Driving Improvements in Longevity

The Geneva Association
October 26, 2020

By Steve Vernon, FSA
Research Scholar, Stanford Center on Longevity
President, Rest-of-Life Communications
LONGEVITY IN THE NEWS

DIFFERENCES IN LIFE EXPECTANCY DUE TO RACE AND EDUCATIONAL DIFFERENCES ARE WIDENING, AND MANY MAY NOT CATCH UP

THE GROWING GAP IN LIFE EXPECTANCY BY INCOME
IMPLICATIONS FOR FEDERAL PROGRAMS AND POLICY RESPONSES

Barry Bosworth & Gary Burtless, The Brookings Institution
Kan Zhang, George Washington University

Committee on the Long-Run Macroeconomic Effects of the Aging U.S. Population—Phase II
Committee on Population
Division of Behavioral and Social Sciences and Education

LATER RETIREMENT, INEQUALITY IN OLD AGE, AND THE GROWING GAP IN LONGEVITY BETWEEN RICH AND POOR

S. Jay Olshansky (ojays@uihealth.uchicago.edu) is a professor at the School of Public Health, University of Illinois at Chicago.
Teil Antonucci is a research professor in the LIFE COU Development Program and the Elizabeth M. Dobkin Collegiate Professor of Psychology at the University of Michigan, in Ann Arbor.
Lisa Berkman is director of the Center for Population Development Studies and Thomas D. Colman Professor of Public Policy and Epidemiology at Harvard University, in Cambridge, Massachusetts.
Robert H. Blotstock, new associate professor of the Department of Epidemiology and Environmental Health at Case Western Reserve University, in Cleveland, Ohio.
Axel Boersch-Supan is director of the Max Planck Institute for Human Development.
SEEING OUR WAY TO LIVING LONG & LIVING WELL IN 21st CENTURY AMERICA
Sightlines Project Vision

Stimulate an informed, vibrant, national conversation on proactive approaches to living long and living well in 21st Century America
Key domains and indices

- 8 - 9 behavioral criteria in each domain
- Average percentage of Americans doing ‘right’ at each of six decades of life
- Trajectory: prevalence in most recent vs. benchmark year

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<thead>
<tr>
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<tbody>
<tr>
<td>25 34 45 54 64 74 75+</td>
<td>25 34 45 54 64 74 75+</td>
<td>25 34 45 54 64 74 75+</td>
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</tbody>
</table>

*Source: Stanford Center on Longevity*
## Actions linked to healthy, long life

### Healthy Living
- **Exercise Moderately** (NHANES)
- **Maintain Healthy BMI** (NHANES)
- **Low Sedentary Time** (NHANES)
- **Eat 5 Fruits and Vegetables** (BRFSS)
- **Sufficient Sleep** (NHANES)
- **Excessive Alcohol Consumption** (NHANES)
- **Tobacco and Nicotine Use** (NIHANES)
- **Illicit Drug Use** (NIHANES)

### Financial Security
- **Cash Flow**
  - Threshold Income (CPS-ASEC)
  - Manageable Debt (SCF)
  - Emergency Funds (SCF)
- **Asset Growth**
  - Retirement Savings (SCF)
  - Investments (SCF)
  - Home Ownership (CPS-ASEC)
- **Protection**
  - Long-Term Disability/Care (SCF & CEI)
  - Health Insurance (CPS-ASEC)
  - Life Insurance (SCF)

### Social Engagement
- **Group Involvement**
  - Volunteer (CPS-VS)
- **Meaningful Relationships**
  - Friend Social Support (MIDUS)
  - Frequent Friend Interactions (MIDUS)
  - Family Social Support (MIDUS)
  - Meaningful Interactions with Spouse/Partner (MIDUS)
  - Frequent Family Interactions (MIDUS)
  - Workforce Participation (CPS-ASEC)
  - Participate in Community or Religious Activities (MIDUS)
  - Converse with Neighbor (MIDUS)
How well are Americans doing today?
Key indices are stable or down

Healthy Living (1999 → 2011)
- Healthy living gains offset by rising risks

- Financial security trends alarming

Social Engagement (1995 → 2012)
- Traditional social engagement waning
African-Americans, Hispanics more likely to live in poverty or near-poverty
African-Americans, Hispanics less likely to own their home
African-Americans, Hispanics less likely to have health insurance
African-Americans, Hispanics less likely to participate in retirement plans.
... and their median contributions to retirement plans are less
The Pandemic Is Making Things Worse

Source: Journal of American Medical Association October 2020

### Table 2. Excess All-Cause Mortality in the US Compared With That in Other Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Excess all-cause mortality per 100 000</th>
<th>Excess US deaths from all causes (% of reported deaths)</th>
<th>Since the start of the pandemic</th>
<th>Since May 10, 2020</th>
<th>Since June 7, 2020</th>
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</thead>
<tbody>
<tr>
<td><strong>High mortality (COVID-19 deaths, &gt;25/100 000)</strong></td>
<td></td>
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</tr>
<tr>
<td>Sweden</td>
<td>50.8</td>
<td>14.9</td>
<td>3.7</td>
<td>68 540 (29)</td>
<td>53 429 (23)</td>
</tr>
<tr>
<td>France</td>
<td>51.5</td>
<td>5.9</td>
<td>2.6</td>
<td>66 167 (28)</td>
<td>83 301 (35)</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>55.1</td>
<td>0.1</td>
<td>-0.7</td>
<td>54 282 (23)</td>
<td>102 157 (43)</td>
</tr>
<tr>
<td>Belgium</td>
<td>67.8</td>
<td>-4.6</td>
<td>-6.4</td>
<td>12 638 (5)</td>
<td>102 598 (44)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>94.5</td>
<td>13.7</td>
<td>-1.2</td>
<td>-75 196 (~32)</td>
<td>57 659 (24)</td>
</tr>
<tr>
<td>Spain</td>
<td>102.2</td>
<td>2.1</td>
<td>1.8</td>
<td>-100 768 (~43)</td>
<td>95 784 (25)</td>
</tr>
<tr>
<td>United States</td>
<td>71.6</td>
<td>31.2</td>
<td>19.4</td>
<td></td>
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</tr>
</tbody>
</table>

* Data on deaths are through July 25, 2020 (week 30, n = 235 610 excess US deaths compared with 145 546 reported COVID-19 deaths). Countries lacking publicly available all-cause mortality data through this time are omitted.

Excess deaths were estimated weekly, compared with 2015-2019, beginning when a country surpassed 1 COVID-19 case per million population. In columns 3-5, due to large sample sizes, all mortality rates are statistically significantly different from the corresponding US mortality rates (P < .001). Scenarios in the last 3 columns assume that compared with the country in a given row:

(A) the US had a comparable cumulative mortality rate; (B) the US excess all-cause mortality rate was unchanged until May 10 (week 20, n = 133 012 deaths), when it became comparable to the other country’s death rate; and (C) the US excess all-cause mortality rate was unchanged until June 7 (week 24, n = 171 659 deaths), when it became comparable to the other country’s death rate. Totals are truncated to avoid exceeding US estimated deaths. Due to reporting lags, these data include less follow-up time than Table 1, which in some cases produces lower cumulative death rates.
Most Important Financial Decisions
The Top 5

1. When and how to retire
2. When to start Pillar 1/Social Security
3. Build your retirement income portfolio with invested assets, pensions, annuities
4. Make smart choices for medical insurance/Medicare
5. Which living expenses to reduce
Top 10 Financial Decisions

1. When and how to retire
2. When to start Pillar 1/Social Security
3. Build your retirement income portfolio
4. Make smart choices for medical insurance/Medicare
5. Which living expenses to reduce
6. Whether to deploy home equity
7. Protect against long-term care expenses
8. Protect against diminished capacity as you age
9. Provide for your spouse after you’re gone
10. Plan your financial legacy
Build your retirement plan to last

1987 CRASH
S & L CRISIS
TECH BUBBLE BURST
GREAT RECESSION
COVID Pandemic


How many more stock market crashes in our lifetime?
“Help! I haven’t saved enough for retirement!”
Meet Rob and Betty

• Both age 62, live in the U.S.

• Both work, household income: $100,000/year

• Retirement savings: $350,000

• Can they retire at 62, age 66-1/2 (SS FRA), or age 70?
Baseline Retirement Scenarios for Rob and Betty

1. Retire immediately at age 62, start SS and drawdown

2. Work PT from age 60 to age 66-1/2, then start SS and drawdown

3. Work FT from age 60 to age 66-1/2, then start SS and drawdown

4. Work PT from age 60 to 70, then start SS and drawdown

5. Work full-time from age 60 to 70, then start SS and drawdown
When and How to Retire?
Baseline Scenarios for Rob and Betty

Scenario 1 - Ret at 62
Social Security $37,077
Drawdown
$37,077

Scenario 2 - PT til ret at 66.5
Social Security $51,164
Drawdown
$14,087

Scenario 3 - FT til ret at 66.5
Social Security $52,626
Drawdown
$9,550

Scenario 4 - PT til ret at 70
Social Security $66,620
Drawdown
$14,992

Scenario 5 -- FT til ret at 70
Social Security $69,723
Drawdown
$28,096

Source: Don’t Go Broke in Retirement, by Steve Vernon
Most Middle-Income U.S. Retirees Will Have a High Degree of Risk-Protected Income

- **Scenario 5 -- FT til at 70**: 74%
- **Scenario 4 - PT til at 70**: 77%
- **Scenario 3 - FT til at 66.5**: 74%
- **Scenario 2 - PT til at 66.5**: 76%
- **Scenario 1 - Ret at 62**: 74%

Source: *Don’t Go Broke in Retirement*, by Steve Vernon
Rob and Betty’s Tough Choice: Work Longer or Reduce Spending
Their “Replacement Ratios”

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Replacement Ratio</th>
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</thead>
<tbody>
<tr>
<td>1 — Retire at age 62</td>
<td>37%</td>
</tr>
<tr>
<td>2 — PT until retire at age 66.5</td>
<td>51%</td>
</tr>
<tr>
<td>3 — FT until retire at age 66.5</td>
<td>53%</td>
</tr>
<tr>
<td>4 — PT until retire at age 70</td>
<td>67%</td>
</tr>
<tr>
<td>5 — FT until retire at age 70</td>
<td>70%</td>
</tr>
</tbody>
</table>

Conventional retirement income “replacement” targets

Source: Don’t Go Broke in Retirement, by Steve Vernon
“it's very expensive to fund 30-year retirements over a 40-year career.”

John Shoven
Professor of Economics, Stanford University
Most Important Life Portfolio Decisions

• General location to live
• Specific home/community

• Enhance your health
  • Nutrition
  • Exercise
  • Manage stress
  • Sufficient sleep
  • Reduce unhealthy habits

• Build your health care team
• Develop your health metrics
• Nurture your well-being
• Develop your social portfolio
• Work/volunteer
• Plan your nonfinancial legacy
None of the men in my family lived past age 75.
My neighbor’s 97-year-old aunt ran out of money and had to move in with her. The aunt didn’t think she’d live that long.
My mother died of cancer at age 54. Enjoy it while you can. You just never know how long you’ll live.
What’s more important to your health and longevity?

1. Your genes
2. Your lifestyle decisions
“For all but the most strongly determined genetic diseases ... MacArthur Studies show that the environment and lifestyle have a powerful impact on the likelihood of actually developing the disorder. This is wonderful news for individuals with strong family histories of some cancers, heart disease, hypertension, rheumatoid arthritis, and many other conditions. We now know that diet, exercise, and even medications may delay, or completely eliminate, the emergence of the disease.”

– From *Successful Aging*, by John W. Rowe, MD and Robert L. Kahn, PhD
How can you help address the longevity inequality?
How can you help your customers make effective longevity decisions?
How can you accommodate longer working lives?
What’s the best way to deploy behavioral economics and psychological science?
For more information...
Sightlines 2021

SEEING OUR WAY TO LIVING LONG & LIVING WELL IN 21st CENTURY AMERICA
Collaboration Between Society of Actuaries and Stanford Center on Longevity

Optimizing Retirement Income Solutions in Defined Contribution Retirement Plans
A Framework for Building Retirement Income Portfolios

Optimizing Retirement Income by Integrating Retirement Plans, IRAs, and Home Equity
A Framework for Evaluating Retirement Income Decisions
Summary Report, Practical Applications, and Technical Discussion
Wade P. Mau, Ph.D., CPA
Joe F. Schmidt, Ph.D., CPA
Steve Hartman, Ph.D.
November 2017

VIABILITY OF THE SPEND SAFELY IN RETIREMENT STRATEGY
Wade E. Mau, PhD, CPA
Joe F. Schmidt, Ph.D.
Steve Hartman, PhD
May 2019

http://longevity.stanford.edu/scl-publications/
Additional Reports at the Stanford Center on Longevity

http://longevity.stanford.edu/scl-publications/
“This book is exactly what every pre-retiree needs!”
— TERRY SAVAGE, author of The Savage Truth on Money and nationally syndicated financial columnist

Don’t Go Broke in Retirement

A SIMPLE PLAN TO BUILD LIFETIME RETIREMENT INCOME

From the author of Retirement Game-Changers and Money for Life

Steve Vernon, FSA

“... the single best collection of actionable advice I've read on retirement.”
—ALLAN ROTH, AARP Money contributor and author of How a Second Grader Beats Wall Street

RETIREMENT GAME-CHANGERS

Strategies for a Healthy, Financially Secure, and Fulfilling Long Life

STEVE VERNON, FSA
Author of Money for Life

www.restoflife.com