

SOCIETY OF ACTUARIES

KEY FINDINGS
AND ISSUES:

Longevity

2011 RISKS AND PROCESS OF RETIREMENT
SURVEY REPORT

>> June 2012

Actuaries
Risk is Opportunity.®



Introduction and Background

FOR MORE THAN 15 YEARS, the Society of Actuaries (SOA) has focused on the study of post-retirement risks and how they are managed. The 2011 Risks and Process of Retirement Survey is the sixth biennial study of public perceptions related to such risk conducted on the SOA's behalf by Mathew Greenwald and Associates, Inc. and the Employment Benefit Research Institute (EBRI). The survey was conducted during a period of reduced housing values, persistent and high unemployment, substantial volatility in equity markets, and concerns about public policy, the federal deficit and programs for supporting retirement. This report provides the results of respondents' understanding of longevity and its management, an area of special emphasis from the study, puts the results into context in the current environment, and compares them to earlier studies. The 2011 study also includes several other areas of special emphasis. Additional reports cover the fundamental risk perceptions, working in retirement, and the impact of economic conditions on retirement planning.

The 2011 Risks and Process of Retirement Survey asked respondents about their view of longevity risk. As in 2005, when these questions were last asked, there is more tendency to underestimate rather than overestimate longevity. While some Americans appear to have a moderate grasp of life expectancy in general, many fail to understand the potential consequences of living beyond their own planned life expectancy. This study shows many people are not focused on risk management, and making assets last for the rest of their lives is not their highest priority.

The survey is designed to evaluate Americans' awareness of retirement risk, how their awareness has changed over time, and how these perceptions affect the management of their finances. It was conducted through telephone interviews of 1,600 adults ages 45

to 80 (800 retirees; 800 pre-retirees, twice the sample number of prior surveys) in July 2011, before the most recent stock market volatility, U.S. debt downgrade, and numerous federal interest rate announcements. Households were selected for participation from a nationwide targeted list sample. The margin of error for study results, at the 95 percent confidence level, is ± 4 percentage points for questions asked of all retirees or all pre-retirees. Data presented in this report may not total to 100 percent due to rounding or missing categories.

Responses from current retirees, half of whom retired before age 60, and those not yet retired (referred to in these reports as "pre-retirees") are analyzed separately. The results are based on a representative sample of Americans and do not provide specific insights concerning high-net-worth individuals. Only 6 percent of retirees and 5 percent of pre-retirees report having \$1 million or more in savings and investments, and 6 per-

cent of retirees and 8 percent of pre-retirees report having between \$500,000 and \$1 million. Thirteen percent of retirees and 30 percent of pre-retirees indicate they have household incomes of at least \$100,000. At the low end of the spectrum, 25 percent of retirees and 21 percent of pre-retirees indicate they have less than \$25,000 in savings and investments, while 15 percent of retirees and 8 percent of pre-retirees report income under \$25,000. (See the Profile of Survey Respondents for more details.)

To further the understanding of key issues as well as changes in perception of risk, this series of surveys includes new questions with each iteration, and not all questions are repeated from year to year. For a balanced perspective, the discussion sections in this report include input from all organizations that supported the studies and material from other related research.

Perspectives

THIS IS THE SIXTH BIENNIAL SURVEY of post-retirement risk sponsored by the Society of Actuaries. Since the first survey in 2001, major events have transpired and trends have developed that have profoundly affected the retirement process, making the surveys and the responses to them more important in providing insight to retirement system stakeholders.

- Life spans are continuing to increase. In the past half-century, life expectancy for newborn American males improved by an average of almost two years each decade, from 66.6 years in 1960 to 75.7 years by 2010. For females, the average increase was about 1.5 years per decade, from 73.1 years in 1960 to 80.8 years by 2010.
- Inflation has not been a major concern recently with the Consumer Price Index (CPI) increasing only 2.4 percent a year, on average, in the first decade of the 2000s. However, the CPI may not reflect price increases people are experiencing; so, for the longer term, those who have to make retirement assets last for several decades need to be aware of inflation's potential to erode purchasing power.
- Products for managing longevity risk continue to proliferate even though traditional annuity products continue to have a poor image and are not widely purchased.
- Employer-sponsored defined-benefit plans continue to decline in prevalence, and more of these plans have been and are being frozen. While about half of all retired people today receive some income from defined-benefit plans, this income source is steadily declining, making personal responsibility to manage retirement risk ever more critical. This trend increases the importance of managing longevity risk and makes it more challenging.

- Equity markets have suffered two major declines already in the first decade of the 21st century and continue to be subject to increased volatility. This trend simply adds further to the challenge of managing longevity risk.
- Along with the most recent equity market decline, housing values have also suffered substantial losses. Traditionally many people had viewed their home as the key asset to fall back on, but for many, that asset has lost much of its value. This has left many would-be retirees with little or none of the home equity they had planned on using, and in the worst cases with negative equity.
- The age at which Social Security benefits are claimed is receiving more recognition as an important factor in managing retirement security. For those who delay taking Social Security after age 62, for each month of delay until age 70, they increase their monthly Social Security benefit for life. Maximizing lifetime benefit under Social Security is a complex decision depending on several factors.
- A growing body of knowledge in financial literacy has documented concerns about Americans' inadequate math skills, their poor understanding of financial concepts such as compound interest, and their lack of basic comprehension of the functioning of investment markets.

Trends and developments such as these in society, the economy and financial markets make it more imperative than ever for individuals to accept responsibility for managing their retirement risks, and particularly longevity risk. At the same time, it is becoming increasingly clear how poorly prepared many individuals are for this responsibility.

Perspectives (continued)

Key issues with regard to longevity include:

- There are gaps in knowledge on this topic and they persist. They include a failure to fully understand the variability in life expectancy, and to appreciate that about half of the people will outlive the average life expectancy of their age cohort.
- By age 65, U.S. males in average health have a 40 percent chance of living to age 85 and females more than a 50 percent chance. The survivor of a 65-year-old couple is more than 70 percent likely to reach 85. For healthier people, even a 25 percent reduction in mortality increases those chances to 50 percent for males, 62 percent for females, and 81 percent for the survivor. See table on next page.^[1]
- Variability around the average and its consequences, especially for those who outlive their estimated lifetime by many years, are not well understood.
- Many people underestimate life expectancy.
- Planning horizons are often too short, compounding the issues related to understating life expectancy.
- While people are living longer, many decline cognitively and physically in later years, and are less able to manage their own affairs.
- Longevity risks are closely related to health and long-term care risks. Health expectancy can be used to measure expected periods of good health and poorer health.

One actuarial research study predicts that for a healthy male age 65, 80 percent of his remaining lifetime will be spent non-disabled, 10 percent in mild to moderate disability, and another 10 percent in severe disability. For females, the corresponding disability percentages are considerably higher, with 70 percent in healthy status and approximately 15 percent in each of the two stages of disability.^[2]

- Products designed to help manage longevity risk continue to proliferate, but have not yet received widespread marketplace acceptance.

The survey results highlight several areas where perceptions about risk raise concern for retirement strategy. One such concern is the planning horizon of pre-retirees and retirees alike, with too short a horizon underlying many of their other concerns. This is a serious issue, especially for the vast majority with inadequate financial literacy skills. A related concern is limited understanding of longevity and its variability, especially its impact on financial security for those who live well past the age they expected to and thereby risk winding up with little or no resources except Social Security. This report lays out the challenges with regard to longevity risk.

Separate perspectives provided by individual members of the project team are provided later in this report.

ENDNOTE:

- ¹ From an American Academy of Actuaries webinar titled "Lifetime Income—Risks and Solutions" sponsored by the Academy's Lifetime Income Risk Task Force. Presented March 7, 2012.
- ² Stallard, Eric, "Estimates of the Incidence, Prevalence, Duration, Intensity and Cost of Chronic Disability among the U.S. Elderly," *North American Actuarial Journal*, Vol. 15, No. 1, 2011, Table 4.

Perspectives (concluded)

Probability of Living from 65 to Various Ages ^[3]						
Age	Social Security Mortality			75% of Social Security Mortality		
	Male	Female	Survivor	Male	Female	Survivor
80	60%	71%	88%	68%	77%	93%
85	40%	53%	72%	50%	62%	81%
90	20%	31%	45%	30%	42%	60%
95	6%	12%	18%	13%	21%	31%
100	1%	3%	4%	3%	7%	10%

Data extracted from: Analysis of the 2007 Period Life Table for Social Security Area Population. <http://www.ssa.gov/oact/STATS/table4c6.html>, downloaded Oct. 26, 2011

ENDNOTE:

³ From an American Academy of Actuaries webinar titled "Lifetime Income—Risks and Solutions" sponsored by the Academy's Lifetime Income Risk Task Force. Presented March 7, 2012.

More than half of respondents underestimate population longevity.

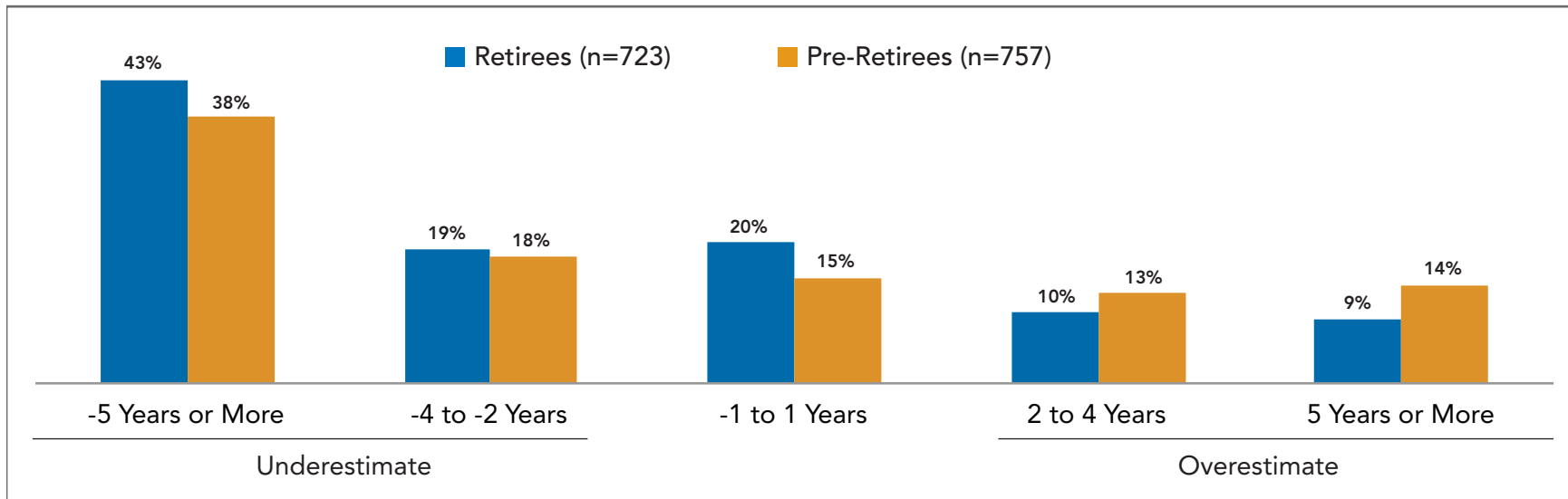
Findings

Among respondents venturing a guess regarding the age to which an average person of his or her age and sex can expect to live, approximately four in 10 underestimate the age by five or more years. Another two in 10 underestimate it by two to four years. Nevertheless, two in 10 retirees provide an estimate that is roughly correct, as do 15 percent of pre-retirees. Two in 10 retirees, and more than one-quarter of pre-retirees, overestimate average life expectancy. Ten percent of retirees and 5 percent of pre-retirees are unwilling to volunteer an estimate.

Discussion

Underestimation of life expectancy, together with having too short a planning horizon, can result in inadequate provision for retirement needs. As discussed throughout this report, the concept of life expectancy is not generally well understood. And even when individuals or couples do make a reasonably good estimate of remaining lifetime for people their age, far too few of them provide adequately for the consequences of out-living average life expectancy.

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

Retirees and pre-retirees appear to have some limited understanding of life expectancy variability.

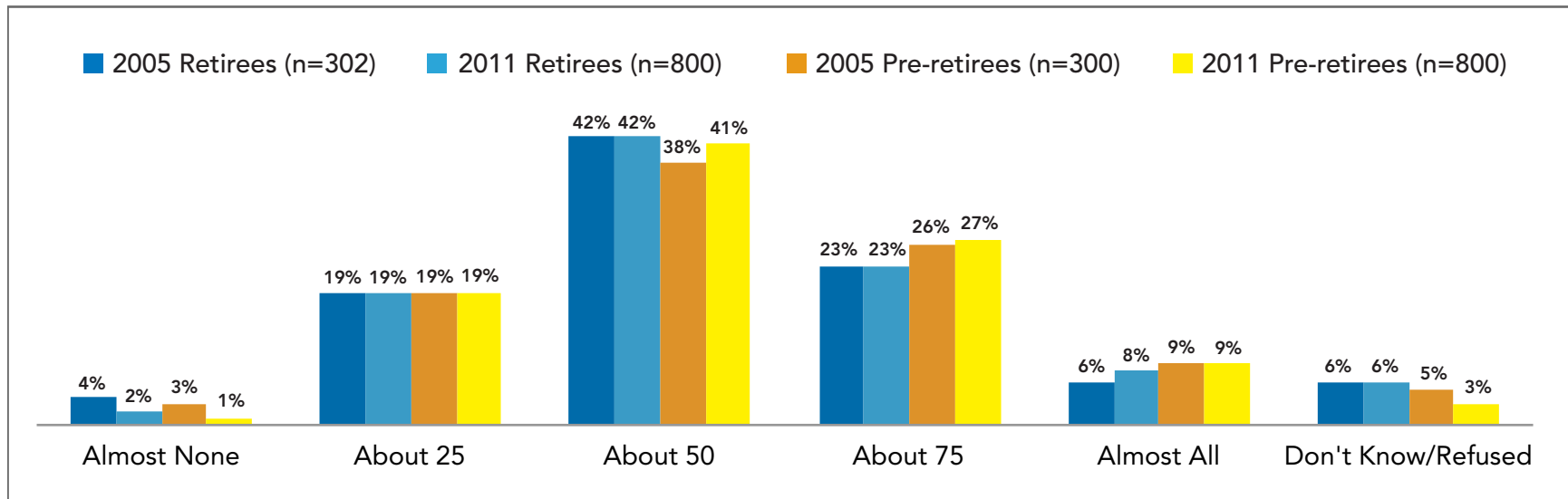
Findings

Four in 10 retirees (42 percent) and pre-retirees (41 percent) correctly responded that about half of 65-year-old men and women can expect to live until median life expectancy. Two in 10 (21 percent of retirees and 20 percent of pre-retirees) think that far fewer than half of 65-year-olds will live at least until that age, while approximately one-third (31 percent and 36 percent) believe about 75 percent or more will live until then.

Discussion

Although the results demonstrate a reasonable level of understanding of life expectancy and its variability about the mean, they also show little change since prior surveys. Improving the general public's understanding of longevity and what it means for financial planning should be a high priority for all those committed to ensuring a secure retirement for American seniors.

Suppose there were a random group of 100 65-year-old males (if male)/females (if female). About how many do you think could expect to live to age 83 (if male)/86 (if female) or older?



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

The majority of retirees and pre-retirees expect to live until well into their 80s.

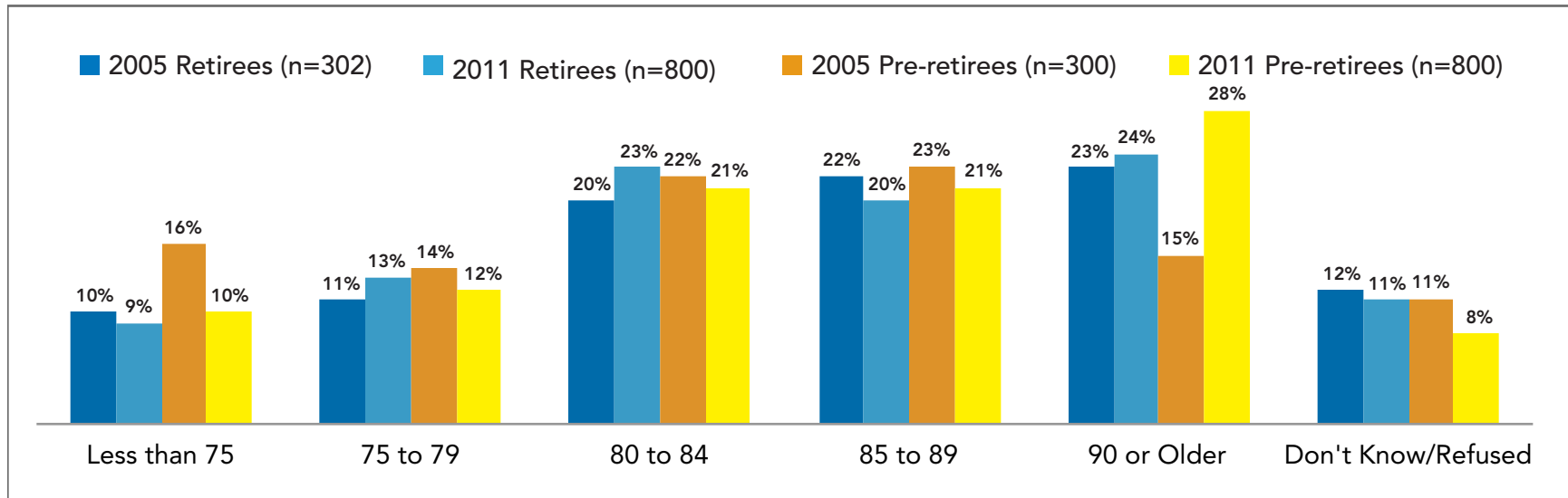
Findings

The typical retiree and pre-retiree see themselves living until age 84 (median for retirees) or 85 (median for pre-retirees). However, this disguises a considerable amount of variation. One-quarter of retirees (24 percent) and almost three in 10 pre-retirees (28 percent, up from 15 percent in 2005) think they will live until age 90 or later. At the other extreme, one in 10 retirees (9 percent) and pre-retirees (10 percent, down from 16 percent in 2005) do not think they will reach age 75.

Discussion

There has been only minor improvement in understanding of life expectancy since the 2005 survey. Encouraging retirees to consider longevity and its variability as they plan their finances continues to be a major challenge. Most notable has been the increase among pre-retirees from 15 percent in 2005 to 28 percent in 2011 expecting they will live to 90 or beyond. At age 65, American men can, on average, expect about 17 more years of life and women almost 20 years, which is reasonably in line with the estimates of the typical respondent. And although this means that half of the population age 65 can expect to live beyond these averages, with almost one man in five and one woman in three expected to reach age 90, there is little evidence that more than a few are prepared for the financial consequences of such longevity.

Until what age do you think that you, yourself, can expect to live?



Source: Society of Actuaries, 2005 and 2011 Risks and Process of Retirement Surveys

Some retirees are likely underestimating their life expectancy.

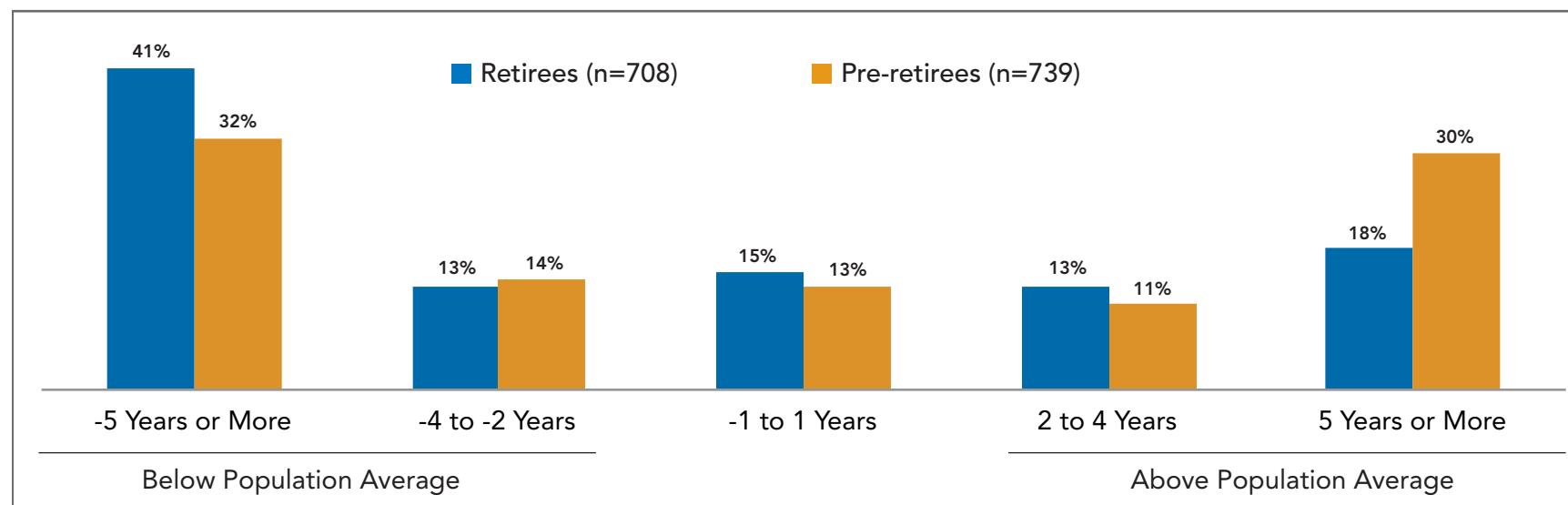
Findings

A comparison of respondents' estimates of personal life expectancy with population life expectancy demonstrates that more than half of retirees think they will not live as long as the average person their age and sex (54 percent). Only three in 10 retirees (31 percent) cite a life expectancy that is longer than the population average. In contrast, pre-retirees are almost as likely to think they will live below the population average (46 percent) as they are to think they will live beyond it (41 percent).

Discussion

For those individuals who are attempting to manage assets to last the rest of their life through a systematic withdrawal strategy, underestimation of life expectancy increases the chances that they will exhaust all resources other than Social Security. Underestimating life expectancy may discourage using life annuities. While purchasing life annuities is not an absolute guarantee, it is one strategy to reduce the risk of outliving financial resources.

Difference between respondent estimate of personal life expectancy and actual population life expectancy (among those providing an estimate).



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

Family history is mentioned most often as the rationale in making estimates of personal life expectancy.

Findings

When asked the reason for their estimate of their own life expectancy, roughly half cite family history. One-third each mention healthy habits, such as staying active, exercise, eating right, and not smoking, and about the same proportion give their personal health as the reason. Fewer mention a positive attitude, average life expectancy, guessing and good health care.

Female retirees and pre-retirees are more likely than their male counterparts to name family history as the rationale for their estimate (52 percent of female retirees vs. 41 percent of male retirees; 59 percent of female pre-retirees vs. 44 percent of male pre-retirees).

Discussion

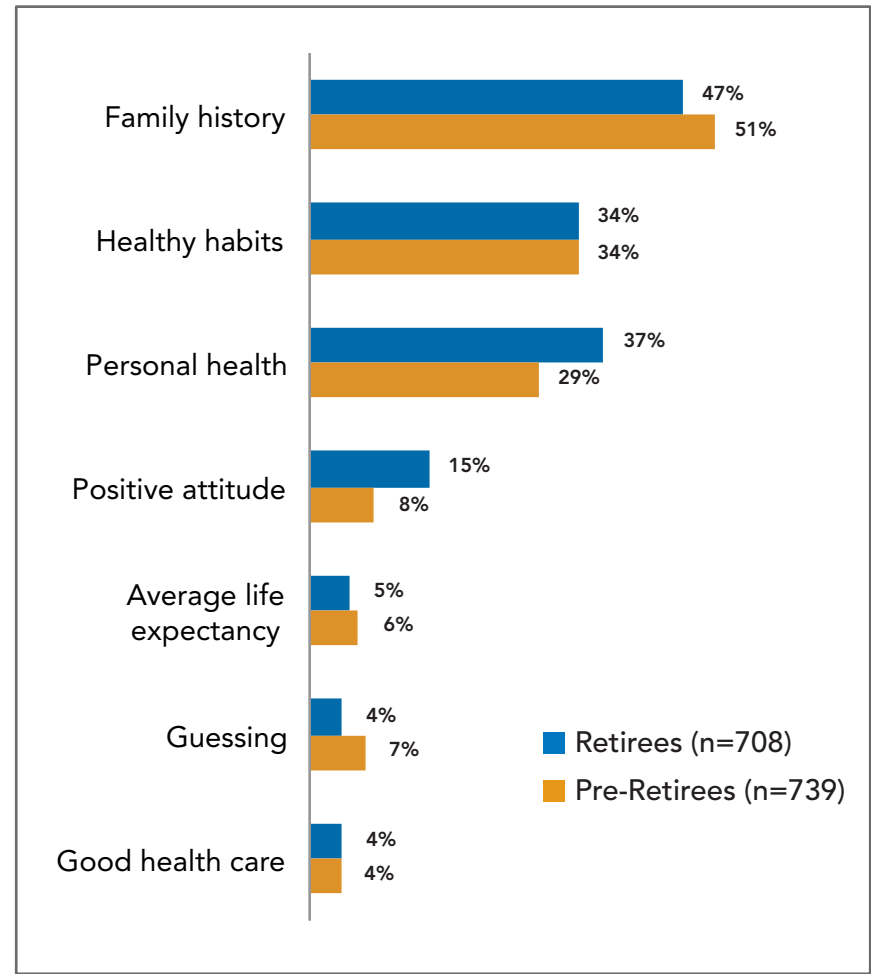
Research has shown that genetics do play a role in longevity, accounting for perhaps as much as half the statistical variation in life expectancy, especially at higher ages.^[4] For this reason, insurers especially rely on family history as one determinant of longevity. Other studies show that non-genetic components such as lifestyle and diet can also play an important role, and account for significant differences within the United States. A recent Society of Actuaries study found that, between 1993 and 2001, improved longevity for those with at least a college degree was approximately double that for the population as a whole.^[5]

ENDNOTE:

⁴ Stallard, Eric, "Trajectories of Morbidity, Disability, and Mortality among the U.S. Elderly Population: Evidence from the 1984-1999 NLTCs," *North American Actuarial Journal*, Vol. 11, No. 3, July 2007, pp. 16-53, citing Yashin, Iachine and Harris, "Half of the Variation in Susceptibility to Mortality is Genetic" in *Behavior Genetics*, 1999, Vol. 29, No. 1, pp. 1-19.

⁵ Purushotham, Marianne, "Mortality Improvements—Analysis of the Past and Projection of the Future," *The Actuary*, Vol. 8, No. 4, August/September 2011, p. 23.

Why do you think you will live until that age? (Top mentions, among those providing an estimate of personal life expectancy)



Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey

The large majority think that inflation will have a great deal or some effect on their money needs in retirement.

Findings

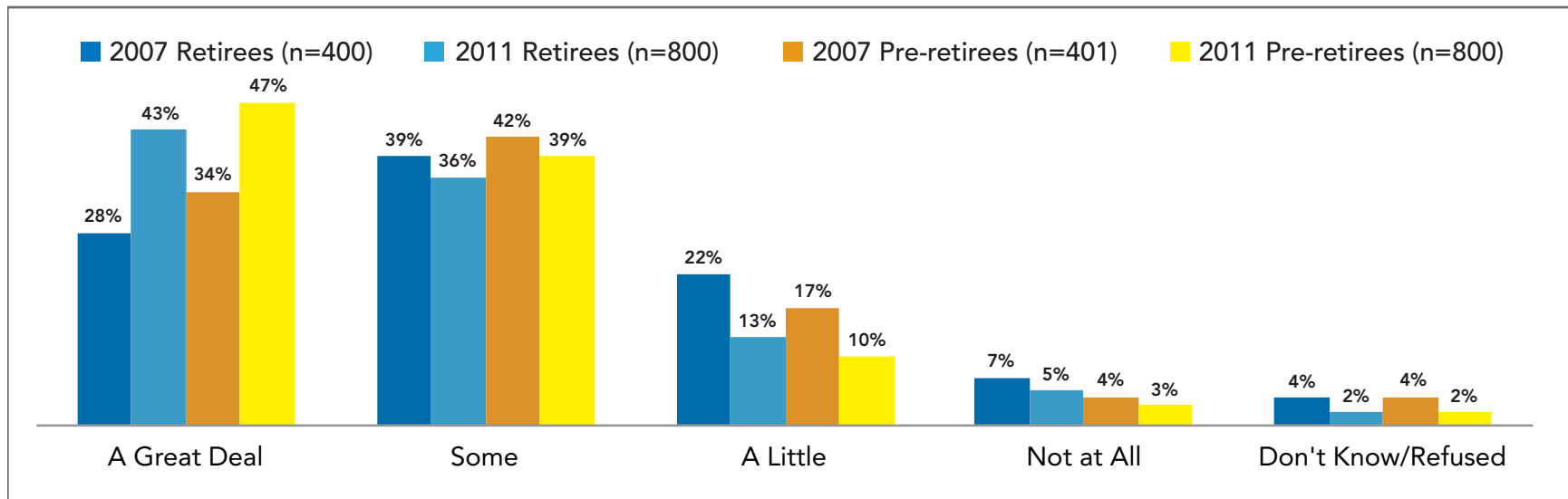
More than four in 10 retirees (43 percent) and pre-retirees (47 percent) report they think inflation will affect the amount of money they will need in retirement a great deal. This makes them much more likely than in 2007 (the last time this question was asked) to say inflation will affect them a great deal (28 percent of retirees and 34 percent of pre-retirees).

Approximately four in 10 each (36 percent of retirees and 39 percent of pre-retirees) say inflation will have some effect on the amount of money they need.

Discussion

Increased recognition of the impact that inflation can have on retirement spending is important. Inflation impacts those who live a long time more severely than those who die earlier. Overall, there is a greater recognition among respondents of the importance of inflation than of longevity risk. This may be because inflation is a phenomenon experienced by all consumers, whereas longevity is not generally a well-understood concept. Because they can expect to live, on average, several years longer than men the same age, women in general and widows—especially those who were dependent on their spouse for income—are more likely to be subject to this risk.

How much do you think inflation will affect the amount of money you will need each year in retirement?



Source: Society of Actuaries, 2007 and 2011 Risks and Process of Retirement Surveys

Horizons are not long enough for adequate retirement planning.

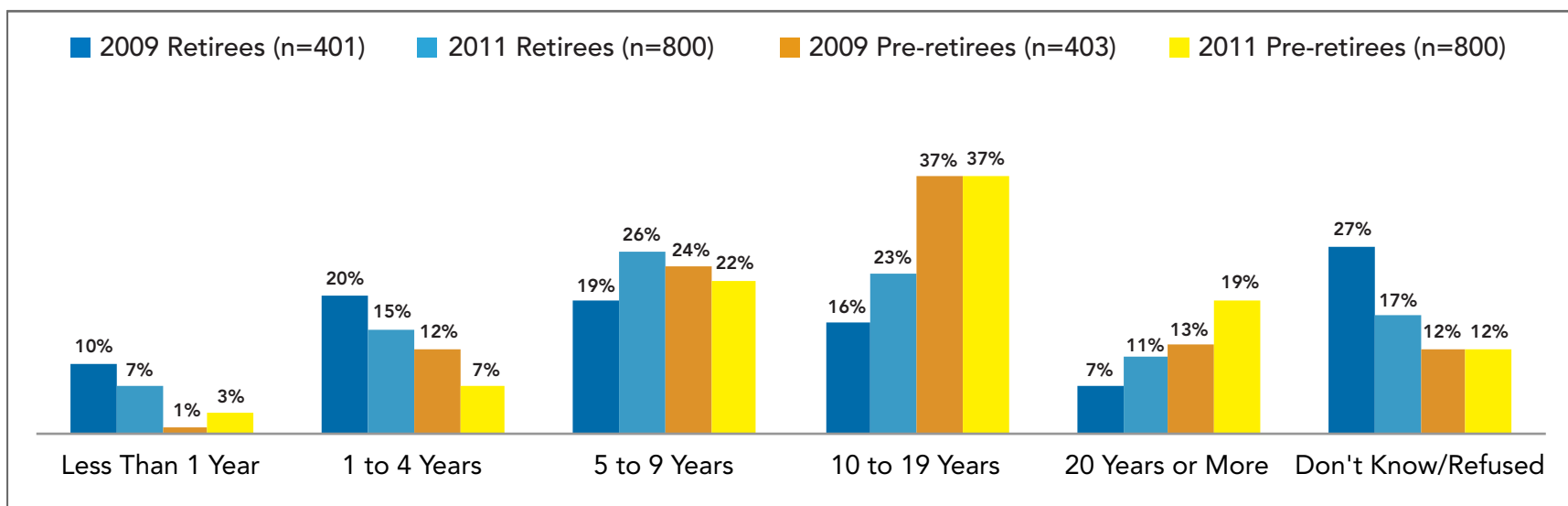
Findings

As in 2009, retirees say they typically look five years (median) into the future, while pre-retirees typically look 10 years (median) ahead when making important financial decisions. Despite the generally short planning horizon, however, retirees are more likely to say their planning horizon is at least 10 years (34 percent, up from 23 percent in 2009), while pre-retirees are more likely to say it is at least 20 years (19 percent, up from 13 percent).

Discussion

While the increases in planning horizons since the 2009 survey, though modest, are encouraging, further education is clearly needed on this subject. Planning horizon should be considered together with life expectancy. As noted frequently throughout this report, half of a group at a particular age can be expected to outlive average life expectancy.

When you (and your spouse/partner) make important financial decisions, such as when you think about your retirement finances or a large purchase/whether you can afford to retire or to purchase a new home, about how many years do you look into the future?



Source: Society of Actuaries, 2009 and 2011 Risks and Process of Retirement Surveys

Fewer than half the respondents use risk pooling strategies to manage retirement risks.

Findings

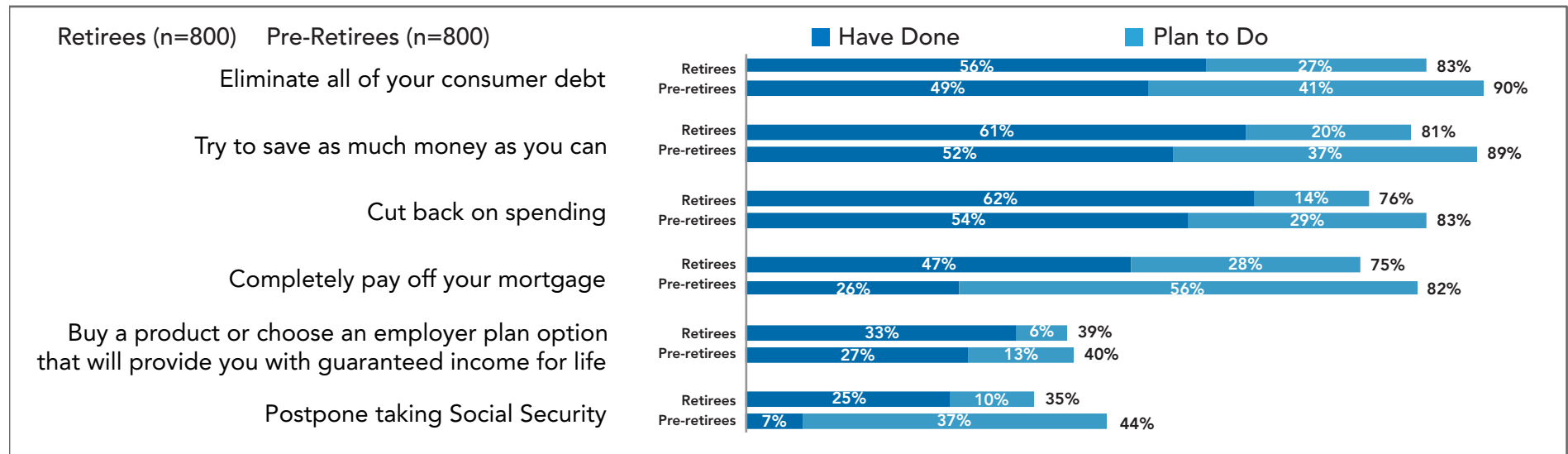
Both retirees and pre-retirees tend to focus on spending and savings strategies to manage the risks associated with retirement. Fewer than half of retirees and pre-retirees adopt a risk pooling strategy by buying an annuity or choosing an annuity option from an employer plan (39 percent of retirees and 40 percent of pre-retirees) or postponing the age at which they take Social Security (35 percent and 44 percent).

Discussion

Social Security is a classic example of a mechanism that pools risks across American society. Many individuals do not use formal risk pooling products other than Social Security to protect their retirement income. Medicare supplemental plans, an example of risk pooling to protect against unanticipated medical expenses, have, however, been relatively well accepted.

Some people believe they are pooling risks by relying on help from family members, a "strategy" no more reliable than the family members. Regardless of the strategies adopted, a critical factor in assessing risk is determining the minimum income needed throughout retirement.

Please tell me whether you (and your spouse/partner) have done that, plan to do that in the future, or have no plans to do that. (Percentage saying have done or plan to do that)



Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey

More than half the retirees, but fewer pre-retirees, have a plan for financing their retirement.

Findings

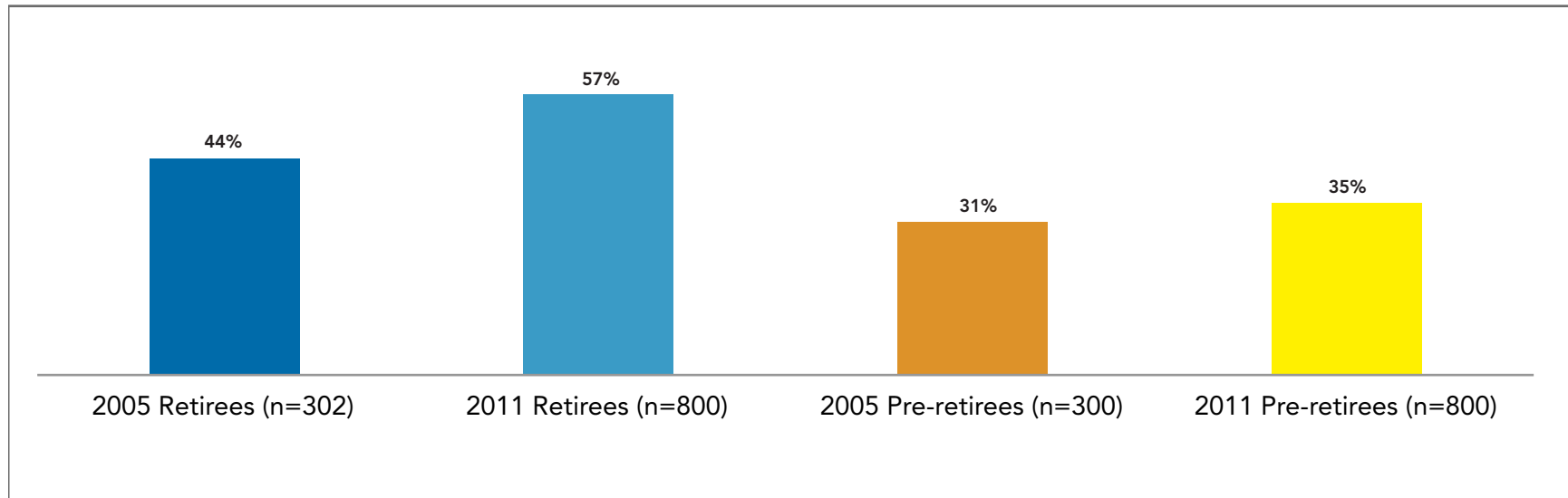
Almost six in 10 retirees (57 percent, up from 44 percent in 2005) report they have a plan for how much money they will spend each year in retirement and where that money will come from.

In contrast, just one-third of pre-retirees (35 percent) say they have such a plan. However, the likelihood of having a plan for financing retirement increases with age, so it is possible that this type of plan tends to be developed as individuals near or enter retirement.

Discussion

Some retirees have little income other than Social Security and a plan would not help them much. Many others have modest resources and need to figure out how best to use them to improve their chances of being able to afford the retirement they had hoped for. It would be very desirable to increase the percentage of Americans with such a plan.

Do you currently have a plan for how much money you will spend each year in retirement and where that money will come from?



Source: Society of Actuaries, 2005 and 2011 Risks and Process of Retirement Surveys

Pre-retirees are more likely than retirees to think that living five years longer than expected will have financial consequences.

Findings

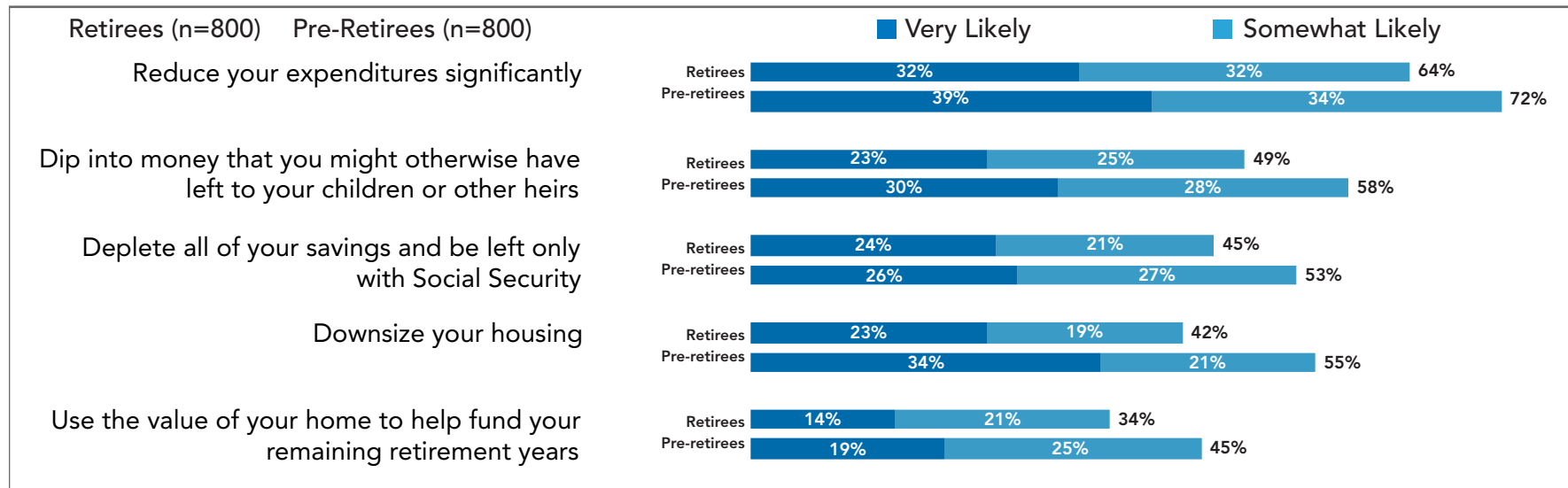
If they were to live five years longer than expected, both retirees and pre-retirees foresee making adjustments to how they finance their retirement. However, pre-retirees are more likely than retirees to think they would need to resort to each of the adjustments.

Most often retirees (64 percent, up from 53 percent in 2005) and pre-retirees (72 percent) say they would be very or somewhat likely to reduce their expenditures significantly if they were to live five years longer than expected.

Discussion

Responses to this question provide insight into the steps Americans might take if they live longer than expected. Reducing expenses can be helpful for those with significant discretionary expenditures, but others have already trimmed expenses down to the bare necessities. However, for those still in the planning stage of their retirement, it reinforces the importance of having a strategy that anticipates the possibility of outliving financial resources.

If you (and/or your spouse/partner) were to live five years longer than expected, how likely do you think it is that you would do each of the following?



Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey

Perspectives of the Project Oversight Group

LONGEVITY UNCERTAINTY, BY CINDY LEVERING

Longevity is probably one of the most complicated concepts individuals must deal with in retirement planning. When people received the majority of their benefits from employer-provided defined-benefit plans and Social Security, it wasn't something they had to think much about. However, in this age of personal responsibility where we may be spending a quarter of our lives in retirement (which may be more time than we spent working), we have to self-manage both the accumulation and disbursement of income throughout both our work and post-work lives. In addition, the term "longevity risk" sounds negative (despite the fact that it means living longer) so it is not something people like to think about. It is, however, one of the main stressors in the current and long-term funding of private, public and governmental retirement and health insurance systems, with fewer workers available to support the growing number of beneficiaries who are living longer. It also may be the only retirement risk an individual cannot effectively "self-insure."

The two major factors in determining longevity are genetics and lifestyle choices. Studies have shown that genetics account for 20 to 30 percent of life expectancy until about age 80. However, after that age it becomes close to 100 percent. This includes not only well-known factors such as gender but also less obvious things such as birth order (studies have shown that first children born to younger mothers tend to live longer). While genetics are almost entirely out of our control, awareness of family history is critical. Lifestyle choices are numerous and include such things as marital status, geographical location, exercise, environment, nutrition, sleep, hygiene, driving habits, social engagement, stress level and even conscientiousness.

In addition to all the myriad factors noted above that can impact longevity, there is also a general misunderstanding of what "average life expectancy" means. When people are told they will live to an age such as 80 or 85, they don't realize this means there is a 50 percent chance they could live longer than that age. They need to consider the source of the data that produced the statistics they are using since published mortality tables may vary by gender, marital status, insured status (e.g., annuities vs. life insurance), morbidity (e.g., healthy vs. disabled) and type of employment (e.g., white collar vs. blue collar), and may or may not include the effect of mortality improvement. They must also resist the temptation to simplify their planning by only thinking about generating income over a "period certain" since a true "life annuity" includes a chance they will live to the end of a particular mortality table (e.g., age 120). Recent studies have indicated we might be looking at previously unheard-of extensions in life spans (such as 1,000). The old saying that the only things that are certain are "death and taxes" refers only to the "what" and not the "when"!

Perspectives of the Project Oversight Group (continued)

LONGEVITY AND COGNITIVE DECLINE

A risk of older age is the risk of cognitive impairments that affect financial decisions. A recent study by Hsu (2011) studies the person who serves as a “financial respondent” among couples in the Health and Retirement Study, a longitudinal study that follows the older population as people age. The “financial respondent” is the member of a couple—traditionally, this has been the husband—who answers questions related to household finances and wealth and is presumed to be the more knowledgeable about assets, debts and retirement planning. Hsu looks at how the financially responsible person changes with cognitive declines to “impaired and demented levels.” The conclusion is that households delay switching the financial respondent until cognition is “quite low” and substantially later than the person’s report of “difficulties managing money.” Couples managing retirement accounts switch the “financial respondent” earlier and at higher levels of cognition than those not managing retirement accounts, but still many remain “financial respondent” after “difficulties managing money” and substantial cognitive decline to impairment and dementia. Hsu finds that this cognitive loss associates with large wealth declines. This suggests that cognitive decline could be involved but other influences are likely involved.

The suggestion is that managing finances in older age will be increasingly difficult as cognitive functioning decreases. Hsu’s literature review reports that 15 percent of persons aged 70 or older have dementia, with Alzheimer’s the most common form, and two-fifths of persons over age 85 have Alzheimer’s disease. With dementia, there is loss of functional capacity, including financial decision making. Traditionally, husbands were

older than their wives and served as the financial expert for couples. Advancing age and increased longevity heighten the risk of cognitive decline, affect the couple’s financial decisions, and may lead to an impairment of wealth.

Joanne W. Hsu and Robert Willis. 2011. “The Implications of Alzheimer’s Disease Risk for Household Financial Decision-Making.” Chapter 3 in *Essays in Aging and Human Capital*, by Joanne W. Hsu, a dissertation in Economics at the University of Michigan, Ann Arbor, Mich.

Joanne W. Hsu and Robert Willis. 2011. “The Implications of Alzheimer’s Disease Risk for Household Financial Decision-Making.” Chapter 3 in *Essays in Aging and Human Capital*, by Joanne W. Hsu, a dissertation in Economics at the University of Michigan, Ann Arbor, Mich.

Perspectives of the Project Oversight Group (concluded)

LIFE EXPECTANCY AND PLANNING FOR YOURS, BY MIKE COWELL

Not surprisingly, the concept of life expectancy is not as well understood in the general population as it might be. As the results of this series of surveys have consistently documented, even when people do have some grasp of their own longevity prospects, their planning for the financial consequences of living as long as their life expectancy, let alone beyond it, is frequently inadequate.

Life expectancy, as popularly reported in the media, usually refers to the number of years that the average newborn will live. For the United States, in 2010, the values reported by the Census Bureau were 75.7 years for a boy and 80.8 years for a girl. Internationally, the United States does not stack up as well as some believe we should, given our economic position. Countries like Switzerland and Japan consistently report numbers higher by three to four years for newborn males and four to five for females, with Australia, Canada and several countries in Western Europe also ahead by two to three years. The major reason for the differences is the higher toll of infant mortality in the United States. However, by the time Americans reach age 65, the traditional benchmark for retirement, their prospects are much more favorable relative to those for other countries. For the first wave of American baby boomers just reaching this threshold, their life expectancy in 2011 was 16.6 years for men and 19.5 years for women. As noted in the details of this report, almost half the pre-retirees and 44 percent of the retirees in the survey said they expected to live to age 85 or beyond, which suggests a better understanding of the reality of their personal prospects than results of earlier surveys. Also, when asked why they thought they would live to the age they indicated, almost half listed family history, and about a third the current state of their own health or their healthy lifestyles.

Related research by the Society of Actuaries and other organizations has shown almost as much variability in life expectancy within the country as between the United States and other nations. There is a high statistical correlation among education, income levels and longevity. The better educated and more affluent simply take better care of themselves; that should hardly be a surprise. Recent studies have shown that in the poorest

part of the United States, life expectancy at birth is as low as in countries like Panama or Pakistan, a full 15 years behind the wealthiest and healthiest regions of the nation, where it rivals that of world leaders, Switzerland and Japan. But, as the director of one of the major studies of these differences has emphasized, within the United States, it is not so much geography but cultural aspects such as diet and exercise that contribute to one's health and prospects for longevity. Again, the fact that almost half the survey respondents listed their own health and lifestyles as the major factors in their personal expectations for longevity, suggests that the message is beginning to be heard and heeded.

The next, and potentially more challenging, task is to get people to take actions that will ensure their financial security during their longer lives, particularly for that half of retirees who will outlive the average life expectancy. Yet, as the 2011 survey results show, a third of all pre-retirees and almost half the retirees say that in making important financial decisions, they look less than 10 years ahead. In spite of the high percentages of both pre-retirees and retirees who expect to live to age 85 or beyond, fewer than one in five pre-retirees, and just one in nine retirees, look out this far into the future when making important financial decisions. Clearly, there is a disconnect between people's attitudes toward how long they believe they'll live and their financial planning for that long life, an issue covered in more depth in this report.

Profile of the Survey Respondents

The following charts summarize the demographic characteristics of the 2011 survey respondents. For a comparison to respondents from previous iterations of the survey, please refer to the full survey report available at www.soa.org.

	Retirees (n=800) Percentage	Pre-retirees (n=800) Percentage
Age		
45 to 54	14	60
55 to 64	31	34
65 to 80	55	6
Gender		
Male	46	49
Female	54	51
Marital status		
Married	60	73
Living with a partner	4	3
Divorced/Separated	15	10
Widowed	12	4
Never Married	7	8
Education		
Some High School or Less	4	1
High School Graduate	25	22
Some College, Trade or Business School	32	31
College Graduate	23	29
Graduate Degree	15	15

Profile of the Survey Respondents (continued)

	Retirees (n=800) Percentage	Pre-retirees (n=800) Percentage
Employment Status		
Working	12	82
Retired	68	0
A Homemaker	5	4
Laid off/Unemployed and Seeking Work	2	8
Disabled and Unable to Work	11	3
Other	1	3
Provide Significant Financial Support for Someone Other than Themselves/Spouse		
Yes	18	44
Home Ownership		
Own Home Free and Clear	48	26
Own Home, Owe Mortgage	41	65
Rent Home	9	7
Don't Know/Refused	2	2
Health Status		
Excellent	18	25
Very Good	33	43
Good	25	25
Fair	14	6
Poor	8	1

Profile of the Survey Respondents (concluded)

	Pre-retirees (n=800) Percentage	Retirees (n=800) Percentage
Household Income		
Less than \$25,000	15	8
\$25,000-\$34,999	13	7
\$35,000-\$49,999	17	10
\$50,000-\$74,999	17	20
\$75,000-\$99,999	11	16
\$100,000 or more	13	30
Don't Know/Refused	14	10
Total Savings/Investments		
Less than \$25,000	25	21
\$25,000-\$49,999	7	10
\$50,000-\$99,999	8	10
\$100,000-\$249,999	11	16
\$250,000-\$499,999	9	12
\$500,000-\$999,999	6	8
\$1 million or more	6	5
Don't Know/Refused	28	19

Acknowledgements

THIS REPORT WAS PREPARED WITH INPUT AND ASSISTANCE FROM THE PROJECT OVERSIGHT GROUP:

Anna Rappaport, Chair
Michael Cowell
Chris Fievoli
Greg Gocek
Howard Iams
Cindy Levering
Pamela Perun
Andrew Peterson
Steven Siegel

The survey findings portions of the report were written by Ruth Helman. The portions of the report that extended beyond the survey were written by Michael Cowell, Anna Rappaport and Steve Siegel with input from the oversight group. Individual perspectives were written by some oversight group members as noted in the report. Barbara Scott provided administrative support in preparation of the report.

The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of the Project Oversight Group.

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT

The 2011 Risks and Process of Retirement Survey report may be obtained from the website of the Society of Actuaries at www.soa.org.

