

Stanford Center on Longevity
A TOOLKIT SERIES BRIEF

UNDERSTANDING LONGEVITY

An Important Life Planning Step

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TAKE-HOME POINTS

- The media gives many people the wrong idea about how long they might live.
- Genes aren't destiny; lifestyle factors have an impact, too.
- Many people will live a long time—to their 80s, 90s and even age 100.
- Still, there's a lot of uncertainty about how long someone will actually live.
- Retirees' financial and lifestyle plans should address this longevity uncertainty.

An important step for Baby Boomers who are planning their retirement years is to learn how long they might live, then to let the financial and lifestyle implications sink in.

Many people hear from the media that the average American lives to their late 70s, but that's the wrong number for Boomers to focus on. That's the average life expectancy at birth, which factors in everybody who dies in childhood and early adulthood. But people who are currently in their 50s and 60s are in a more select group of people who've been healthy enough—or lucky enough—to have made it that far.

Many people make the common mistake of confusing life expectancies at birth with remaining life expectancies at their current age, such as 65. Instead, aging Boomers should focus on the remaining number of years they can expect to live, given their current age.

People in their 50s or 60s might actually find they have another 20 or 30 years to live—or more. But it's important to understand that estimated life expectancies aren't someone's destiny. A life expectancy is just a calculated average period of time that someone might expect to live based on assumptions about mortality rates. It's entirely possible that a person could live well beyond their life expectancy—or fall

short. Using statistical terms, the standard deviation around calculated life expectancies is quite large.

The Society of Actuaries (SOA) sponsors a simple longevity illustrator that estimates the possible range of lifespans for individuals or couples.¹

For example, according to the SOA longevity illustrator, a 65-year-old woman who doesn't smoke and self-reports average health has a 50/50 chance of living at least another 23 years to age 88. But she also has a 25 percent chance—one out of four—of living another 26 years to age 91. One out of four is the odds of drawing a diamond out of a deck of cards.

On the other hand, the odds that this same woman will pass away before age 81, living 16 years or less after age 65, are also one out of four. This could be the odds of drawing a club out of that same deck of cards. The range between these two possible “one out of four” lifespans is 10 years, illustrating the uncertainty surrounding how long people might live.

Similarly, the SOA longevity illustrator shows that a 65-year-old man has a 50/50 chance of living another 20 years to age 85. The remaining lifespans with “one out of four” odds range from passing away by age 83 (only 13 more years) to living at least until age 92, an-

The SOA longevity illustrator also allows a couple to see how long their money might need to last—as long as one of them is still alive. For instance, if the 65-year-old man and woman mentioned above were married, there's a 50/50 chance one of them will be alive in 27 years, surviving to age 92. The “one out of four” remaining lifetimes range from 22 to 32 years.

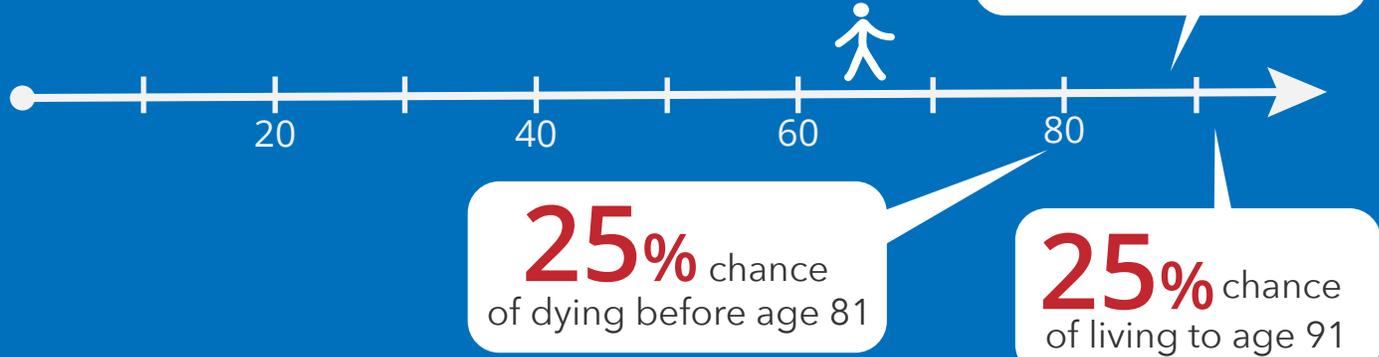
It's just one of life's realities that people could live for a long time—or not very long at all. It's just not possible to know for sure.

The website www.Flowingdata.com provides a visual and impactful illustration of the different potential lifespans someone might experience. Input a person's current age and gender, and a fascinating animated chart plays out the possible future lifespans. Some lifespans are short, some are long, but frequently, the span is somewhere between these two extremes.

Many people make the common mistake of confusing life expectancies at birth with remaining life expectancies at their current age.

LIFE IS UNCERTAIN

A 65 year old woman in average health has a...



Estimated life expectancies are influenced both by family history and lifestyle factors. With regard to lifestyle factors, there's considerable research that correlates education, wealth, income or geographic location with significant differences in estimated life expectancies—differences ranging up nearly as high as 15 years.^{3, 4, 5, 6} These differences should be taken into account when interpreting and applying the results of the above calculators to specific individual situations.

There are a few online life expectancy calculators that attempt to take into account a person's family history and lifestyle factors. Based on these

factors, these calculators show the different results for a given individual, demonstrating that life expectancy calculations are just estimates based on a number of assumptions—they aren't someone's destiny. There are many factors that can affect a life expectancy calculation, and our scientific understanding of life expectancies is still evolving. No matter how many questions a life expectancy calculator asks, it's still highly uncertain how long an individual will live.

Despite the uncertainty, estimating an individual's life expectancy or the expected remaining years a couple might have is a good use of time. People will

get a better idea of how long they could live and how long their money might need to last. And if they use this information as motivation for adopting changes to improve their lives, they'll increase the odds that they might live long and live well.

It's recommended that individuals and couples plan their lives and their finances despite this uncertainty regarding how long they could live. In essence, they'll want to live for today and plan for a long life.





ACTION STEPS

1. Investigate one or more longevity calculators, such as:
<http://www.longevityillustrator.org/Profile/ReportResults>
<http://flowingdata.com/2015/09/23/years-you-have-left-to-live-probably/>
2. Consider lifestyle factors such as income, wealth, education and geographic location when it comes to life expectancy.
3. Consider the range of possible future lifespans when deciding the age at which to retire and how long retirement income may need to last.

CITATIONS

1. The Society of Actuaries' longevity illustrator is based on the 2010 Social Security Administration mortality table, with future mortality improvement projected using the Society of Actuaries' MP-2015 scale. <http://www.longevityillustrator.org/Profile/ReportResults>
2. The Flowing Data calculator is based on the 2011 period table for the geographic area covered by Social Security (the 50 states plus U.S. territories). <http://flowingdata.com/2015/09/23/years-you-have-left-to-live-probably/>
3. Raj Chetty, Michael Stepner, Sarah Abraham, Shelby Lin, M. Phil, Benjamin Scuderi, Nicholas Turner, Augustin Bergeron and David Cutler. "The Association Between Income and Life Expectancy in the United States 2001-2014," *Journal of American Medical Association* (April 2016).
4. "The Growing Gap in Life Expectancy by Income," *National Academy of Sciences* (September 2015).
5. S. Jay Olshansky, Toni Antonucci, Lisa Berkman, Robert H. Binstock, Axel Boersch-Supan, John T. Cacioppo, Bruce A. Carnes, Laura L. Carstensen, Linda P. Fried, Dana P. Goldman, James Jackson, Martin Kohli, John Rother, Yuhui Zheng and John Rowe. "Differences in Life Expectancy Due to Race and Educational Differences Are Widening and Many May Not Catch Up," *Health Affairs* (August 2012).
6. Barry Bosworth, Gary Burtless and Kan Zhang. "Later Retirement, Inequality in Old Age, and the Growing Gap in Longevity Between Rich and Poor," *Brookings Institution* (January 2016)

The mission of the Stanford Center on Longevity is to redesign long life. The Center studies the nature and development of the human life span, looking for innovative ways to use science and technology to solve the problems of people over 50 in order to improve the well-being of people of all ages.

