Are you better off than four years ago? p 10

Kiplinger
RETIREMENT REPORT
Your Guide to a Richer Retirement
VOLUME 31 | NUMBER 10 | OCTOBER 2024 | $5.00

More active lifestyles and improved health care mean people risk outliving their assets.

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How to Think About Money and Aging Now

Planning for the new longevity takes more than asking, ‘Do I have enough?’

BY MP DUNLEAVEY

IT’S THE CONUNDRUM OF OUR TIME: WITH SO many people living longer—and not always better, let’s be honest—how do you craft a financial plan that will deliver your best possible quality of life, for as many years as you need?

The temptation is to focus on making sure your money lasts as long as you do, and ideally well beyond. And while no one wants to outlive their resources, the new longevity, as it’s been dubbed, is pushing retirees and their advisers to rethink what the components of a truly resilient long-term plan should look like.

“Ten or 15 years ago, if you talked about longevity most planners took a technical approach: How much do you want to spend? How much growth do you need?,” says Mari Adam, a financial planner in Boca Raton, Fla. “Now there’s a focus on including softer issues. People are asking, ‘What do I want to be doing with the rest of my life?’ It’s not just about money management."

So, what could a modern, longevity-centered financial strategy look like?

Welcome to Your Longer Life

Doreen deLeon is asking herself some of these questions now, at the age of 86. For decades, deLeon had a successful career in microbiology medical technology at New York University Medical Center, and as a real estate broker in Brooklyn, N.Y. But living longer? "I never thought about it," deLeon says with a laugh. "But my mother died at 43, and I never expected to live to be double my mother's age."

DeLeon is fortunate in that her finances are well in hand, and she's in good health. She's developed an impressive walking routine, which actually enabled her to ditch her blood pressure medication. "My granddaughter even got me a personal trainer for my birthday," she says.

For the first time, though, deLeon is looking to the road ahead, and—like many retirees these days—she's realizing she could have more than a few years left to enjoy. How best to navigate the intersection of time and health, family and friends, business and leisure?

These are pressing questions. Consider how the older population is growing:

- The number of adults aged 75 to 84 rose to 16.3 million in 2020, from 12.4 million in 2000.
- Adults aged 85 to 94 hit 5.7 million in 2020, versus 3.9 million in 2000.

When you look closely at the numbers, there's a world of change to consider. In 2022 there were some 58 million Americans 65 and older. Previous assumptions about aging need an overhaul to keep up with the holistic (physical, emotional, financial) needs of older adults.

At an age when some might envision slowing down, deLeon is still involved in real estate: closing deals, buying properties, consulting with her children, who are part of the family enterprise. She also stays in close touch with her sisters, and even friends from high school—often reciting poetry from memory to make each other laugh.

In other words: It's all well and good to talk about tax planning and drawdown rates. But getting older happily today requires a smarter take on longevity itself, a.k.a. longevity literacy. (Yes, it's a thing.)

IN THIS ISSUE

How Long Are You Planning to Live?

Thinking about how long you might live inevitably conjures up thoughts of the alternative—which is why many people skip the topic. It's also why many people tend to underestimate what longevity means, says Gal Wettstein, an economist with the Boston College Center for Retirement Research and the co-author of a 2023 report developed with the support of Jackson National Life Insurance: *Longevity Risk: An Essay.*

While many retirees and pre-retirees worry

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KIPLINGER RETIREMENT REPORT
(ISSN# 1075-6671) is published monthly; $59.95 for one year; $114.90 for two years; $169.85 for three years.
Visit us at www.kiplinger.com.

130 West 42nd Street, 7th Floor, New York, NY 10036
Periodicals postage paid in New York, NY, and additional mailing offices.

POSTMASTER: Send address changes to Kiplinger Retirement Report, P.O. Box 37234, Boone IA 50037-0234.

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about market volatility and long-term-care expenses, "the bigger risk is actually the risk of outliving your assets," Wettstein says. "Yet many people aren't really thinking about longevity risk."

One third of adults (32%) surveyed last year by the TIAA Institute, a national retirement research organization, failed to grasp what longevity might mean to retirement plans. Not doing the math about how long you might live, or what it might mean for aspects of your plan, is a pretty serious blind spot, says Surya Kolluri, head of the TIAA Institute. "Our research showed a clear-cut connection between having strong longevity literacy and experiencing better financial outcomes in retirement," he says.

To do a spot check on your longevity literacy, here's a pop question: How likely is it that a 65-year-old in the U.S. today would live to age 90?

According to the CRR report, 25% of men and 30% of women who are 65 now are likely to live until 90—or 25 more years.

Living a longer life can compound some obvious factors, like the need for long-term care, but it also introduces new ones. Where will you live? How might a chronic condition play out, if you forecast a few extra years ahead? You might not have considered an annuity before—but would guaranteed income make life easier?

Questions that once had simpler answers due to shorter time horizons now require more interrogation.

Are You Honest With Your Advisers?

According to Wettstein's research, there is often a gap between the concern financial professionals feel, and what they express to their clients when it comes to longevity risk. Although 90% of advisers are in fact concerned that their clients will run out of money, only three-quarters (76%) actually discuss with their clients the impact of living to an advanced age like 95, the CRR study found.

The discrepancy is concerning, but clients aren't blameless. "We used to run scenarios out to age 90, and now many advisers project out to 100," says Adam. "But clients still roll their eyes and say, 'I'm not going to live that long.' The point is, you have to be prepared if you do."

This blindspot is called survival pessimism. The CRR analysis shows that people in their 50s and 60s

FROM THE EDITOR

TO A READER HOLDING A MAGAZINE OR A NEWSPAPER in hand, the publication, any publication, should look skilled and effortless, like Michael Jackson moonwalking.

You shouldn't see the writer desperately searching for just the right person with just the right story to tell. Nor should you see an editor's rolling eyes and momentary panic when the story finally shows up and it's nothing like what was assigned. And you certainly shouldn't see the downtrodden art director who fears the editor is going to want yet another change in the layouts.

This comes to mind as we are putting together this, the 24th issue of the *Retirement Report* since I joined the Kiplinger organization. Publishing calendars being as they are, I didn't have a lot to do with the first two issues of my tenure. But I made up for the lost time.

The *Retirement Report* you are reading right now is a far different publication than it was two years ago. We have not abandoned our bedrock commitment to financial information, but we have interpreted our motto, "Your Guide to a Richer Retirement," expansively. We have embraced it to explore all things retirement—from the anxiety that comes as we approach the end of our primary careers, through the extended vacation years, all the way to the joys, pains and sorrows of old age, even death.

Great publications are windows on the minds of great editors. As Neil Young put it: "take a look at my life, I'm a lot like you." Like all editors, I hold the absolute, embedded-in-my-DNA belief that what I want to know you want to know–and vice versa.

So keep that in mind as you read this month's *Retirement Report*. We're striving to bring you a full picture of life in our 50s, 60s, 70s and beyond. It's a cliché to call them our "golden years," but I can't think of a better phrase right now ... or a better time in my life.

See you next month. (And don't forget to vote!)

David Crook
Write to me at retire@kiplinger.com.
Please put "To the editor" in the subject line.

generally underestimate how long they're likely to live, at the very time when choices about long-term-care insurance or claiming Social Security, for example, may be skewed if people don't consider the likelihood of living longer.

Wettstein recommends using the Social Security Life Expectancy Calculator (www.ssa.gov/oact/population/longevity.html), and combining that result with specific factors relating to your own health and medical history, as well as your spouse's (assuming you're planning for two). From there you'll be in a better position to reevaluate your plan, not only to manage the risks of living longer, but to focus on the quality of those additional years.

Longevity Starts Here

Fortunately (or unfortunately), a growing number of retirees have witnessed their own parents' decline—and it can be a reality check.

Cindy Ireland Barton, 61, a semi-retired psychologist in Ramah, N.M., lost her father and both her in-laws in 2023. As painful as that was for her and her husband, who is 70, Barton says the experience underscored the need to think ahead. "Our parents weren't prepared for their own longevity," Barton says, "so we're trying to do things differently."

The couple started by retrofitting their home with aging-in-place accommodations, like redoing the floors to eliminate tripping hazards. "Given the history of dementia in our families, I've also been doing a ton of research on brain health," Barton says.

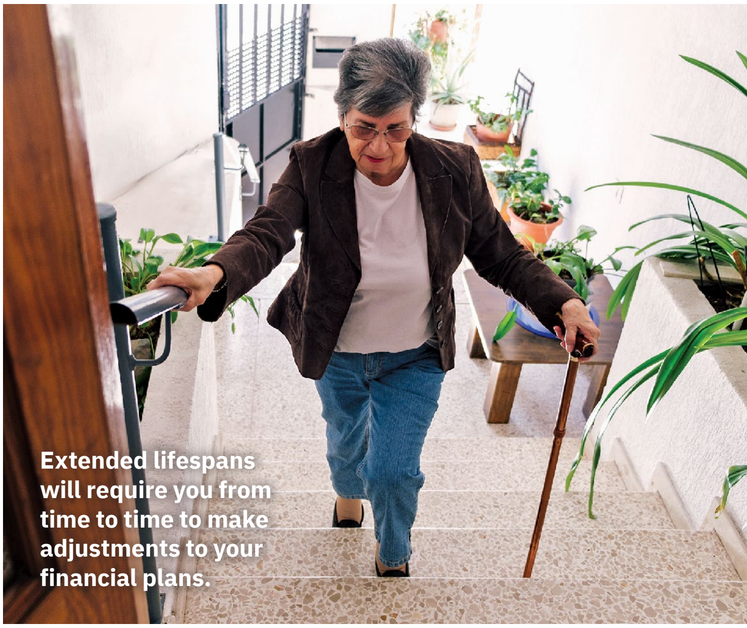
Simple changes can help keep your mind agile, she says: standing on one foot while you brush your teeth, or swapping art from one room to another.

They're also committed to being proactive, and inclusive, about their financial plans. Her father, for example, refused to discuss his long-term plans, Barton says, but Barton now knows how harmful that kind of secrecy can be. She and her husband are making sure that their five sons know about their will, powers of attorney and other important documents.

Getting prepared even inspired Barton to tackle something long on her bucket list: After years of wanting to write a novel, she's now self-published two rom-coms. "I keep telling myself this is the best possible thing I could do for my brain!"

Longevity-Proof Your Financial Plan

While 25 years and countless life experiences separate Doreen deLeon and Cindy Barton, their stories capture



Extended lifespans will require you from time to time to make adjustments to your financial plans.

many of the shifts that are required to longevity-proof your own financial plan. Our experts have highlighted a few specific issues that deserve closer attention.

Beware the 'house trap.' For many people, their home is their biggest asset—or a close second to retirement savings. Yet many retirees are reluctant to tap the equity in their home, according to a 2023 survey by Fannie Mae, the government-sponsored agency that buys mortgage loans from corporate lenders.

This strategy becomes shortsighted in many cases, however, when retirees fail to consider the true extent of their long-term financial needs—as well as the difficulty and expense of maintaining a home. "Everyone wants to stay in their home, but the consequences of the house trap are considerable," says Mari Adam, the adviser in Boca Raton.

Before you make any decisions about whether to age in place, do a cost-benefit analysis. How much of your income is being siphoned off by costs like property taxes and repairs? Is the ongoing outlay undermining your long-term security?

Even if aging in place looks doable from where you sit now, the scenario could look very different in five or 10 years, when you might need full-time, in-home care. Not only is that expensive, Adam points out, but staying at home may not be ideal. "Aging alone in your own home can be isolating, and there may be better alternatives, like a continuing care community," she says. "Ask yourself: What am I going to want when I'm 90 and can't drive any more?"

Rethink long-term care. The question of how to

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think about the equity in your home dovetails with the looming expense of long-term care for many retirees. It bears repeating that, short of qualifying for Medicaid, there is no government benefit that will pay for long-term assisted living or nursing home care.

For those who didn't obtain long-term care insurance at a time in life when it was affordable, the question of how to afford the care you may need as you age has to become a well-thought-out part of your plan. The average median monthly cost of an assisted living facility in 2024 is about $5,511 per month, according to estimates by Genworth Financial, but the cost varies widely from state to state.

Surya Kolluri of the TIAA Institute emphasizes that this is another area where longevity literacy comes into play. "People are simply not aware of all their options," he says. "It's crucial to look at these decisions from an educational standpoint." Whether you consult an elder-care lawyer, an adviser, or another expert—take a proactive stance about what your long-term care options may be. A genuine silver lining of today's longevity is the emergence of more innovative and accessible senior housing options.

Go for growth. Time was when growth and its ugly twin, risk, weren't particularly welcome in long-term financial planning discussions. "But that was before people understood what can happen during a period of high inflation," says Adam.

The last few years have emphasized the need for retirees to revisit the idea of growth, even if that means accepting a modicum of risk. The goal isn't to beef up returns or double your nest egg, but to have a better shot at making sure your assets aren't eaten away by inflation—especially when you consider the likelihood of another inflationary surge some time down the road.

This isn't a new conversation between advisers and their clients, but the far-reaching impact of even small concessions to growth may be worth it. One way to get more comfortable with the idea of embracing a growth mindset is to ask your adviser to run different scenarios, Adam suggests. "Words aren't as effective as running the numbers," she says. "Then you can see the difference even a little more growth can make to your income and quality of life."

Women at risk. Understanding the relationship between growth and income is especially critical for women, not just because they live longer, but because many women still suffer from a triple financial handicap: "Women tend to earn less, spend more time out of the workforce, and to live longer than men," says Kolluri. "That means many women have less saved for retirement—and a longer span of time when they'll need assets."

Women may also be more hesitant to take on risk compared with men, says Adam, whose financial practice focused for decades on female clients. "The number one mistake women make is keeping too much of their portfolio in cash," she notes. "So you have to flip the conversation and not talk about risk, per se, but about ending up with a reliable and robust income stream for the rest of your life."

Women also collect less in Social Security than men because their lifetime earnings are usually lower. In 2022, the average monthly benefit for men age 65 was $2,020 versus $1,638 for women of the same age.

Be smart about Social Security. Most people know that Social Security is a lifetime annuity that you can file for starting at age 62 (or earlier, in some cases). One point that deserves the spotlight given today's longer lifespans, is the timing of when you file for benefits. The longer you wait to file for Social Security, the higher your monthly check will be: about 8% more for every year you wait up to age 70. (After age 70, there's no benefit to waiting.)

It's not always possible to defer benefits, but if you can, it pays off. The maximum benefit amount anyone can get, filing at age 62 in 2024, is $2,710. The maximum benefit at age 70 is $4,873. (Your actual benefit is based on your work history, but you get the idea: it can be a hefty difference).

It's also possible for one spouse to claim their benefit, and then switch to the higher-earning spouse's benefit once they claim.

Divorced and widowed spouses can gain bigger payouts by using a similar strategy of claiming based on a spouse's work history rather than their own. While potentially profitable, this can be complicated, so you may want to consult an adviser.

A New Perspective on Planning

It wasn't so long ago that the de facto goal of any successful long-term plan was to "make your money last as long as you do." And while that will always be a mantra, there's a newfound awareness of what you want that money for as you get older.

As Doreen deLeon put it: "Think about your time. Time goes so swiftly," she said. "It's like a jewel. I didn't really think about it when I was young—but I'm thinking about it now. How I spend my time is the most important thing."