



BLB&B Advisors, LLC  
FINANCIAL GUIDANCE SINCE 1964

# Key concepts for retirement

*Longevity and Healthcare Costs*

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PLAN. INVEST. SUCCEED.®



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- 1. Life Expectancy and Why It Matters**
- 2. Options for Funding Care in Retirement**
- 3. A Way to Avoid Surprise Medical Costs**
- 4. Making Strategic Decisions About Aging**



# Key Concepts

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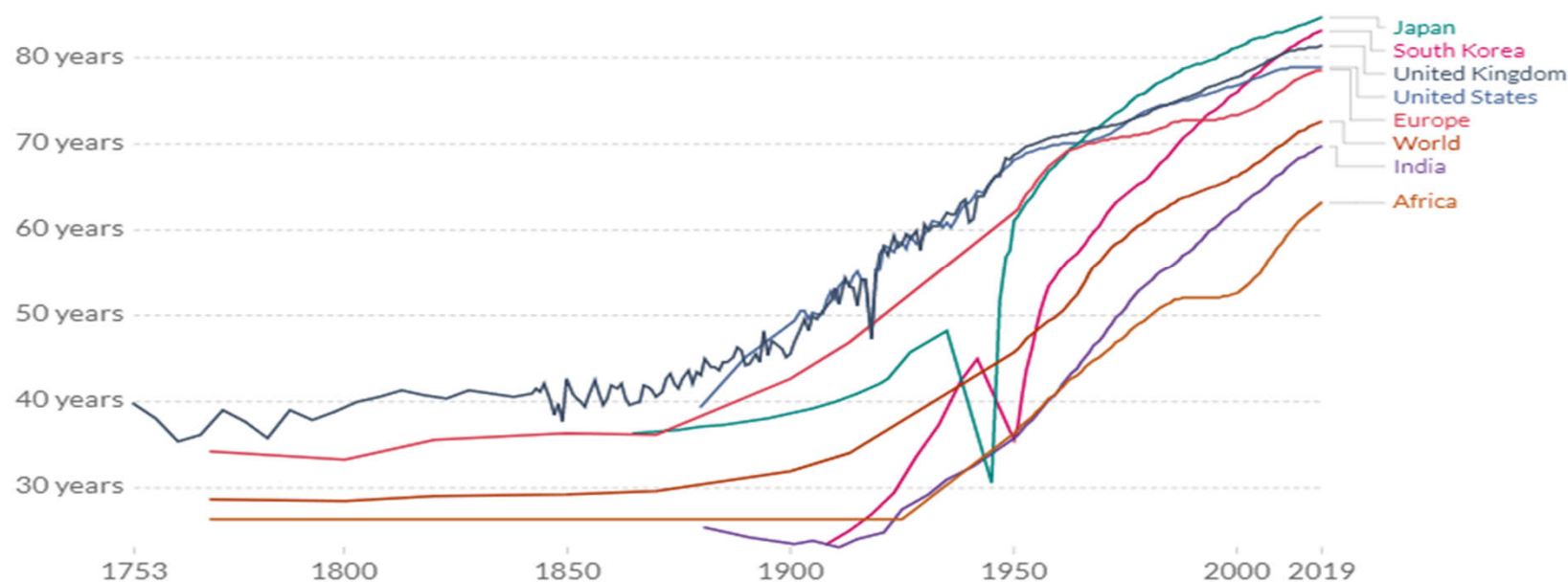
- **Life Expectancy:** The number of years a person can expect to live – given their current age. *You have a 50% chance of living longer than your Life Expectancy.*
- Life expectancies have been rising globally.
- People tend to underestimate their life expectancy.
- Life expectancy is a key input in financial planning. Longer lives require more spending and more assets to fund that spending.
- Getting life expectancy “right” can be a key difference between a successful retirement and an unsuccessful one.



# Life Expectancy Over Time



Life expectancy, 1753 to 2019



Source: Riley (2005), Clio Infra (2015), and UN Population Division (2019)

OurWorldInData.org/life-expectancy • CC BY

Note: Shown is period life expectancy at birth, the average number of years a newborn would live if the pattern of mortality in the given year were to stay the same throughout its life.

In 1900, life expectancy in the United States was 47 years. By 2014, U.S. life expectancy had increased to 79 years, and those who reached age 65 could expect to live another 19 years.

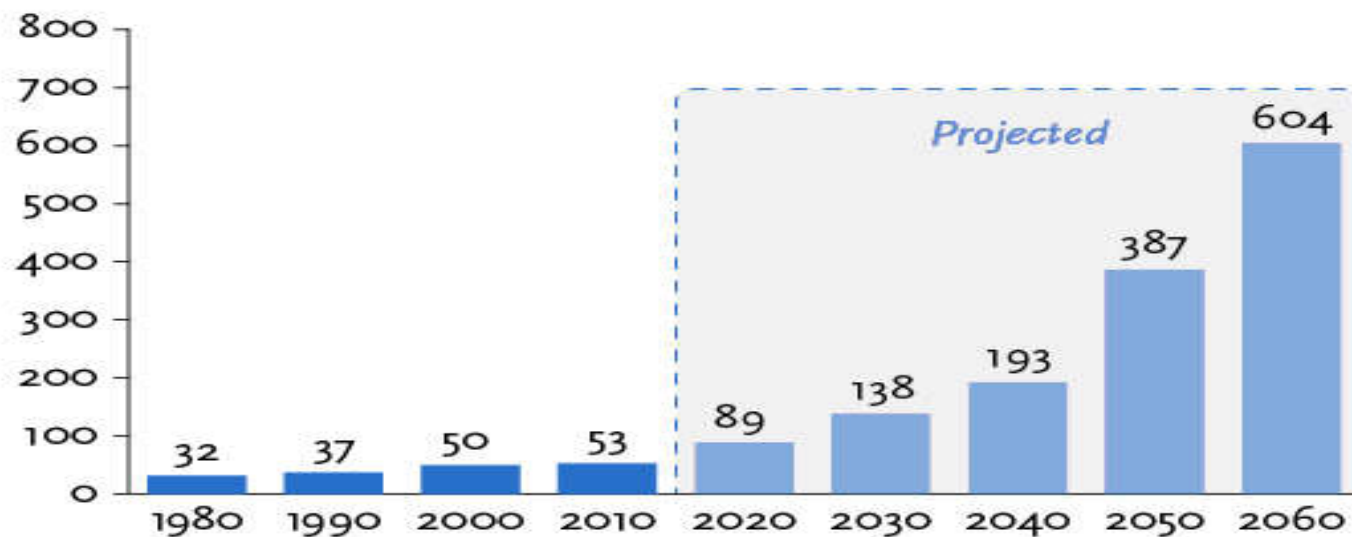


# Life Expectancy Going Forward



**The U.S. Population Ages 100 and Older Is Projected to Reach 600,000 by 2060.**

U.S. Centenarians in Thousands



Source: U.S. Census Bureau, 2010 Census Special Reports, *Centenarians: 2010*; and U.S. Census Bureau, 2014 National Population Projections.

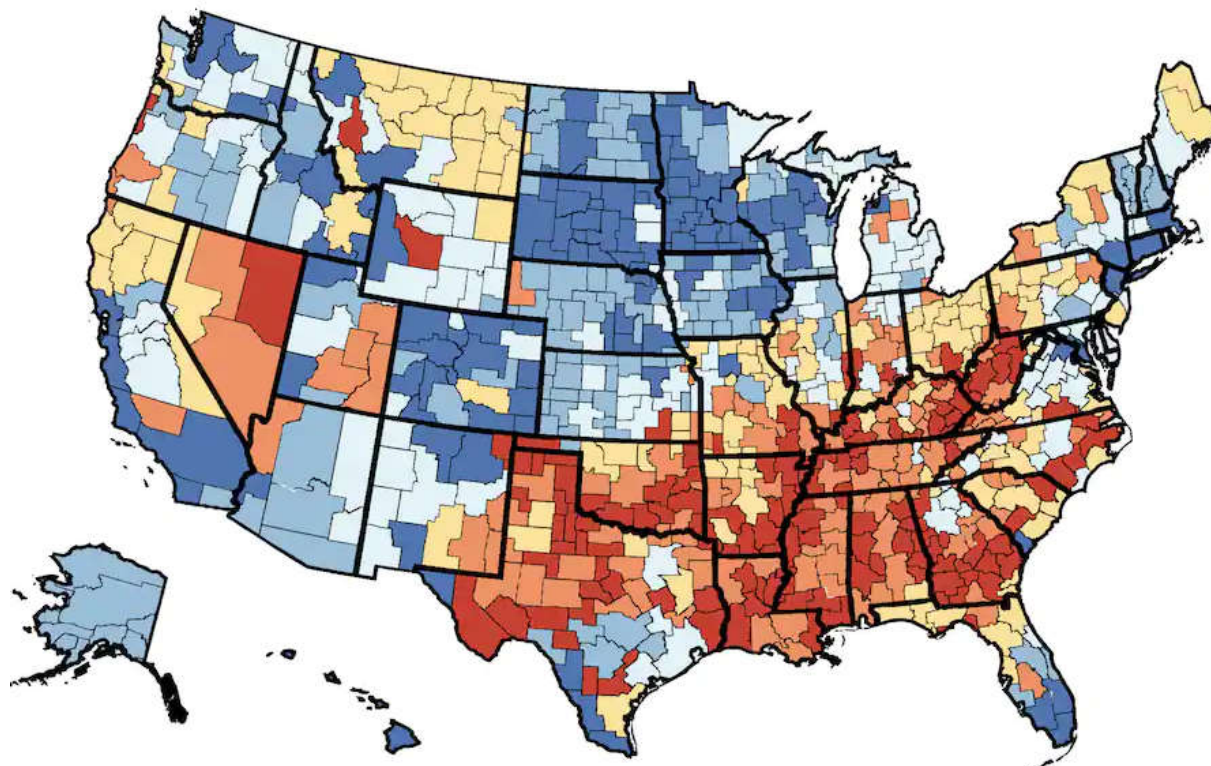
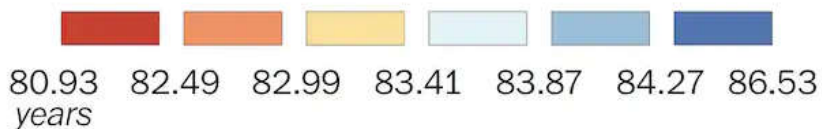
BLBB now has more than fifty clients over 85 and more than a dozen clients over age 95.



# Location Matters



Average life expectancy at age 65



Source: Finkelstein, Gentzkow and Williams, 2019

THE WASHINGTON POST

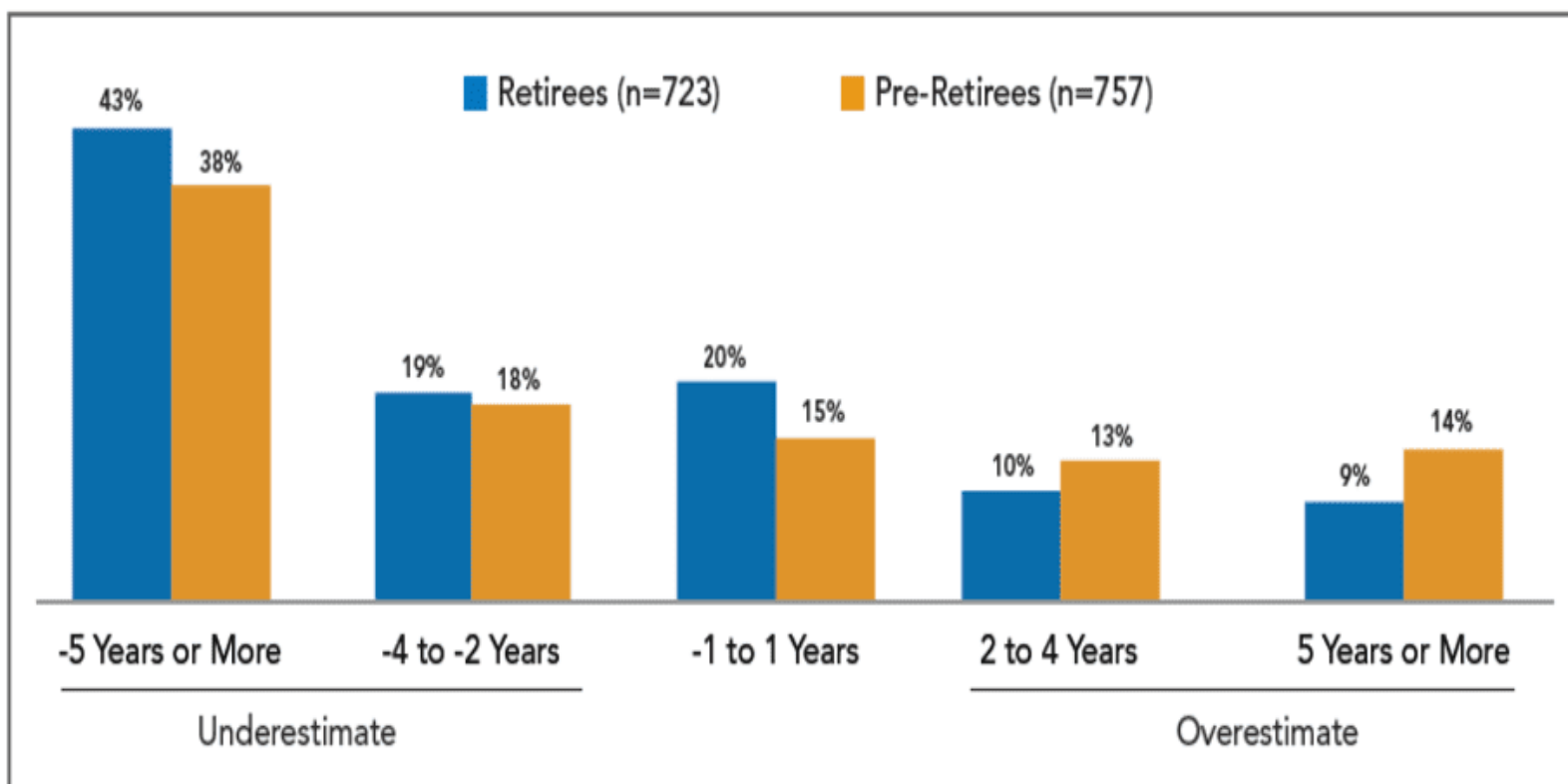




# We Underestimate Longevity



Difference between respondents' estimates of population life expectancy and published population life expectancy values (among those providing an estimate).



Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey; SOA UP 1994 Projected to 2011





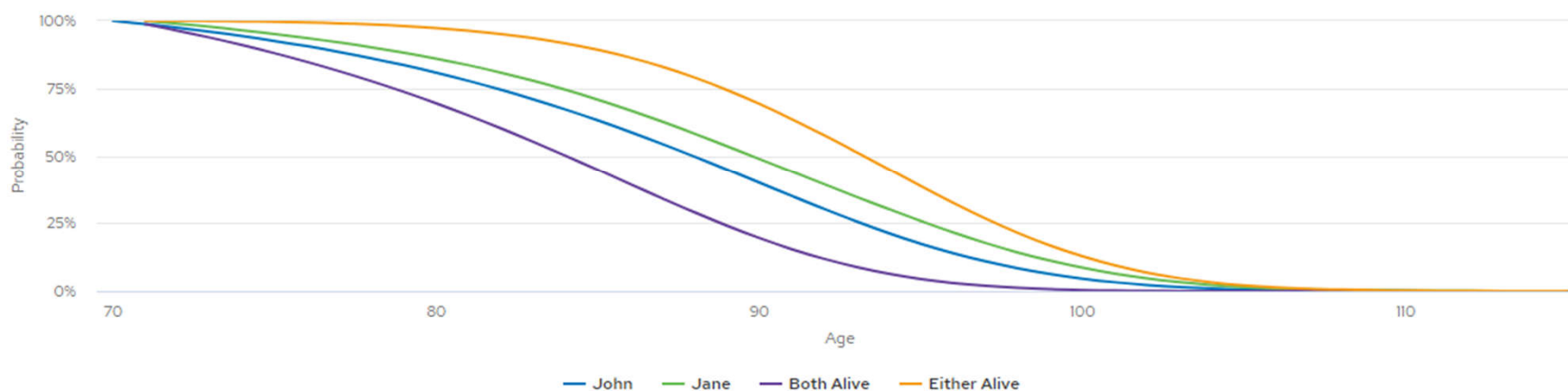
# Couples Complicate Matters



## Life Expectancy Table

Probability Chance you will live to age shown	John Lives to Age		Jane Lives to Age		Either Live to Age		Both Live to Age	
	Non-Smoker	Smoker	Non-Smoker	Smoker	Non-Smoker	Smoker	Non-Smoker	Smoker
50%	88	82	90	84	94	87	85	79
40%	90	84	92	86	95	88	86	80
30%	93	86	95	87	97	89	88	82
20%	95	88	97	89	99	91	90	84
10%	98	90	100	92	101	93	93	86

## Life Expectancy Graph - John: Non-Smoker, Jane: Non-Smoker



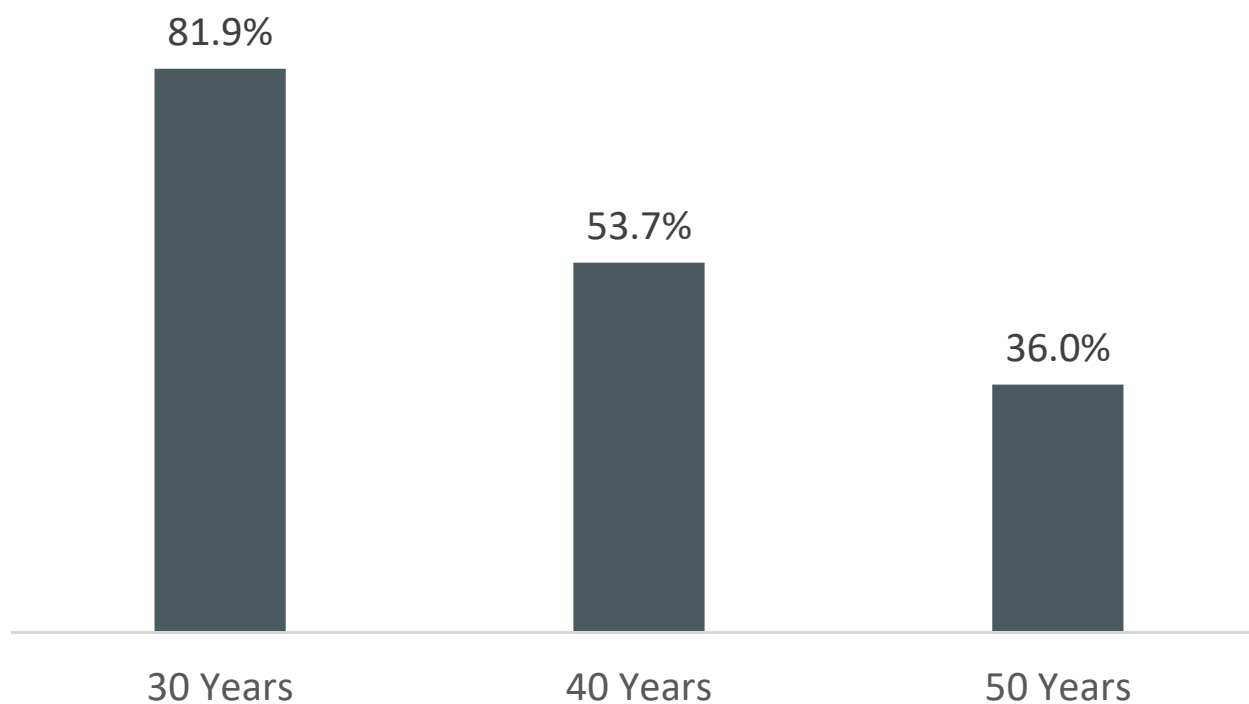
<https://mort.soa.org/ViewTable.aspx?&TableIdentity=2585>



# Planning Implications



The 4% rule's probability of success declines as the retirement period lengthens



The probability of success, based on a distribution of 10,000 possible return paths, reflects the percentage of times when a strategy sustained the level of spending without depleting the portfolio. The results assume initial wealth of \$1 million at retirement and a starting withdrawal of \$40,000 (4%). The asset allocation is 50% U.S. stocks and 50% U.S. bonds. This calculation does not take fees and taxes into account. Source: Vanguard, from VCMM forecasts.

<https://personal.vanguard.com/pdf/ISGFIRE.pdf>



# Drivers of Life Expectancy

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- **It's not about your parents**
  - Twin studies have estimated that approximately 20-30% of an individual's lifespan is related to genetics. The remaining 70-80% is due to individual behaviors and environmental factors which you control!
- **Significant predictors of life expectancy include:**
  - Genetics and Gender
  - Access to Health Care
  - Hygiene
  - Diet and Nutrition
  - Exercise
  - Lifestyle
  - Crime Rates (Chance)



# So, You Want A Long Life?

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- **Get and Stay Healthy:** Don't smoke, don't binge drink, eat a healthy diet and take regular exercise. This can add 10 years to your life.
- **Socialize:** Maintain and develop strong social networks, with family or friends. Some studies suggest this has a protective effect on health.
- **Learn:** Take advantage of any educational opportunities available in your adult life, even if you didn't do well at school. This seems to have health benefits.
- **Give:** There are likely to be opportunities to volunteer wherever you live and some studies suggest this can help maintain mental health and improve life expectancy



**Funding Care**



**Tailoring Medical Coverage to Your Needs**



**Making Strategic Decisions About Aging**



**HSAs:** A tax-free savings account accessible through some high-deductible plans that can be used towards medical expenses.



**Personalized coverage selections:** Retiring early or selecting your Medicare coverage? Make decisions for you, not based on what your neighbor picked.



**Where to live:** Assessing your preferences and putting a plan in place early on where about where you want to live will help mitigate crisis and extra spending.



# Health Savings Accounts

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HSA contributions are made with pre-tax dollars and can be invested. Gains in an HSA can be enjoyed tax-free, as can withdrawals, provided they're taken for qualified medical expenses.

## **What are qualified medical expenses?**

- Includes medical care, vision and dental care expenses, prescription drugs, and payments for long term care services
- You cannot use the funds for premiums (COBRA premiums are an exception)

## **2021 Contribution Limits**

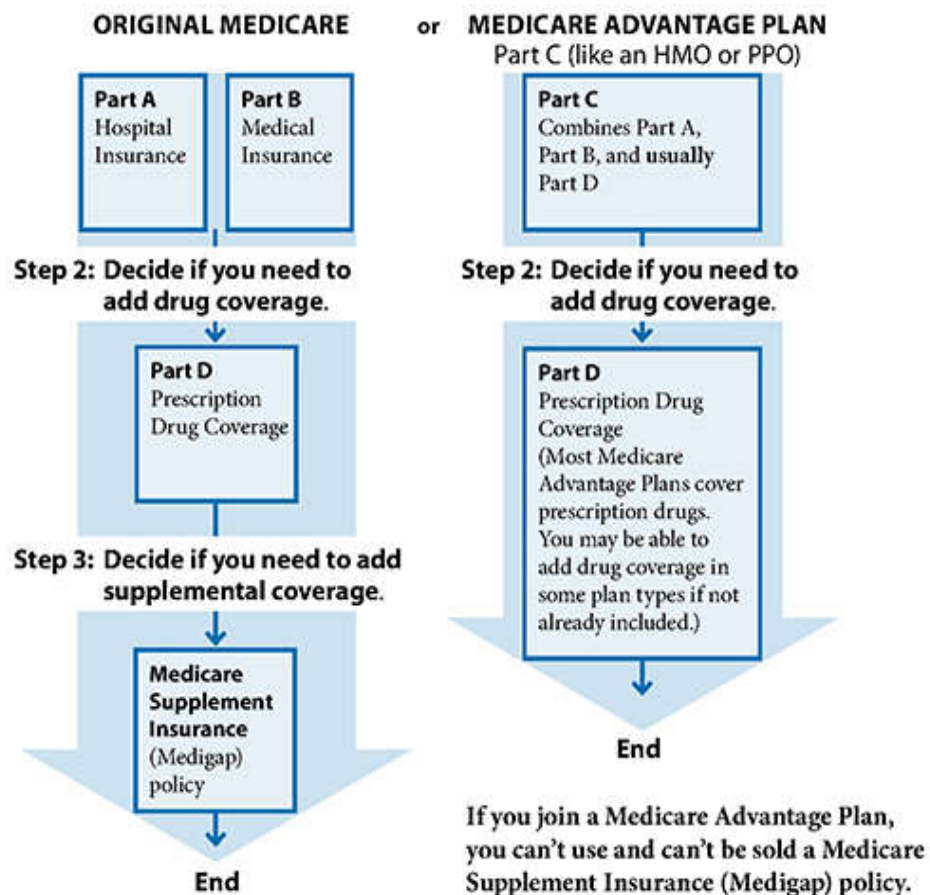
- \$3,600 for workers under 55 saving on their own behalf
- \$4,600 for workers 55 and over saving on their own behalf
- \$7,200 for workers under 55 saving on behalf of a family
- \$8,200 for workers 55 and over saving on behalf of a family

<https://dpath.com/2021-hsa-contribution-limits/>





# Personalized Coverage



= hundreds of options!

Make decisions based on:

- The next 50 years, not 5
- Facilities and doctors you want access to
- Anticipate higher healthcare utilization as you age
- Your risk tolerance

<https://www.ahchealthnews.com/2020/10/29/medicare-101-whats-the-difference-between-original-medicare-and-medicare-advantage/>



## Aging at Home

- Independence, familiarity
- Support system
- Place (upgrades to a residence can cost from \$10,000 \$100,000)
- Caregiver services: from \$4,000 to up to \$18,000/mo

## Alternative Residential Options

- Independent/assisted living and long term custodial care (SNF).
- Typically more social
- Accessible
- Assisted living: \$3,750/mo
- Skilled nursing: \$8,700/mo

<https://www.retirementliving.com/the-cost-of-aging-in-place-remodeling>  
<https://mylifesite.net/blog/post/3-reasons-why-aging-in-place-may-not-be-cheaper/>



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