LIVING LONGER

There's good news and bad news when it comes to longevity. Most of us have a desire to live longer to enjoy life and family – that can be a good thing. That said, navigating this new longevity paradigm will require a new approach to saving and investing, and the financial landscape is constantly changing.

Retirement planning is the process of creating a realistic strategy for funding your retirement that balances current financial needs with expected retirement needs. With average life expectancy now in the 80s, it is likely that you could experience a retirement lasting 20-30 years.

Octogenarians, nonagenarians, and even centenarians are not uncommon today. According to the Office of National Statistics in the United Kingdom, 1/3 of babies born there in 2013 are expected to live to 100.

A super centenarian is a person who has reached the age of 110 years. Jeanne Calment a French woman is the only age-verified person in human history to have reached the age of 120 years.

There are a number of studies showing an increased possibility of a child born today reaching age 100. The studies are based upon various factors including genetics, lifestyle, medical technology, social connections, and so forth.

When it comes to retirement planning, longevity might be considered a headwind. Here are several retirement planning decisions where longevity will be a factor:

Lump sum versus monthly pension. The decision to take a lump sum versus a monthly pension becomes more difficult when you consider longevity. With a lump sum payment, you received the entire amount upfront. You have more control over how the funds are invested and managed. If you're confident in your ability to manage the money wisely and make it last, a lump sum may be beneficial. Keep in mind the potential risks of investing the lump sum in the market and the possibility of running out of money during your lifetime.

Monthly pension payments provide steady income for a specific period or for life. You do not have to worry about managing the funds yourself, as the pension provider takes care of the investments and payments. A pension can provide financial security and stability and retirement. The amount you receive monthly may be fixed or have adjustments for inflation.

Social Security. The decision to take Social Security at full retirement age, take it as early as age 62 or wait until age 70 has a lot to do with how long you think you're going to live. If you wait to apply for your benefit and then die early, you may not recover as much as you contributed. If you take the benefit early and live longer, you may receive less than if you had waited until full retirement age.

With a married couple, the spouse should also be considered when a death occurs since the survivor can choose to continue with the larger Social Security benefit whenever the smaller benefit of the two is forfeited.

Investment allocation. You might think it makes sense to invest your retirement nest egg conservatively when you retire, but there's such a thing as investing too conservatively if you want your money to last as long as you do.

Generally, your retirement income goal will be two-fold:

1. Generate the income you will need to support your lifestyle for as long as you live
2. You will want to maintain your principal balance for a good period of time

If you are withdrawing 5-6% of your portfolio annually to meet your retirement income objectives and only earning around 4-5% annually in your conservative portfolio, you will obviously be walking a fine line. And this does not even account for inflation or what we call the annual increase in the cost-of-living (nor does it account for the possibility of increased medical costs in your later years). It's a balancing act.

Ultimately, the best choice depends on your financial goals, risk tolerance, investment knowledge, and overall financial situation. It may be helpful to consult with a financial advisor or retirement planner to evaluate which option aligns best with your needs and objectives.

This **Industry Insight** was written by Garrett S. Hoge, CFP®, ChFC®, MS.

H Financial Management, is a private wealth manager based in Southpointe serving the ever-changing financial needs of his clients. Please contact Garrett at H Financial Management, 400 Southpointe Blvd., #420, Canonsburg, PA 15317, Phone: 724.745.9406, Email: garrett@hfinancial.net, or via the Web: hfinancialmanagement.com.