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Clients Can Add 'Living Longer' to Their List of Worries

By [Margarida Correia](#)

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It's probably one of the few risks in life most people are happy to take: the risk of living to a ripe old age. But "longevity risk," as the retirement experts have dubbed it, is real and it's expected to affect millions of Americans as Baby Boomers begin to retire.

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Today, healthy 65-year-olds have at least a 40% chance of living into their 90s, seemingly good news but in fact a mixed blessing as many of them will be at risk of outliving their savings, one of the biggest perils of old age.

With rising life expectancies and reports of lackluster retirement savings, the risk is a growing concern for many Americans. In a recent study from The Hartford and MIT AgeLab of nearly 2,000 adults in or near retirement, one in three retirees wished they had saved more money and been better prepared financially. Other studies have had similar findings.

To get a sense of the growing number of older Americans, consider this telling statistic. By 2050, an estimated 88.5 million Americans will be 65 or older, up from almost 35 million in 2000 and just 1.7 million in 1880, according to a report from research group Aite Group.

For this growing group of increasingly older Americans, health care costs will be significant challenge, say experts. According to the Aite report, a 65-year-old couple today will need \$230,000 to pay for medical expenses throughout retirement, not including nursing-home care.

"The big elephant in the room is long-term care," said Dr. Robert Pokorski, a non-practicing physician and chief medical strategist at The Hartford. Six in 10 men and eight in 10 women will need chronic care, an issue many retirees and soon-to-be-retirees have not yet acknowledged, he said.

The looming retirement issues will create both challenges and opportunities for bank advisors. The trick for advisors, said Dr. Pokorski, is to find "multi-pronged solutions" to help retirees manage health care and other expenses over an extended period of time.

The issues, of course, are nothing new. Over the past few years, the financial industry has introduced annuity and mutual fund products to help address the needs of current and future retirees.

One of the biggest innovations is the use of riders incorporating guaranteed retirement income benefits into annuity contracts. These riders guarantee investors a minimum income or asset level, no matter what happens in the equity markets. In a study released in November, Cogent Research, a market research and strategic consulting firm, found that three in four variable annuity contracts today are sold with a guaranteed lifetime benefits rider.

Still, the innovations have been slow and insufficient to address the issues facing retirees, according to retirement experts. In the Aite study, high-level financial services executives said much more is needed to provide value to the retirement income client. They bemoaned the overall lack of retirement income standards and the overly strong industry focus on the accumulation phase of life.

To deal with the issues, financial advisors will need to shift how they think about retirement planning, said Dr. Pokorski. They will need to see themselves as broader-minded "longevity advisors" and think more in terms of "longevity planning," he said.

Joseph Coughlin, director of MIT AgeLab, agrees. "Consumers today," he said, "do not want to talk about retirement planning. They want to talk about longevity."

By that, he means they want to talk about how to connect revenue streams from pensions, 401(k)s and other sources to specific living and health care expenses, as opposed to "golf clubs and beach walks," or just the "ambiguous goal of retirement."

Coughlin anticipates an "explosion of new service providers" for those living longer and better and a revolution in retirement product development that will create new opportunities for bank advisors. He sees banks partnering with financial services organizations and local businesses to help retirees with everything from car loans and mortgages to elder care services and even contractors. Banks, he said, will serve as "longevity resource centers."

In Coughlin's vision, it wouldn't be a stretch for tomorrow's bank advisors to help retirees find contractors to make their homes wheelchair-friendly, allowing seniors to live in their homes for the rest of their lives.

As he sees it, conversations will be as much about revenue streams as they will about solutions to daily routines like shopping and going to the doctor as well as practical matters like mowing lawns and changing light bulbs.

Retirees, Coughlin said, once "muddled through" with the help of adult children, but now that families live much further apart, they muddle through alone. As he put it, retirees today have the money to buy the light bulb but no one to change it for them.

And bank advisors are the best positioned of all advisors, Coughlin says, to serve the elderly market. That's because bank advisors are present at the local, community level, giving them the opportunity to know their clients and their clients' family members well. "The frequency of face time counts," Coughlin said. In addition, being locally-based makes banks and their advisors the best candidates for linking seniors to health care, transportation and other service providers.

Needless to say, the transition to longevity planning won't be easy, said Coughlin. Advisors will have to be as fluent in health care and everyday living issues of aging clients as they are in investment strategy and income generation. And, he said, they will have to be far more holistic and integrated than in the past.

The biggest challenge for advisors, though, will come from the anticipated explosion of new service providers for the elderly. "You need someone," he said, "to cut through that clutter."

Margarida Correia writes for [Bank Investment Consultant](#).

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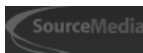
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