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Most Americans don't understand this key metric when planning for retirement

Jamie Catron, Senior Contributor
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Most Americans are clueless about a key metric needed to adequately plan for retirement: how long they are likely to live.

Just one in five (20%) of Americans know the average lifespan of retirees, according to a report out this week from the TIAA Institute and the Global Financial Literacy Excellence Center at the George Washington University School of Business. And only 12% know the right responses to a basic quiz designed to gauge longevity literacy.

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These were: The average number of years individuals live upon reaching age 65, the likelihood among 60-year-olds of living to age 85 and 90, and the likelihood among 85-year-olds of not living beyond age 95.

Understanding average life expectancy can help you have a ballpark concept of what to expect, and the other two can help you understand how much longer you may need to plan to have enough funds to be comfortably in what could be three decades after you have stopped work.

"Our research shows us that we need to reframe how we plan for retirement," Surya Kalluri, head of the TIAA Institute, told Yahoo Finance. "Rather than saying, 'Hey, what is my target of savings when I get to retirement, the real question is how much longer do I need to live to be the end of my life? And what does my lifespan look like?"

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Knowing the answers to the questions matters. People with strong levels of longevity literacy — both retirees and those still working — are far more prepared for retirement, according to the data, which is based on a survey completed online in January 2022 by 6,000 adults, ages 18 and older.

Roughly seven in 10 retirees who have strong longevity literacy are confident about having security come to be comfortably throughout retirement, compared with 60% of those with weak literacy.

"Retirement is kind of an old term," Kalluri said. "You have got to take longevity into account. It's not just, 'Hey, I'm 65, I'm going to retire.' It's actually more about what they where you want to live, and what kind of activities you want to pursue. Money is the underlying facilitator for the life we want to live across a variety of dimensions."

What the wrong answers mean

Those who could not answer the questions correctly are working basically with not enough information to make the questions to plan for that uncertain time period after reaching retirement age," Andrew Ellicks, the lead researcher with the Global Financial Literacy Excellence Center, told Yahoo Finance.

Key Takeaway

Just one a third (35%) of Americans knew the average lifespan of retirees, according to a recent report.

And women tend to get this concept better than their male counterparts. "What we see in terms of the gender gap is that men are more likely to show weak longevity literacy than women," she added.

Still, findings from the research report, "Longevity as Opportunity — New Conversations on Work, Finances, and Well Being" from Transamerica and the Massachusetts Institute of Technology AgeLab, reveals how planning for longevity can create a sheer "I'll never be able to retire" attitude.

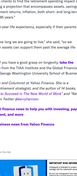
A third of folks reported that they did not expect to be able to retire, and were prepared to continue working in later life. The three quarters, however, of those aged 60 to 69 who did expect to retire said they had given little or no thought to what they will do to stay working eventually. And two-thirds of people still working in their 60s and 70s said retirement was very or extremely important.

"Understanding longevity is what is otherwise perceived as a golden the length of time for which you should prepare financially," Phil Eckman, president of workplace solutions at Transamerica, told Yahoo Finance.

"The longer you live, the more years your retirement funds need to cover. This underscores why people need to more complete financial planning, which includes strategies such as delaying retirement, saving more, investing wisely, and possibly working part-time in retirement, or other flexible necessities considering healthcare costs that will likely increase as you age."

The research is based on 10 focus groups with a total of 80 people conducted in September 2020 and a national US survey conducted in December 2020 of 1,164 people.

'Beyond pitchfork and beach ewfer'


Long retirements are now a common concern over time, Surya Kalluri of Nareto's report says. Getty Images

"Increased longevity changes everything," Joseph Coughlin, director of the AgeLab at MIT, told Yahoo Finance. "It is not just about more time, it adds more complexity."

For instance, nearly one-third of adult life is those retirement years, Coughlin said, noting that the 8,000 days of the between 65 and just past 85 is the same amount as between college graduation and middle-crisis.

"Think about all the things and changes we fit into that time," he said.

But if you live past 85, those retirement years after 85 may be 9,000 to 10,000 or more days.

"We will have to be prepared for a far longer period of adult life that goes well beyond pitchfork and beach ewfer," Coughlin said. Longevity literacy can be a key way to make new social connections as our friends fade or pass away, moving many times because of our health or family," he added.

"Longevity demands that every age group continuously anticipate what's next, prepare, and ultimately celebrate each life stage as it comes — and each stage may one be longer and more complex than ever before."

Tweaking your retirement plan

The prospect of a long life is, in fact, a financial planning conundrum.

"When people think about retirement, it's often hard to balance the worry of retiring too soon and running out of money and the fear of working longer than necessary and missing out on life," Ellicks said. Ellicks is a certified financial planner at Plante Moran Financial Advisors in Auburn Hills, Mich., told Yahoo Finance.

"As a financial advisor, I work with clients to find the retirement spending impact of retiring at different ages by running a projection that encompasses assets, savings, retirement income sources, investment returns, inflation, both short- and long-term goals, and a projected lifespan of 95 years."

Clients are often surprised by a 95-plus life expectancy, especially if their parents didn't live that long, she added.

"But the truth is, we don't know how long we are going to live," she said, "so we assume longer to help ensure their assets can support them past the average life span."

For those of you checking to see if you have a good gauge on longevity, **take the expanded six-question quiz here** from the TIAA Institute and the Global Financial Literacy Excellence Center at the George Washington University School of Business.

Kerry Hannon is a Senior Reporter and Columnist at Yahoo Finance. She is a workplace futurist, a career and retirement strategist, and the author of 14 books, including "Unretire: 7 Ways to Work Longer for a Better Life, Better Health, and Better You (Or Not to Do)." Follow her on Twitter @kerryhannon.

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