

Longevity

The missing link in financial advice

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Research Opportunities

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Understanding Longevity

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More than half of any typical group of people are likely to live longer than average.

But which half? And what's average anyway?

And, perhaps most important of all, will life really be worth living?

In this article I'll share with you some facts. Then I'll talk about their implications.

Finally I'll offer some next steps for you to consider as an adviser.

1. Facts

Jeanne Calment lived in France until age 122. She smoked, drank, rode her bike, cut a rap CD. When she was 93 her lawyer coveted her house. He offered to take it over by paying her an income until she died. He died first and his family had to pay her for another 27 years. Was she average? No.

What's average?

For a start, we are interested in **our** current age group. The Australian Life Tables suggest that at age 65 the average life expectancy is 84 years (that is, 19 years to live) at 75 it's 86, at 85 it's 91 and at 95 it's still 98. At 100 it's still 103. So, **the longer you live ...the longer you're likely to live. We're talking about a moving target, aren't we?**

These numbers are for men. For women, at 65 add three years, at 75 add two and at 85 add one. From then on males and females are much the same.

Remember these are averages. So, half will die earlier, half later than average. Which half might you be in? I'll come to that shortly.

There's a problem with these numbers from the Government Actuary. **He says these are not the best averages for you to use!** If you want more realistic averages, add two to three years at age 65.

Clients of advisers stand a good chance of living on average another two years (because they are typically wealthier and better educated). So to be on the safe side, add five years to the average number I've quoted at age 65, taking it to 89 for males and 92 for females.

So for a mid baby-boomer client, the error in using the Life Tables is about five years. That's quite a lot isn't it? In fact, if you use the Life Tables to work out how long your money might last, your potential error is about 25%. Now if I said you might lose 25% of your money overnight, you'd have a heart attack. But effectively that's what this means. You could need 25% more than you think – on average.

This sort of information has been known for a while but it has not been publicised. And of course, we're just talking averages. "What about me?" I hear you ask.

Even ten years ago, we didn't know much more than the averages. But there has been an explosion in authoritative information about longevity. We can now help people to better understand their where they might be within their age group.

At My Longevity, we began to collate data in 2007 and developed a way of helping you understand your personal situation. The factors fall into five main categories:

Surroundings - Includes external factors that can affect our longevity, including physical and social factors.

Health - Covers the current physical condition of our body and how we manage it.

Attitude - How we see the future in respect of important elements of our lives such as work, relationships and our ability to come to terms with longevity.

Parents - The term used for our genetic makeup which comes from our parents. The longevity and health of close relatives can also be relevant.

Eating - Includes all the things we ingest into our bodies, not just meals.

These factors form the useful mnemonic SHAPE. SHAPE your longevity!!

By answering over 50 questions on our website at www.mylongevity.com.au you can find out more about your own life expectancy in relation to your age group. It's a free test. No sponsors either.

Just to give you an idea, in my case I am 69 and the estimate of my longevity is about 23 years – about eight years longer than my age group.

Of course there's no guarantee of this. But it sets me thinking about what I might want to do with these possible extra years, how I might fund them, and how I might behave to try and make sure they are good years.

This is the real purpose of our work – to understand what drives personal longevity and to help people to make informed choices – if they want to.

Whether you or your clients want to make a choice is up to you and them – but at least you and they can choose to be better informed by using our website.

Implications

There are lots of implications from our research. I'd like to talk just a bit about these at two levels – the community level, and the personal level.

Community Implications

As a community we are living longer. There is some evidence in Australia that this extra time is tending to be more disabled. However this need not be so. We can influence both the quality and quantity of our lives (although we cannot guarantee the level of success).

We need to discuss the implications for our children – whether they should or will become more involved as our carers; the financial implications for them and us; how we can manage our living conditions; will there be enough carers to go round, and so on.

An increasing number of older people are seeking to prolong their lives (and probably improve the quality of their lives) by exercise, diet and other means. Should governments reward them better for this? After all, they will be saving the community a lot of money.

Women tend to live longer than men. If you look at one hundred 85 year olds, there will be about 70 women and 30 men. The men will be on average much fitter than the women. The women will have much less money. What should we do about this?

These are big issues impacting on retirement age and part time working but I don't have time to address them here. But we do need to engage with them now rather than when the baby boomers arrive at their seventies.

By the way, over 65's account for more than 20% of voters. If you add in over 60's its closer to 30%. So there is a lot of clout available. We are already seeing this in the current election campaign and it will increase!

Personal Implications

At the personal level, there's plenty of evidence that we can influence many facets of our longevity.

The same five SHAPE factors - Surroundings, Health, Attitude, Parents and Eating - affect quality of life, not just quantity. Each of us can take note of this and seek to make a difference if we want to.

We don't have all the answers, however.

Dementia is still a major uncertainty. We know what's going on but not how to solve it – especially for Alzheimer's disease. The good news is that around three quarters of 85 year olds are currently dementia free. More good news is that regular physical exercise, brain exercise and social engagement tend to slow down its onset although not in all cases. Also, remarkable ongoing research into the brain offers hope that we will benefit down the track, but we are not there yet.

Dementia is the fourth biggest killer. The three biggest are heart disease, cancer and strokes. We are making huge strides in treating each of these.

On present indications, most baby boomers won't die in a nursing home. You might ask why the Government is providing so many more places. This is because there will be a rapid increase in the total numbers of older people. The smaller percentage needing this service will still be much more in numbers than present capacity.

But what will life at our own home be like? Will we have pledged it in ignorance through a reverse mortgage? Who might be helping us to live reasonably? Should we put pressure on the kids to preserve their dwindling inheritance by doing so? Will our chosen place be disabled friendly?

At least the baby boomers have time to prepare – if they choose to.

The big lesson from our research is that many of the issues that worry us about longevity are manageable. But we can't just sit back and wait. We have to start as early as possible.

Action

Some people think it's all a waste of time – just let nature take its course. That's fine by me as long as it's an informed decision.

It's very clear we can make a difference. Part of the evidence lies in evolution.

We have really only evolved to live for about 60 years – until we have done all we can to enable our children to successfully pass on our genes. The growing proportion of our community living well into their eighties is the strongest evidence that we have already made a difference. We have the prospect of further increases using the resources of modern science.

For clients who want to make a difference, suggest they go to the My Longevity website. Then encourage them to talk with you and their other advisers (medical, dental etc) about what they have found. Encourage them to own their own journey with your help.

Start with the question “how long are we planning for?” This begins a shared journey where the implications of “how long and how well” are put on the table without any financial discussions. Combining this with your normal financial approach gives the right context for tradeoffs and decisions.

As we have seen, our longevity outlook changes with time. The longer you live, the longer you are likely to live. Other non-predictable events also occur and may affect the outlook. Keeping this under review provides the ideal framework for maintaining a regular dialogue with clients.

An ongoing relationship becomes a given. Good for your clients and for your practice.

David Williams began longevity research in 1986 and published widely on retirement issues during his executive years with RetireInvest (Director) and Bridges (CEO).

David founded My Longevity Pty Limited in 2008 to draw together the rapidly growing body of authoritative information on personal longevity.

Since he launched his website with its personal analyser at www.mylongevity.com.au more than 18,000 tests have been performed online. About one third of those contacts are interested in more information about longevity. They also refer others to the site, which is free and sponsor free.

My Longevity is developing an adviser training program in Longevity Analysis and Management.