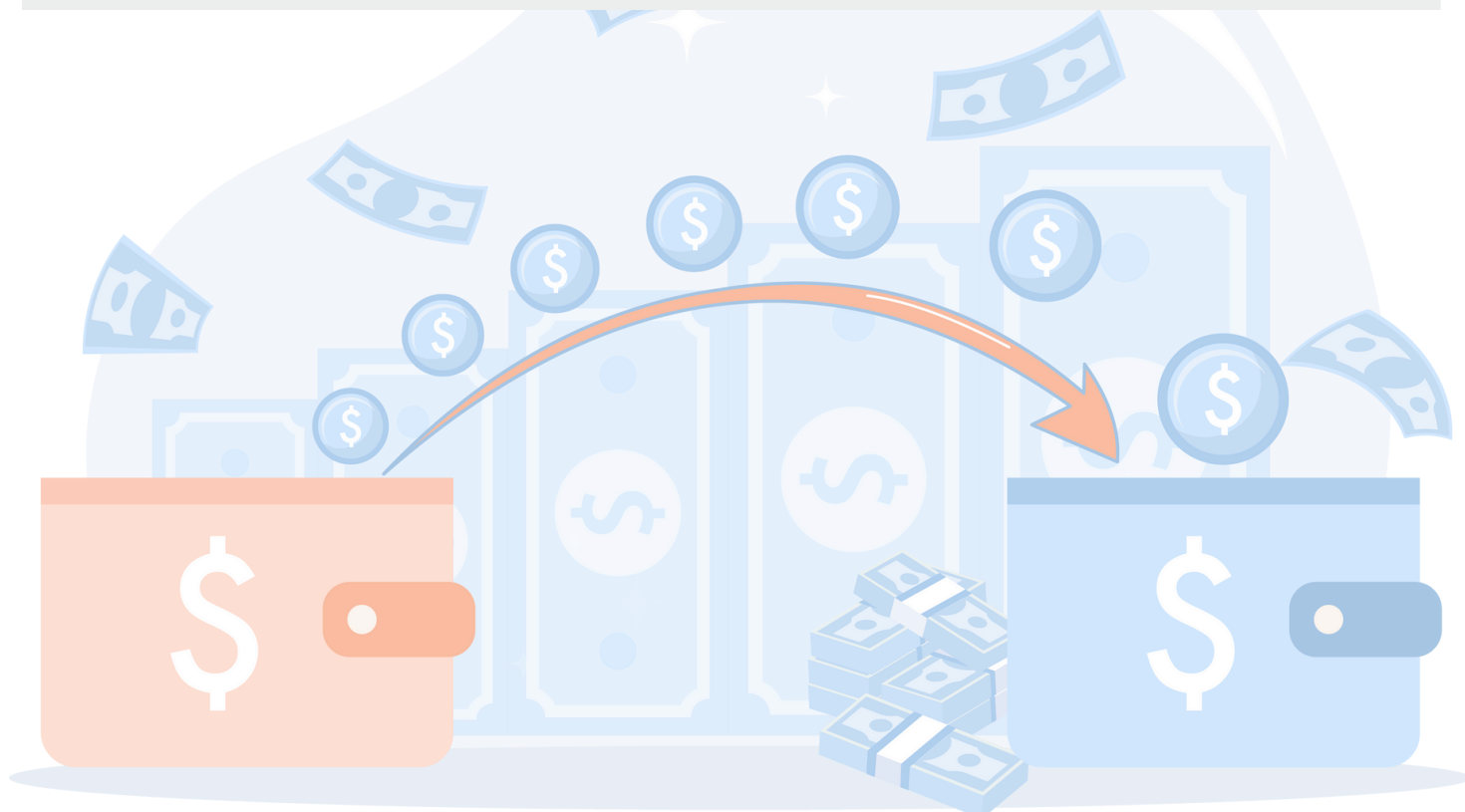
Using an industry average IRR of 80%, a healthy 65-year-old man who earned \$100,000 pre-retirement in 2023 would need \$80,000 in retirement income in 2024 to maintain his standard of living. Assuming a 6% annual return on his portfolio, Social Security benefits based on working income, and a 3% inflation rate, he would need \$1,103,328 in savings to meet his lifetime IRR goals, assuming he lives to age 95.

Even if he remains healthy, planning for 95 assumes he will live beyond his projected average longevity. If he is diagnosed with a chronic condition, his life expectancy will be lower and he will have the capacity to spend more through a shorter-than-planned retirement.

Table C underscores the additional income he would have assuming he had met his IRR goal for longevity of 95, but now expects to live to average actuarial longevity based on three common health issues. If he was diagnosed with high blood pressure, for example, he would be able to allocate an additional \$447,469 during retirement towards long-term care planning, emergency savings, increased money left to heirs, or other spending priorities based on living to age 86 rather than 95.

**Table C:** Increased Withdrawable Savings for Those Planned for 95, Based on Average Life Expectancy by Health Condition

Condition	Life Expectancy	Additional Withdrawable Savings (If IRR Savings Goals Met for 95)
High Blood Pressure	86 (9-year difference)	\$447,469
Tobacco Use	82 (13-year difference)	\$616,245
Diabetes	79 (16-year difference)	\$727,947





## Case Study

To illustrate the impact of longevity on planning strategies, we compare the hypothetical cases of two 55-year-old unmarried New Hampshire women, Sara and Melissa. Both currently earn \$100,000 per year, have \$165,000 in retirement savings, contribute \$8,000 per year into their retirement accounts, and plan to retire at age 65.



Sara and Melissa are projected to earn \$134,392 annually by the time they retire at age 65 (assuming 3% annual income growth). Using a 70% IRR, the income they will need at year one of retirement will be \$94,074. With a projected Social Security benefit of \$3,385/month beginning at age 65, and an annuity that will generate \$12,000 annually, the additional income needed at year one of retirement will be \$41,454. (This amount will increase by 2% each year in retirement to account for inflation.)

Sara has diabetes, which she manages at an average level (takes steps to maintain her health, but could be doing better). Melissa, meanwhile, has no chronic health conditions and manages her health quite well. Neither use tobacco products.

Sara's actuarial projected life expectancy is 82, while Melissa's is 90.

The table below shows the difference in lifetime income for Sara and Melissa – with all other factors being equal, except their respective life expectancy.

Each has a shortfall in savings to meet their future needs based on their expected longevity. Table D shows additional lump sum savings at 55 they will need to meet their IRR goals.

**Table D:** Total Savings Needed Based on Actuarial Life Expectancy

Name	Life Expectancy	Total Retirement Income Needed	Additional Investment Needed at 55*
Sara	82	\$2,014,345	\$87,762
Melissa	90	\$3,167,562 (57% more)	\$170,220 (94% more)

\*Based on current savings of \$165,000, to fund total income needed minus projected Social Security benefits. Assumes investments grow at 6% annually. All figures are shown in future value.

Because she is projected to live eight years longer, Melissa would need to invest \$82,458 more than Sara to generate the income she needs to maintain her lifestyle until age 90.

Advisors and clients may choose to take more conservative approaches to income planning while still using actuarial longevity as the basis for decision making. If Sara aimed to cover her retirement expenses for an additional three years beyond her life expectancy – to fund her income needs through age 85 – she would need to invest \$33,959 more today.

# Conclusion

Building retirement plans that reflect realistic longevity expectations based on a client's health condition(s) is an important starting point for retirement planning conversations.

Advisor-clients are much more likely to see longevity-based data for actual health condition(s) as a credible basis for planning. This matters. Based on our experience working with many of the largest financial institutions in the U.S., data that clients can relate to is a powerful driver of savings and investment behavior.

As the data show, most retirees will not live to age 95 – even the healthiest. For the roughly half of retirees who are diabetic or obese, the probability of living this long is very low. Clients with serious health issues already know this. Using realistic longevity expectations as the starting point for life expectancy discussions will help advisors better position retirement planning strategies that work for them.

Planning based on actuarial longevity expectations applies both to older and younger and clients. Current expected longevity for a healthy 35-year-old male is 89; for a female, 92. Since most clients will be diagnosed with a chronic condition that reduces life expectancy (leading up to, or during, retirement) it is important to include current health status as part of annual reviews and revise plans as necessary.

For advisors, incorporating the best available health-based longevity data into the planning process not only makes sense, but is also defensible and consistent with clients' best interests. Critically, it provides a foundation for walking clients through choices and trade-offs that are part of every plan.

In this context, for some clients, addressing longevity risk by planning to 95 years-old – even if it is a low probability – may well outweigh the benefits of being able to spend more in retirement by planning based on actuarial longevity. Naturally, in the event a client dies before they reach this age, unspent savings would be inherited by the surviving spouse or those included in a bequest.

Actuarial longevity data is a basis for framing the planning process. Advisors can leverage financial products and expertise in ways that maximize clients' quality of life in retirement while addressing the risk of living longer or shorter than actuarial averages. In addition to traditional capital market solutions, products including annuities – particularly a deferred annuity like a qualified longevity annuity contract (QLAC) – can provide peace of mind for clients seeking to generate guaranteed income while also taking measures against longevity risk.

[1] <https://www.ncoa.org/article/the-top-10-most-common-chronic-conditions-in-older-adults>

[2] <https://www.cdc.gov/obesity/data/adult.html#:~:text=Obesity%20affects%20some%20groups%20more%20than%20others&text=The%20obesity%20prevalence%20was%2039.8,adults%20aged%2060%20and%20older.>

[3] [https://hpi.georgetown.edu/multiple/#:~:text=Multiple%20chronic%20conditions%20are%20much,older%20\(see%20Figure%207\)](https://hpi.georgetown.edu/multiple/#:~:text=Multiple%20chronic%20conditions%20are%20much,older%20(see%20Figure%207))



## About HealthView Services

HealthView Services (HVS), founded by a team of financial professionals, healthcare industry executives, and physicians, is a leading provider of healthcare cost projection software. Our portfolio of retirement healthcare planning applications – which generates comprehensive and reliable cost projections for around 40 million users annually – is used by advisors, financial institutions, employers and consumers.

Drawing on actuarial and government data, as well as 530 million medical claims, HealthView Services' planning applications leverage a patented data process that utilizes simple user inputs (age, sex at birth, health conditions, income, and state of residence) to create personalized estimates of retirement healthcare costs and life expectancy.

With more than a decade of use across the financial services industry, these solutions have proven to be a powerful driver of savings and retirement planning. HVS has numerous software applications which include healthcare cost projections, long-term care costs, Medicare premiums and surcharges, Social Security optimization, and more.

Life expectancy projections illustrated in this report align with the firm's longevity methodology, which draws on data produced by actuaries based on 266 million cases.





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