

The Street

Retirement Plans for 1,000-Year-Olds

By Joe Mont
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Medical strides have allowed people all over the world to live longer. According to one researcher, we are on the cusp of routinely living to 150, and the first person to blow out 1,000 candles on their birthday cake could be born within the next two decades.

Biomedical gerontologist Dr. Aubrey de Grey, of the California-based [Strategies for Engineered Negligible Senescence Foundation](#), made those claims in a recent research paper. His prediction is that the increasing ability of scientists to engineer replacement tissue will allow for customizable, replaceable organs in the not-so-distant future.

Living to 150 or even 1,000 may not be as far-fetched as it might seem. In the U.S., life expectancy has nearly doubled since 1900. More telling, the number of 100-year-olds in 1990 totaled roughly 37,000, but there are more than 84,000 now and, according to Census Bureau projections, by 2050 there could be more than 580,000 Americans older than 100.

If mega aging occurs as de Grey theorizes, it would have a monumental impact on society. Would natural resources be able to keep pace with the population? How would governments and global economies manage?

As humans reach 150 years old and beyond, financial playbooks would be thrown out the window. With "aging workforce" taking on a whole new meaning, employee churn would be rare. As companies hold onto employees for many decades, how will a younger workforce earn their paycheck?

A big question would be how long a person could continue to work and how long a post-career retirement would last. Would dementia and other physical ailments add millions to the ranks of the disabled, requiring ever-escalating financial and medical support for decade after decade?

The insurance industry would be thrown into chaos, as actuarial tables and mortality credits prove no longer viable in an era of artificially prolonged life. An upside for the industry might come from all those added years of premiums they can collect before a life insurance policy is paid out.

Retirement strategies would need to radically evolve to keep up with changes in society.

"Retirement is expensive and will become even more expensive in the future," said Jean-Claude Menard, chief actuary of the [Office of the Superintendent of Financial Institutions](#) in Canada, at the Society of Actuaries' symposium [Living to 100](#) in January. "No matter if it is a fully funded plan or a pay-as-you-go plan, no matter if it is a [defined-benefit] or a defined-contribution solution, no matter if it is a national public scheme or a private pension plan, the fact is that increased longevity will continue to put pressure on the financing of pension plans."

Corporate pensions and government entitlement programs -- Social Security and Medicare -- would likely be stressed beyond their capability.

On top of the strain already felt in budgets for Social Security and Medicare, research shows that their funding gaps will increase along with the average age of beneficiaries.

A study by the [MacArthur Research Network on an Aging Society](#) found that by 2050 Americans may live 3.1 to 7.9 years longer than official government projections, resulting in sharply higher costs for government programs that serve older citizens. The study estimates that cumulative outlays for Medicare and Social Security could rise by \$3.2 trillion to \$8.3 trillion from current government projections by 2050.

"Even small changes in life expectancy produce large changes in the number of older Americans," said Dr. S. Jay Olshansky, a professor at the University of Illinois at Chicago's School of Public Health and one of the authors of the study. "Therefore, our projections of longer life expectancy have profound implications for America's fiscal situation, health care system and labor markets."

"Although the nation will become increasingly gray in subsequent decades, the United States is not well prepared to deal with the myriad consequences of this impending reality," said Dr. John Rowe, who chairs the MacArthur Research Network and is former CEO of [Aetna \(AET\)](#).

With the ability to age like Methuselah, a massively longer time horizon for retirement savings might ease some of the concerns for investors.

If a preretiree were to add just an additional \$1,000 a year to an initial 10,000 in a 401(k) or IRA (assuming a 5% compounding return), they will amass roughly \$4 million over the course of a century. Saving or investing for 150 years would see that total rise to \$6.7 million within 150 years and \$536 million after 200 years.

The longer they live, the better the news: That mere \$1,000 a year would accrue \$6.1 billion over 250 years. By the time they reach 800 to 1,000 years old, they will hypothetically have trillions at their disposal.

Those science fiction-level returns may be of little consolation to a society on the cusp of making 100 years old the new norm.

A recent study by SunAmerica Financial Group and [Age Wave](#), a research and consulting firm focused on population aging, found that 67% of respondents say they would like to live to 100. Among the advantages of living to 100 they cited were "remaining productive, establishing deep relationships with family, witnessing new discoveries and experiencing many years of leisure."

Jana Greer, president and CEO of SunAmerica Retirement Markets and senior vice president of SunAmerica Inc., says many Americans are postponing retirement because they have the health and willingness to work later into life. While 10 years ago most were planning to retire at about age 64 or 65, today's workers have moved that target up to 69. She refers to the trend as "Retirement 3.0."

"You might think they are delaying it simply because of the challenges obviously of the recession and the impact that has had on their financial condition," Greer says. "Actually, we are finding that people want to stay engaged. Not only are they working full-time longer, but one of the huge findings out of the study was that retirement doesn't mean 'retirement' any more. It doesn't mean the end of work. About two-thirds

of the people in the study -- both preretirees and retirees -- want to stay working in some way during their retirement, whether it is part-time or flexible, coming in and out of the workforce."

Living longer, however, doesn't always mean being able to work longer or preserving savings. Asked about the "major worries of living to 100," 73% of those surveyed cited serious health problems; 59% feared being a burden to their family; 49% said a top concern was running out of money; and 26% said they fretted about not being able to leave an inheritance for their family.

Those fears are reflected in investment goals. Priorities were to "not lose value" and "to protect their income stream from market loss and guarantee it for life," Greer says.

"I think people are realizing that with increased longevity they have got to plan for their future income stream, not just a lump sum that is going to tide them through," she adds.

These findings feed into SunAmerica's projection that the annuity marketplace, specifically the variable annuities they offer, will continue to grow in popularity among investors.

Research earlier this year by the Society of Actuaries revealed that as ages draw close to triple digits, many are woefully underprepared for the challenge.

Nearly half (48%) of the polled respondents, ages 45-70, "have no financial plans in place to protect themselves against outliving their assets and the rising cost of health care should they live longer than they expected," the research showed. More than one-third are worried about running out of money during retirement, but only 20% plan to buy an annuity or other form of guaranteed lifetime income to protect their assets.

The survey also found that 75% of those ages 45-70 protect their tangible assets, such as housing, through home or renter's insurance. Only 19%, however, plan to insure the extra costs of disability and well-being by buying long-term care insurance.

This article can be found at <http://www.thestreet.com/story/11205724/3/retirement-plans-for-1000-year-olds.html>.