Don’t Forget the Human Side of Longevity

When we think about longevity and how long people are living today, we often think about money and financial calculations. However, there also are many human aspects to longevity that we should consider, including people’s perceptions of longevity and how to maintain social engagement as we age. Employees have to consider longevity not only when planning for themselves but also when planning for how to help their parents. Several projects conducted or supported by the Society of Actuaries (SOA) focus on the human side of longevity. This article provides insights on that research and helps employers assist their employees to think about the related issues. The article will focus on several topics: helping employees understand longevity and use that knowledge in planning, how Americans view postretirement risks and what that means for helping them plan, some retirement education materials that are available for the workplace and what Americans can do to live better lives to very high ages.

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Many employers provide retirement benefits for their employees and often help their employees plan for retirement. Planning for retirement requires people to think about how long they may live and how to make assets last for a lifetime. When we think about longevity and how long people are living today, we often think about money and financial calculations. However, there are also many human aspects to longevity we should consider, including people’s perceptions of longevity and how to maintain social engagement as we age. Employees are affected by these issues with regard to planning for themselves and helping their parents.

Several projects conducted or supported by the Society of Actuaries (SOA) focus on the human side of longevity, and this article will provide insights based on that research to help employers help their employees think about the related issues. The article will focus on several topics: helping employees understand longevity and use that knowledge in planning, how Americans view postretirement risks and what that means for helping them plan, retirement education materials that are available for the workplace and what Americans can do to live better and longer lives. SOA projects included in this discussion include research and surveys on public perceptions and knowledge, projects that help communicate about longevity, other employee and consumer education focused on issues related to long life, and the Sightlines project, a Stanford Center on Longevity research project supported by SOA.¹
employees and their parents

Understanding longevity is important for employees as they plan their own lives. It provides an indication of how long their retirement years might last. Those who fail to understand and plan for longevity could see a shortfall in income or assets during retirement.

Changes in longevity also are important for employees to recognize for the many people who provide help to parents and grandparents as they age. These issues may become particularly important for employees in their 50s and older. Helping parents often is not considered in personal plans, and it may include financial and/or much more hands-on assistance. This article focuses on hands-on care and nonfinancial issues. Support may be hands-on caregiving or help with errands, yard and home maintenance, and a variety of chores that the parents can no longer do. Some people take their parents to the doctor, make appointments for them and help them manage their medical care.

SOA research indicates that most people would much rather be independent in old age and not rely on their children to help. However, when they are no longer able to manage their own affairs, their family is a common source of help. For those without financial resources to pay for help, family members may be under much more pressure to provide help. When employees are regularly helping their parents, it is not unusual for them to focus on parent issues while at work and take more time off; productivity can easily suffer. An important and often overlooked aspect of long-term care is the impact it has on the caregiver, which is often much greater than expected. As a result, the caregiver may be subject to stress, health problems, extra costs and reductions in retirement savings.

understanding longevity

Understanding longevity is a challenge. SOA research indicates that more people underestimate longevity than get it right, and many plan for too short a retirement period. Even those people who understand longevity reasonably well often plan for too short a time period. It is important to reinforce the message that retirement resources need to last for the rest of life and that understanding potential personal longevity is a step forward in that planning.

The Actuaries Longevity Illustrator, a tool produced by SOA and the American Academy of Actuaries, can be used by employers and employees to enhance their understanding of longevity. This tool allows the user to calculate his or her expected lifetime, taking into consideration general health status as well as age. It can be used for a single individual or a couple.

The illustrator provides a stochastic forecast of longevity. Rather than providing a single result for expected life span, it provides information to help the user understand what the probabilities are for living to various ages. For couples, the results include the probability of living for a various number of years—for each member of the couple, either or both. The provided charts help people understand the uncertainties of life expectancy and are designed to help people focus on the risk of outliving their retirement resources. Available at www.longevityillustrator.org, the illustrator is not connected to any financial products or solutions and is available at no charge. It is simply a method of helping people understand their potential longevity, and it is hoped that this will encourage a more comprehensive approach to retirement planning.

The SOA Committee on Post-Retirement Needs and Risks has looked for additional ways to help enhance understanding of longevity and is developing a series of infographics to help convey key messages about longevity.

The key messages embedded in the first infographic, shown in the figure, are:

- People may live longer than they think.
- Couples need to think about their joint longevity.
- A variety of factors contribute to longevity.

Some of the thinking driving these efforts is that it is difficult for many people to remember that longevity is uncertain. If a large group of people all retired at the age of 70, a few will die in the year after retirement, and a few will live beyond 100. If a group of people all knew their average life expectancy and planned to use their money by that date, about half of them would have planned a future where they run out of money.

A second infographic deals with shocks, and a third deals with the impact of inflation on longevity. Additional consumer material for dealing with longevity can be found in some of the SOA Managing Retirement Decisions series. The topics related to the human side of longevity covered within the de-
retirement strategies

cision brief series include the timing of retirement and long-
term care.

SOA research also provides insights about how people perceive longevity. One of the special topics in the SOA 2015 Post-Retirement Risk Survey was understanding longevity, and the 2015 Risks and Process of Retirement Survey Report: Key Findings and Issues—Living Longer and Impact on Planning offers insights on that topic. Findings in the survey include:

- The preretiree and retiree respondents expect to live to a median age of 85, while one-quarter of each group is expected to live into their 90s.
- There is a tendency to underestimate personal life expectancy. The majority of the respondents (55%) did not expect to live to their actuarial estimate of life expectancy based on their current age and gender.
- Family history has a strong influence on personal estimates of life expectancy. But most do not expect to live as long as their longest living relative.
- Few respondents have a planning horizon as long as their expected longevity.
- While risk-pooling strategies offer methods to spread longevity risk and insure it, relatively few respondents favor such risk management strategies.

Understanding Perceptions of Postretirement Risks

Perceptions are an important part of the human side of retirement planning and dealing with longevity. The SOA Survey of Post-Retirement Risk and the Process of Retirement

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Source: Society of Actuaries.
enables employers and benefit plan sponsors to understand how the public perceives and expects to manage risks associated with longer life. One of the major purposes of employee benefit programs is to provide or offer employees the opportunity to obtain risk protection and retirement security. Today’s retirement programs generally depend on employees making a variety of decisions at different life stages. We know that employees do not always make decisions that are in their best economic interest, and we know quite a lot about the typical drivers of decisions. In a world where retirement security quite often depends on personal savings and defined contribution plans, the decisions individuals make—and their knowledge about longevity—are extremely important. So understanding what the public knows and thinks about such risks is helpful for structuring benefit plans and for crafting communication and education programs.

The ongoing SOA public attitude survey research program provides further insights into what people know about postretirement risks and their management and into other human aspects of longevity. This research demonstrates that, for many people, action is a result of factors such as knowledge and feelings and is not purely analytically driven. While actuarial and mathematical analyses are important drivers of behavior for some people, they play no role at all for others.

**Findings From the SOA Public Attitude Research**

SOA research findings on public attitude are remarkably consistent over time, but new research brings new findings. Key findings include:

- Knowledge gaps. There continue to be gaps in planning, and people tend to use shorter planning horizons at retirement than are recommended for comprehensive planning.
- Many retirees prefer not to spend down their assets. They prefer to live on their pension, Social Security and investment income and adjust their expenses for any shortfalls. Minimum required distributions are used to pay expenses, but retirees generally did not perceive these withdrawals as a drawdown of assets.
- Some retirees prefer dealing with things as they happen rather than building a plan to deal with risks. Planning often tends to be limited to “predictable” cash flows, where such cash flows include regular periodic expenses. There are other expenses that retirees should expect, such as medical bills or home repair, even though they may not know when or how the expenses might happen. These expenses often are not part of retiree planning.
- People commonly focus on short-term cash flows when they plan for retirement expenses. For example, people are much more likely to plan for medical premiums than for uncovered medical expenses. In the 2015 focus groups with longer term retirees, it was surprising to learn that home repairs and dental expenses were unexpected expenses for a number of the participants.
- Preretiree expectations do not line up well with retirees’ actual experiences. There are two areas where preretiree expectations and retiree experience have consistently been out of sync. In the 2015 survey, retirees retired at a median age of 60, substantially earlier than the age of 65, which is the median age at which preretirees say they expect to retire. There is a similar finding in several of the surveys. Working in retirement is another area where expectations of preretirees differ from actual experience. While many preretirees say they expect to continue working longer, most current retirees have not actually done so. Both of these perceptions are troubling because they encourage people to “fail to plan.”
- The top risk management strategies being used in 2015 were similar to those found in prior surveys, including reductions in spending, increasing savings and paying off debt. As in prior years, risk protection products, other than health insurance, are not used very often. These strategies help with cash flow but do not address major unpredictable expenses.
- Retirees and preretirees seem to have relatively little concern about some important risks such as fraud. Even where people accept that a risk is generally important, it is not uncommon for them to think that it will not happen to them. Many of the findings from the SOA public attitude research can be explained by behavioral finance, a scientific study of how people make financial decisions and behave.
This is in contrast to traditional economics, which predicted that people would figure out the best solution for themselves and make the rationally economic choice after doing the analysis. Over the last 30 years, we have learned a lot more about behavioral finance and its influence on financial decision making.

Social Engagement, Healthy Living and Financial Security

The Stanford Center on Longevity, supported by SOA and a number of other sponsors, conducted the Sightlines Project, which focuses on helping people enhance their chances of living an independent 100-year life.\(^1\) The project investigates how well Americans are doing in three areas that the research identified as critical to well-being as people age: social engagement, healthy living and financial security. While financial security and health have long been recognized as part of successful retirement, many people have not recognized the importance of social engagement. The findings are based on analyses of data from several large studies. The project is very exciting because it includes data and indicators that can be measured over time. The healthy living and financial security findings were not a big surprise, but the emphasis on social engagement was new. The findings are highlighted below.

Social Engagement

Researchers found social engagement, including both meaningful personal relationships and community participation, to be central to long and healthy lives. They found, however, that social engagement is declining. For example, people are interacting less with neighbors, who can be particularly helpful in times of stress and emergency. Today’s 55- to 64-year-olds are less likely than the comparable group 20 years ago to be married and less likely to engage in religious and community activities. Their ties to family, friends and neighbors are weaker. However, there is good news. Among Americans over the age of 75, 53% are married, up from 42% in 2003. Researchers commented that it is too early to tell how technology-driven social engagement will complement face-to-face engagement.

Healthy Living

Healthy living is defined as avoiding risky behaviors (e.g., smoking, excessive drinking and drug abuse) and making healthy choices for daily living (e.g., good diet and enough exercise). While Americans have made progress in some areas, other problems remain or actually have gotten worse. The researchers found that smoking is declining in every age group, but smoking is much more prevalent among low-income individuals.\(^2\) The Sightlines researchers found improvements in exercise as well, indicating that half of Millennials are getting the recommended amount of exercise. Diet guidelines, however, are not being met. For example, researchers found that only about 25% of Americans eat five or more fruits and vegetables a day. They also found that sitting is increasing substantially and that it is unhealthy. I expect that further work on this project will focus on how to bring about improvement.

Financial Security

The Sightlines researchers point to a growing challenge in this area, with a decline in financial security between 2000 and 2014, particularly among the least educated. The least educated are likely to be at or near the poverty level and lack emergency resources. Many of them will not have investments to support their financial future. There are more people in poverty than 15 years ago, and earnings are down for many people. Millennials who attended college are more likely to carry debt. Average debt in this 25- to 34-year-old age group has quintupled over the last 15 years.

Among people not eligible for an employer-based retirement plan, only one in three has retirement savings. Overall participation in retirement plans has dropped. Home ownership also is down. Less than one-third of people in the United States under the age of 65 have long-term disability insurance, and about 10% of those over the age of 75 have long-term care insurance. Results are drastically different for college graduates vs. those who do not graduate from high school. For example, 40% of college graduates have long-term disability insurance, compared with 10% of those who did not graduate from high school.

The project includes recommendations for improving results in each area. It also identifies specific points on which progress is needed, as well as areas where Americans are doing well. The recommendations are positioned as conversation starters:

- **Social engagement**: The areas for conversation include environ-
ment and urban design to support social interaction, supporting personal relationships with technology and other programs, encouraging volunteerism, expansion of employer wellness programs and examination of social media.

- **Health**: The areas for conversation include expansion of national exercise guidelines to include sleep and sitting, working on ways to get modest behavior changes, encouraging employer health initiatives, improved accessibility to healthy foods such as fruits and vegetables, and use of wearable feedback platforms.

- **Financial security**: The areas identified included addressing student debt, broadening postsecondary education, expanding access to investment plans and retirement programs for workers who aren't eligible to participate in an employer-sponsored retirement plan and exploring strategies to focus more on long-term stability vs. short-term consumption.

These results are intended to stir national debate, guide policy development, stimulate entrepreneurial innovation and encourage personal choices that enhance independent, 100-year lives. While I agree with the three areas, I would add to the discussion that being involved in things that one is passionate about adds to having a better life and is an additional contributor to successful aging. More research could be done on this idea.

**Retirement Planning—Going Beyond Money**

SOA research has repeatedly shown that there are many gaps in retirement planning and knowledge about retirement. At the same time, employee benefits are evolving in a manner that makes employee decision making more important. SOA, in partnership with Financial Finesse, recently released a new publication designed to improve financial literacy, *Retirement Health and Happiness*. This is the first in a series of educational publications designed to help Americans do a better job of retirement planning.

The main message in this publication is that it takes more than money to enjoy a successful retirement. The first guide offers guidance and thought-provoking questions designed to help the reader emotionally and physically prepare for a successful transition into retirement. It attempts to take some of the same issues that are raised in the Sightlines research and bring them down to actionable steps that people nearing retirement can take. For each topic, it raises issues and provides ideas.

To respond to the issues raised with regard to social engagement, the guide raises the question “How do I stay emotionally healthy?” and discusses staying socially connected. Tips are provided in nine areas. For example, for people looking for an opportunity to connect with others who share interests, it suggests joining a club, association or religious organization. Another tip suggests volunteering, and another suggests engaging in a meaningful hobby. Yet another tip suggests, for people who do not want to live alone, getting a roommate or a pet. Besides the tips, resources are provided. These are websites to help realize some of the topics. For example, for volunteering, there is a website to help find opportunities in the reader’s area.

Eight areas have been selected for tips to respond to the issues raised in healthy living. Some suggestions include doing garden and yard work, joining a gym or yoga class, and participating in outdoor activities such as walking, jogging or bike riding. Four of the tips deal with activity and four with eating habits. The guide also offers suggestions about types of people who might help.

This series is being designed to be given to employees by their employer as part of employee benefit or retirement planning programs and to be used by members of the public for their own education. The publication is easy to read and fairly short. The suggestions are designed to be realistic and include a range of ideas to help people focus on something they can do.

**Age-Friendly Communities**

As part of the most recent SOA Living to 100 Symposium series, a key topic related to the human side of longevity was “The Changing Face of Eldercare,” which focused on big ideas: making communities friendly to an aging population and steps that support people staying in the community longer.

The World Health Organization (WHO) established a program of age-friendly communities and a process to help communities become more age-friendly. The eight domains of an age-friendly community are (1) outdoor spaces and buildings, (2) transportation, (3) housing, (4) social partici-
pation, (5) respect and social inclusion, (6) participation and employment, (7) communication and information, and (8) community support and health services. There are 332 age-friendly cities today in 36 countries. AARP is the U.S. affiliate of this network and has a program that focuses on safe walkable streets, age-friendly housing and transportation options, and access to needed services and opportunities for residents of all ages to participate in community life. Age-friendly communities do not replace the need for senior housing and nursing homes, but they give people new options and may make it feasible for them to stay active in the community longer.

I would extend the discussion about age-friendly communities to “people-friendly communities.” The same trends that make communities more age-friendly to an aging population help the population at all ages and promote good health. Employers have an interest in these issues because people-friendliness helps attract people to the communities and makes it easier to recruit and retain workers. It also will help improve the health of the community, reduce health care costs in the longer term and most likely lead to increased productivity. The business community has a role in encouraging and supporting the development of age-friendly communities.

Public Policy Issues

The aging of the population is changing the fabric of our societies and affects many areas of policy. In many countries, the aged population is growing rapidly and is growing as a percent-age of the total population. Public policy often deals with human issues. Many societies are focused on helping people age successfully, and public programs offer some level of financial support and support for health care. They may offer additional support for the elderly. Some of the policy areas related to longevity and the human side of aging include the following.

Social Safety Net

Many countries have a variety of social programs to help support the elderly. They may include some cash retirement benefits, medical benefits, some long-term care, possibly housing support and a number of other services. For about a quarter of the U.S. population, the Social Security and Medicare safety net is nearly all of the support they have in old age.

In the U.S., the potential exists for very large cuts in Medicaid. Long-term care is a big part of Medicaid spending. Some middle class families spend down assets when they need long-term care and then have nursing home or other long-term care costs paid by Medicaid. If cuts in Medicaid and other social programs affecting the elderly are implemented, it is very likely that families will be called on for more support of their parents, affecting the work performance or situation of some of the family members. The impact of such cuts on employers may be far greater than initially expected.

Supporting Age-Friendly Communities

As mentioned previously, there is growing interest in age-friendly communities.

The shift in the age distribution of the population means that relatively more of the public budget will be spent for aging services, and there will be greater pressure on these services. The U.S. and United Kingdom have already cut public retirement benefits, but Canada recently increased benefits. In the current U.S. policy environment, very large cuts have been proposed. Overall, cuts to U.S. public retirement benefits are much more likely than increases. It was reported at a recent Pension Re-
search Council meeting that employees want employers to increase benefits because of concerns that public programs will be cut.

Plan sponsors should consider what effect these policy matters will have on them. Some plan sponsors will want to participate in the public policy debate, either through trade associations or directly. Some will want to help educate employees about these issues.

Conclusion

Increased longevity has many implications. Employees are affected not only by their own longevity but also the longevity of their spouses and parents. Often the discussions about longevity focus heavily on money. This article points out some of the other issues related to longevity. Employers who look broadly at productivity and the well-being of their workforce may find that these issues are important to them as well. They can respond in several different ways: through employee education and planning tools, creation of job opportunities, adjustment of retirement benefit programs and participation in public policy discussions.

Endnotes

9. This research program includes biennial surveys conducted from 2001 to 2017. This article includes results through 2015; 2017 results will be ready after the article has been completed. It also includes three sets of focus groups, including focus groups with individuals who have been retired for 15 years or more in 2015, and some in-depth interviews. In 2015, in-depth interviews also were conducted with caregivers of people requiring long-term care.
10. Includes surveys of postretirement needs and risks and focus groups.
11. The Sightlines Project can be found at http://longevity.stanford.edu/the-sightlines-project/.
13. Society of Actuaries Living to 100 research and monographs, https://livingto100.soa.org. Living to 100 is a series of symposia conducted every three years. More than 125 papers have been published, and there is a major research paper available that summarizes the work. The 2107 symposium was different from earlier ones in that it included a much greater emphasis on the human aspects of longevity and ways to improve lives.

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