

FINANCIAL OUTLOOK

Longevity Risk & Your Financial Plan

You've probably heard the statistics reporting that people are living longer and enjoying more active lifestyles than past generations. In fact, for a healthy 65-year old couple, there's a 50% chance that at least one of them will live to age 92.¹

There are many publications and websites devoted solely to "living to 100."

Several life insurance companies' mortality tables now reflect coverage to age 120!

Life-expectancy, by definition, is the age at which 50% of the population of your age will live longer and 50% of the population your age will live a shorter span than you. And, with every passing year, your life-expectancy *increases*.

| Life expectancy in the United States² -- Americans are living longer lives | | |
|--|-------------------------|---------------|
| | <i>Additional Years</i> | |
| <i>Current Age</i> | <i>Male</i> | <i>Female</i> |
| 25 | 50.9 | 55.7 |
| 35 | 41.5 | 46.0 |
| 45 | 32.5 | 36.6 |
| 55 | 24.0 | 27.7 |
| 60 | 20.1 | 23.4 |
| 65 | 16.4 | 19.4 |
| 70 | 13.1 | 15.7 |
| 75 | 10.2 | 12.4 |
| 80 | 7.7 | 9.4 |
| 90 | 4.2 | 5.0 |
| 100 | 2.5 | 2.8 |

Longer, healthier, more active lives translates into longer retirement lifecycles lasting 15, 20, or 30+ years. (Compared to average 7-year retirements in the 1950's)³

With retirement years spanning as long as working years, you face many challenges to ensuring your financial pile lasts your lifetime:

- **Inflation and Asset Allocation** – With inflation rates eroding purchasing power by an average 3% per year, the value of a dollar in 1900 was reduced to a nickel in 2000.⁴ Over the next 25 years, if the annual inflation remains steady at 3%, your purchasing power will be cut in half. The impact on your financial portfolio mandates that you maintain stocks in your asset allocation until older ages than previous consensus. Stocks are the only financial instruments that provide growth in a portfolio – to outpace inflation.

- **Health Care Costs** – Prescription drugs, home health care, and nursing home care expenses are rising faster than inflation – with this year’s annual increase closer to 12%.⁵ According to recent estimates, a married couple retiring today at age 65 will need between \$200,000 and \$330,000 to cover health care costs during their retirement – not including long-term insurance or long-term care.⁴

How do you meet these challenges?

Make sure your financial action plan includes all of the following:

- Review your health insurance, or supplemental health policies, and assess your need for long term care insurance – spending pennies to save dollars. (Spouses may obtain joint LTC policies to pool their lifetime benefits more efficiently – and some policies offer tax-free refund of premiums to beneficiaries for the amount of benefits not used).
- Be sure to maintain an appropriate allocation to stocks in your investment portfolio during your retirement years to ensure growth over the long term, in order to outpace inflation.
- Consider postponing retirement or supplementing your retirement years with part time work.
- Limit your spending to 4-6% of your financial assets each year, allowing annual increases for inflation.
- Professionally manage your assets to provide a long lifetime of support.
- Monitor your financial plan to make sure you remain on track to meet your goals.

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“The report of my death was an exaggeration.” --- Mark Twain

¹Source: Annuity 2000 Mortality Table; Society of Actuaries.

²Source: National Vital Statistics Reports; vol. 52 no. 14. National Center for Health Statistics, 2004.

³Source: U.S. Bureau of Labor Statistics

⁴Source: Fidelity Investments, Retirement Income Services, 2006

⁵The Hartford Insurance Company