

RETIREMENT PLANNING

Financial Planning in an Age of Increasing Longevity

We're living longer, which means we'll spend more years in retirement than we do now. Maintaining our standard of living will require some financial planning adjustments.



(Image credit: Getty Images)

A new docuseries debuted on Netflix that examines the formula for longevity.

Live to 100: Secrets of the Blue Zones features the work of bestselling author Dan Buettner, a man who has traveled across the globe investigating the diets and lifestyles of those living in communities with the highest concentration of centenarians.

In today's world, advancements in medical technology and healthier lifestyles are contributing to increased life expectancy. In fact, recent research by Harvard scientist David Sinclair suggests that aging is reversible, and the first person to live to 150 years may have already been born. With the possibility of living beyond 100 years becoming more of a reality, it's beyond time to adapt financial planning strategies to account for extended life-spans.

Despite the encouraging prospect of living longer, many individuals face the daunting challenge of financing their extended life-spans. A study by the Insured Retirement Institute reveals that a significant portion of the population age 40 to 73 lacks sufficient retirement savings to cover their cost of living. Moreover, few are saving enough to bridge this gap.

Reconsidering retirement age

A longer life comes with the genuine fear of running out of money during old age, particularly for those who retire at 65 and may need to rely on their savings for 30 to 40 years.

In 1935, when the Social Security system established 65 as the standard retirement age, life expectancy was significantly lower than it is today. Retiring at 65 in the present day means living on your nest egg for 20 to 30 years, which may not be sustainable without substantial savings.

Instead of rushing into retirement, it's worth reconsidering your retirement age, especially if you have the physical and mental capacity to continue working and adding to your savings. You could also explore part-time or consulting opportunities that leverage your expertise and experience.

Addressing inflation in financial planning

Inflation is a critical factor to consider when planning for an extended life-span. Over time, the value of money erodes due to inflation, meaning you'll need more income in the future to maintain your current lifestyle.

To account for inflation in your financial planning, adjust your income needs conservatively, considering a 3% inflation rate. For example, if you currently live on \$125,000 a year, you'd need \$194,746 to maintain your lifestyle in 15 years. This figure would likely be about \$300,000 in 30 years.

Developing goal-oriented savings habits

Increasing your savings can help combat rising future costs. Traditional advice suggests saving 10% of your income, but it's better to aim for 15% to 20%, depending on your economic means to do so. Prioritize building cash reserves for emergencies and investment opportunities, as some of the best investment options require substantial funds.

Creating a budget and utilizing technology to track your spending can help identify areas where you can cut back and redirect funds toward savings or investments.

Diversifying investment strategies

A diversified investment portfolio is essential for long-term financial planning. As you approach and enter retirement, your investment strategy should strike a balance between preserving your wealth and generating income to support your extended life-span.

Consider diversifying your investments across various asset classes, such as stocks, bonds, real estate and alternative investments. This approach helps mitigate risk and offers the potential for growth and income over time.

Planning for health care costs

Longer life-spans also mean increased health care costs, which can significantly impact your financial planning. As you age, health care expenses tend to rise, so it's essential to factor these costs into your financial plan and consider purchasing long-term care insurance or setting up a health savings account (HSA) to cover potential medical expenses.

Estate planning and legacy considerations

As your life expectancy increases, so does the importance of estate planning. Proper estate planning can ensure that your assets are distributed according to your wishes and minimize the tax burden on your heirs.

Consider working with an estate planning attorney to develop a comprehensive plan, including drafting a will, setting up trusts and designating beneficiaries for your assets.

NOTE: Dealing with legal documents when it comes to estate planning can be complicated, but NYSUT members don't have to do it alone. They have help through the NYSUT Member Benefits Trust-endorsed Legal Service Plan. Provided by the law firm of Feldman, Kramer & Monaco, P.C., this plan offers access to a national network of attorneys that deal with personal legal matters, including crucial estate planning legal documents. Get piece of mind in your planning by [visiting the member website](#) and enrolling today.

Embracing a flexible retirement approach

A flexible retirement approach allows you to adapt to changing circumstances and needs throughout your extended life-span. This could involve working part time, taking on consulting roles or pursuing entrepreneurial ventures to generate additional income and maintain financial security.

Being open to new opportunities and staying engaged in the workforce can not only support your financial goals but also contribute to your overall well-being and life satisfaction.

Navigating the complexities of financial planning for an extended life-span can be challenging. Partnering with a knowledgeable financial adviser can help you uncover blind spots, develop personalized strategies and create a financial plan designed to support your longer life.

Planning for an extended life-span requires a proactive and comprehensive approach to financial planning. By reconsidering your retirement age, addressing inflation, developing savings habits, diversifying investments and seeking expert guidance, you can pave the way for a secure, fulfilling and financially stable future during your golden years.

NYSUT NOTE: Navigating the complexities of a long retirement can be a challenge. But NYSUT members can get guidance from the NYSUT Member Benefits Corporation-endorsed Financial Counseling Program. With access to a team of Certified Financial Planners®, NYSUT members can get tailored advice that will help create a flexible retirement approach designed to last their extended life-span. Get more information or enroll by visiting [the member website](#).

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