

CASE STUDY

Longevity Planning for Women in Retirement

THE BACKGROUND:

With 10,000 individuals turning 65 every day, the American population is retiring in greater numbers than ever before.¹ We're seeing a significant disparity between men and women when it comes to retirement readiness.

CLIENT PROFILE:

- Women between the ages of 50-80
- Those without pension income or other forms of guaranteed income, other than Social Security
- Clients worried about outliving their assets or spending down their legacy in retirement

THE CHALLENGE:

Women generally live five to six years longer than men,² and by the time they're 65, nearly 60% of women will need long-term care at some point in their lives, compared to only 47% of men.³ Moreover, on average, women have less in retirement savings than men. In addition to these factors, it's also necessary to consider:

- Lower average earning⁴
- More time spent caring for children or aging parents⁵
- Higher percentage of income used to pay down debt and purchase household necessities⁶

All of these add up to a substantial savings gap, and data shows that a surviving spouse's savings are not always sufficient to supplement their own if a spouse passes, even in two-income households. This occurs despite the need to continue paying for household expenses, which are rarely reduced by half, often with decreased income from Social Security and pension benefits.⁷

We can see there is tremendous opportunity to support women in preparing for retirement and ensuring they have sufficient income to last their lifetime, especially considering their unique risks. Let's look at an example to see how allocating a portion of assets to either a joint-and-survivor or single life annuity may provide additional guaranteed income that cannot be outlived.

HOW IT WORKS - A CASE STUDY:

- George, 63, and Linda, 60, are married and preparing for retirement
- George worries about Linda being taken care of when he passes; he has ongoing medical concerns, and her family has a history of longevity
- Together, they have \$3.3 million in assets and a retirement spending goal of \$150,000 per year
- They both plan on working for another two years before retiring at ages 65/62, and then they plan to claim their Social Security benefits

RETIREMENT SOLUTIONS



20% of the population is projected to be age 65 or older in the year **2050**⁸

Women have **43% less** in retirement savings than men, and nearly half of women have no retirement savings **at all**⁹

Only 39% of women are confident they will have enough resources to last 25 years in retirement, compared to 54% of their male counterparts¹⁰

The Best Strategies

(out of 5,000 Monte Carlo simulations ran)

Possible Solution	Probable Success
Continue original spending goal of \$150,000 per year	75% chance of meeting that goal, and projected to run out of money by ages 87 and 84
Reduce spending goal to \$127,600 per year	95% probability of maintaining at least \$1 in their account at death

To ensure Linda won't run out of money in retirement or become impoverished as a widow, both she and George have an option:

Possible Solution	Probable Success
Maximize their Social Security benefits by waiting to claim until they're age 70	Probability of success increases by 8.5% and maximum allowable spending to \$138,434 per year

Yet, this still falls short of their original \$150,000 spending goal. So, to supplement Social Security, George and Linda may choose to make a:



This supplementation adds \$38,795 per year in guaranteed income, as long as either spouse is alive, exceeding the original goal.

THE SOLUTION:

By maximizing Social Security benefits and adding additional guaranteed income through an annuity, this couple was not only able to exceed their spending goal, but Linda can maintain her lifestyle with a 95% success rate until age 94 (adding a 10-year increase in longevity protection from their original scenario). Be sure to request the JourneyGuide report for a full scenario summary.

YOUR NEXT STEPS:

1. Identify clients, especially women, you serve who are nearing retirement and have a history of longevity in their family.
2. Schedule an appointment to evaluate their retirement spending goals and desires.
3. Discuss various retirement planning strategies and the impact each option could have on their probability of reaching and maintaining their spending goal.
4. Contact your Palladium Group expert to explore various longevity planning strategies for your clients and review their existing annuity policies.

CONVERSATION STARTERS:

1. Did you know that women generally live five to six years longer than men, and many women live 15+ years as widows?¹¹
2. Did you also know that 51% of widowed women over age 65 live at or below the poverty line?¹²
3. Although an alarming statistic, these circumstances can be avoided with proper planning.
4. Let's talk about mitigating the risk of longevity to ensure that you and your spouse can fully enjoy retirement without worrying about running out of money.



¹ Administration on Aging. https://aoa.acl.gov/Aging_Statistics/future_growth/future_growth.aspx#age

² Arias E, Xu JQ. United States life tables, 2017. National Vital Statistics Reports; vol 68 no 7. Hyattsville, MD: National Center for Health Statistics, 2019.

³ AARP, "Long-Term Support and Services," March 2017.

⁴ U.S. Census Bureau. <https://www.census.gov/newsroom/stories/2020/equal-pay.html> (accessed May 17, 2020).

⁵ Pew Research Center, "On Pay Gap, Millennial Women Near Parity—for Now," December 11, 2013.

⁶ Prudential's 2018 Financial Wellness Census. http://newsroom.pgim.com/content/1209/files/prudentials_2018_financial_wellness_census.pdf

⁷ Center for Retirement Research at Boston College, "Women, Marriage, and the NRR1," June 2019.

⁸ The Washington Post. https://www.washingtonpost.com/news/fact-checker/wp/2014/07/24/do-10000-baby-boomers-retireevery-day/?utm_term=.6da459401a8d

⁹ Prudential's 2018 Financial Wellness Census. http://newsroom.pgim.com/content/1209/files/prudentials_2018_financial_wellness_census.pdf

¹⁰ 2017 Willis Towers Watson Global Benefits Attitudes Survey. <https://www.willistowerswatson.com/en-US/news/2018/03/gender-differences-on-saving-for-retirement-linked-to-financial-needs>

¹¹ Arias E, Xu JQ. United States life tables, 2017. National Vital Statistics Reports; vol 68 no 7. Hyattsville, MD: National Center for Health Statistics, 2019.

¹² Widowhood: Why Women Need to Talk About This Issue. <https://wiserwomen.org/wp-content/uploads/2019/11/widowhood-women-need-to-talk-about-issue-2019.pdf>