

AHWATUKEE FOOTHILLS NEWS

Don't Underestimate Life Expectancy in Decisions



June 1, 2022 by Dr. Harold Wong

I've studied the world of economics and investments for over 50 years. One needs to know the math that is relevant to making better investment and retirement planning decisions. Here's what I mean.

Life Expectancy: If one looks at the internet, average life expectancy in America is 81 years for women and 77 years for men. This statistics will lead to terrible consequences for millions of retirees. For true retirement planning, one needs to look at a very different metric.

According to the July, 2006 Society of Actuaries report, "Longevity: the Underlying Driver of Retirement Risk ..." there's a 50% chance that at least one member in a married couple age 65+ will reach age 92; and a 25% chance at least will live to 97 or older. An astounding 67% of retirees and 61% of pre-retirees underestimate average life expectancy. Only 21% of retirees and 35% of pre-retirees provide an estimate of life expectancy that is on-target or higher. Over 40% of pre-retirees underestimate life expectancy by 5 or more years.

Among pre-retirees, here are their plans: 44% want to eliminate all consumer debt by paying off all credit cards and loans; 51% of homeowners want to completely pay off their mortgage; 36% want to try to save as much as can; 34% would cut back on spending; 16% would buy a product that would provide guaranteed income for life. My conclusion is that it would be a way higher % of pre-retirees

who would take this step if they realized that the last living spouse may be living 16 years longer than "average" life expectancy.

According to the March 4, 2022, Center on Budget and Policy Priorities, "Policy Basics: Top Ten Facts about Social Security", in January, 2022, the average Social Security retirement benefit was \$1,614/month or \$19,370 per year. "For someone who worked all their adult life at average earnings and retires at age 65 in 2022, Social Security benefits replace about 37 percent of past earnings." In contrast, for the OECD group of developed nations, the average gross public pension is 47.0%. For the top seven countries that provide at least 70%, it's (in order): Italy, Luxembourg, Austria, Portugal, Denmark, Spain, and the Netherlands. The bottom five countries, starting with the worst, provide less than 30%: United Kingdom, Lithuania, Mexico, Ireland, and Poland.

Even worse, most in the USA start their lifetime Social Security retirement benefits at age 62 and only 3% wait until age 70, which gives you the maximum Social Security (SS) benefits. At age 70, it can be double the SS income.

Example: I created a composite of three older single ladies (nurse, nurse practitioner, and pharmacist). If they took SS at age 70, they would have \$40,000/year vs. \$20,000/year if they took SS at age 62. The average interest rate on a US 10-year or 30-year Treasury Bond for the

last 13 years, until the spike in interest rates during the last year, is 2%. The average dividend rate in S&P 500 companies since 1/1/2000 has been 2.02%.

Is it easier to wait 8 years to take SS and get \$20,000/year more; OR to save \$1 million between age 62 and 70 and receive a 2% return = \$20,000/year from US Treasury Bond interest or stock market dividends? The decision to wait until age 70 to take SS can be a \$1 million decision!

Conclusion: If people truly understood reasonable life expectancy odds, they would wait until age 70 to trigger SS. They would also spend less; save more; pay off all debt; and purchase a product with guaranteed lifetime income... before they retired.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

To schedule your Free Consultation Contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com to RSVP.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.