The Effect of Longevity on Your Life Priorities

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Director of Financial Gerontology

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Baby Boomers have **redefined** how we age.
Just like they redefined fashion.
And music.
And how we retire.
The next phase brings up **some questions.**
Evaluate your most important priorities

- Family
- Giving
- Health
- Finances
- Leisure
- Work
- Home
Longevity and health
Health is the big unknown.
Percent of people 65+ who say the most important ingredients for happiness as they age are:

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having good health</td>
<td>0.81</td>
</tr>
<tr>
<td>Being financially secure</td>
<td>0.58</td>
</tr>
<tr>
<td>Having loving family and friends</td>
<td>0.36</td>
</tr>
<tr>
<td>Having purpose</td>
<td>0.2</td>
</tr>
<tr>
<td>Continually trying new things</td>
<td>0.05</td>
</tr>
</tbody>
</table>

What will your healthcare cost you?
How illness can affect your financial strategy

Illness is the #1 reason people retire earlier than planned¹
72% of retirees and pre-retirees said health problems are their #1 concern.

¹Source: Merrill Lynch research study, "Americans' Perspectives on New Retirement Realities and the Longevity Bonus" May 2013
Healthcare costs are on the rise

Healthcare costs more than doubled from 2000 – 2010 when compared to inflation

Healthcare costs increase with age

Lifetime out-of-pocket expenses beginning at age 65

Source: EBRI, Savings needed for Medigap premiums, Medicare Part B premiums, and Medicare Part D Expenses for retirement at age 65. Assumes 4% after tax rate of return on investments and a 10% increase in Medigap premium. 2010
Medicare alone is not enough

**Medicare covers only 62% of medical expenses associated with healthcare.**

Due to gaps in traditional Medicare, 90% of beneficiaries use supplemental health insurance.

Understanding long-term care needs and costs
Likelihood of needing long-term care

By 75 \( \frac{1}{7} \)
By 85 \( \frac{4}{7} \)
By 95 \( \frac{5}{7} \)

Source: www.longtermcare.gov; 2015
My Own Home: The #1 Choice for Long-Term Care

Retirees’ top preference for receiving long-term care

- Family Member Home, 0.04
- Assisted Living Facility, 0.1
- Nursing Home, 0.01
- Own Home, 0.85

Base: Age 50+ retirees

Common signs and symptoms of cognitive decline

- Frequent difficulty in remembering simple things
- Difficulty in following conversations or basic instructions
- Frequent loss of train of thought
- Forgetfulness (appointments and scheduled events)
- May get lost in familiar surroundings or locations
- Impulsiveness

Alzheimer’s: the most worrisome disease of later life

Percent with chronic conditions, by age

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-44</td>
<td>27%</td>
</tr>
<tr>
<td>45-64</td>
<td>63%</td>
</tr>
<tr>
<td>65+</td>
<td>86%</td>
</tr>
</tbody>
</table>

Top worries about Alzheimer’s disease

1. Being a burden on my family
2. Losing dignity
3. Being more isolated from friends and family
4. Not being able to do the things I enjoy
5. Health care costs and related expenses

The Caregiver’s Burden

“Mom refused to go to the doctor, and when we finally did go, she pretended like she was fine. But Alzheimer’s was already changing how she thought and acted.”

“As the disease gets worse, I’ve had to start organizing more and more of her life. That means everything from buying her groceries, to making sure she takes her medicine, to managing her finances.”

“My retirement plans didn’t account for becoming a caregiver. The costs are adding up, and it’s getting harder to concentrate at work. I need help, but I don’t know where to get it.”
Annual median cost of long-term care

<table>
<thead>
<tr>
<th>Service</th>
<th>National</th>
<th>Georgia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home health aide</td>
<td>$44,479</td>
<td>$41,184</td>
</tr>
<tr>
<td>Assisted living (private room)</td>
<td>$41,400</td>
<td>$30,000</td>
</tr>
<tr>
<td>Nursing home (private room)</td>
<td>$83,950</td>
<td>$69,898</td>
</tr>
</tbody>
</table>

How illness can affect your financial strategy

#1

Illness is the #1 reason people retire earlier than planned

60% of U.S. bankruptcies are related to medical bills

1. Source: Merrill Lynch research study, “Americans’ Perspectives on New Retirement Realities and the Longevity Bonus” May 2013
Retirement can be a family affair
Make your finances work harder to support your family as you age

60%

Say they would retire later to pay for things like others’ long-term care

Percent of retirees who say their marriage has become more...

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fulfilling</td>
<td>48%</td>
</tr>
<tr>
<td>Loving</td>
<td>45%</td>
</tr>
<tr>
<td>Fun</td>
<td>33%</td>
</tr>
<tr>
<td>Boring</td>
<td>11%</td>
</tr>
<tr>
<td>Contentious</td>
<td>11%</td>
</tr>
</tbody>
</table>
The family bank

62% provided financial assistance to family

88% have not factored into their retirement plans

What does it mean to be a good grandparent?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having fun together</td>
<td>44%</td>
</tr>
<tr>
<td>Teaching and passing on family values</td>
<td>39%</td>
</tr>
<tr>
<td>Not interfering with parents</td>
<td>36%</td>
</tr>
<tr>
<td>Maintaining one’s health</td>
<td>21%</td>
</tr>
<tr>
<td>Not overindulging grandchildren</td>
<td>17%</td>
</tr>
<tr>
<td>Planning regular visits</td>
<td>15%</td>
</tr>
<tr>
<td>Respecting grandkids’ boundaries</td>
<td>12%</td>
</tr>
<tr>
<td>Embracing new technology</td>
<td>7%</td>
</tr>
<tr>
<td>Staying current with today’s trends</td>
<td>2%</td>
</tr>
</tbody>
</table>


Base: grandparents age 50+
Helping family now or later

Half of pre-retirees would make major sacrifices to help family that could impact their retirement

Work:
Retirement can be a time of reinvention
Myth #1: Aging means the end of work

Reality: More than 7 in 10 pre-retirees say they want to work in retirement, and in the near future, it will be increasingly unusual for retirees not to work.

Nearly half (47%) of today’s retirees say they either have worked or plan to work during their retirement years.

Change in number of workers by age (in thousands), 2007-2014

<table>
<thead>
<tr>
<th>Age</th>
<th>Change in number of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over Age 55</td>
<td>6,757</td>
</tr>
<tr>
<td>Age 45-54</td>
<td>-2,111</td>
</tr>
<tr>
<td>Age 35-44</td>
<td>-3,590</td>
</tr>
<tr>
<td>Age 25-34</td>
<td>399</td>
</tr>
<tr>
<td>Age 16-24</td>
<td>-1,897</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics, 2007Q1 to 2014Q1
Myth #2: Aging is a time of decline

Reality: A new generation of working retirees is pioneering a more engaged and active retirement – the New Retirement Workscape – which is comprised of four distinct phases.

Today’s Retirement: Four Phases

- **Phase 1: Pre-Retirement**
  - Recharge
  - Relax

- **Phase 2: Career Intermission**
  - Retool

- **Phase 3: Reengagement**
  - Driven Achievers
  - Caring Contributors
  - Life Balancers

- **Phase 4: Leisure**
  - Earnest Earners

Myth #3: Top reasons to continue to work is for money

Reality: There are 4 types of working retirees and many are motivated to work by important non-financial reasons.

Today’s working retirees are twice as likely to say “staying mentally active” is the reason they work rather than “the money.”

To stay mentally active: 62% (Pre-retirees) vs. 51% (Retirees)

The money: 51% (Pre-retirees) vs. 51% (Retirees)

To stay physically active: 46% (Pre-retirees) vs. 43% (Retirees)

Health insurance benefits: 46% (Pre-retirees) vs. 34% (Retirees)

Social connections: 42% (Pre-retirees) vs. 32% (Retirees)

Sense of identity/self-worth: 36% (Pre-retirees) vs. 28% (Retirees)

To have new challenges: 30% (Pre-retirees) vs. 28% (Retirees)

“There’s a perception that if you don’t work, you shorten your lifespan; you get old faster.”

– Focus Group Participant

Base: Age 50+
You’re ready to shape life on your terms

Americans over 50 start

2X

The number of companies as 20-somethings

Merrill Lynch Research Study: Work in retirement: Myths and Motivations study, 2014
Proactive planning and discussion

- Consider potential startup costs of a new career
- Relocate with an eye toward your work life
- Rethink when you take Social Security
- Take a close look at your insurance needs

Merrill Lynch Research Study: Work in retirement: Myths and Motivations study, 2014
Finances in Retirement: New Challenges, New Solutions
Greatest worry about living a long life

- Running out of money to live comfortably: 51% (Gen X), 38% (Boomers), 31% (Silent Generation)
- Ending up in a nursing home: 21% (Gen X), 16% (Boomers), 26% (Silent Generation)
- Being lonely: 13% (Gen X), 10% (Boomers), 7% (Silent Generation)
- Being a burden on my family: 24% (Gen X), 11% (Boomers), 31% (Silent Generation)

Base: Generation X (age 37-48), Boomers (age 49-67), Silent Generation (age 68-88)
If either my spouse or I am forced to retire early because of a health problem

If my spouse dies

If either my spouse or I am forced to retire early because of a health problem

If an adult child moves back in and needs support

If a loved one needs extended long-term care

**Percent saying they are prepared for retirement**

**Among those who discuss/don’t discuss financial topics with spouse**

<table>
<thead>
<tr>
<th>Situation</th>
<th>Discussed key financial topics with my spouse</th>
<th>Have not discussed key financial topics with my spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>If everything goes as I expect</td>
<td>43%</td>
<td>24%</td>
</tr>
<tr>
<td>If my spouse dies</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>If either my spouse or I am forced to retire early because of a health problem</td>
<td>31%</td>
<td>16%</td>
</tr>
<tr>
<td>If an adult child moves back in and needs support</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>If a loved one needs extended long-term care</td>
<td>11%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Base: age 50+, married; top two box
Top barriers to having proactive discussions on important financial issues

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoid family conflict</td>
<td>24%</td>
</tr>
<tr>
<td>Too uncomfortable to discuss</td>
<td>19%</td>
</tr>
<tr>
<td>Don’t think it will help</td>
<td>17%</td>
</tr>
<tr>
<td>Family members don’t want me to know how much money they have</td>
<td>13%</td>
</tr>
<tr>
<td>Don’t want family to know how much money I have</td>
<td>11%</td>
</tr>
<tr>
<td>Don’t know how to start the conversation</td>
<td>10%</td>
</tr>
</tbody>
</table>

Base: age 50+
Percentage who provided financial support to family members in the last five years

- Adult children (age 21+): 68%
- Grandchildren: 26%
- Parents/in-laws: 16%
- Siblings: 13%
- Other relatives: 14%
Reasons why a family member is turned to for financial support

- The most financially responsible: 44%
- Has the most money: 41%
- Easiest to approach: 37%
- Lives nearby: 15%
- The eldest: 11%
- Does not have children: 7%

Base: age 25+
Percent of retirees who say retirement is more fun, enjoyable, and pleasurable.

- Percent who feel financially prepared for retirement: 77%
- Percent who do not feel financially prepared for retirement: 56%

Base: Age 50+ retirees

* Merrill Lynch / Age Wave Study: Leisure in Retirement: Beyond the Bucket List, May 2016
Women and life defining priorities

Source: Merrill Lynch Wealth Management
Women have longer life spans than men

At age 65, women can expect to live an average of 21.6 more years and men 19.3 more years.

Retirement security for women more elusive than for men


The median retirement income for women is 58% that for men.
Claiming at age 70 instead of age 62 can raise lifetime monthly benefits by 76%.

Trade-off between claiming age and annual benefits

Women are more likely than men to take the off-ramp to assist with caregiving needs.

What to consider as you near retirement:

- Carefully consider when to retire.
- When to claim Social Security is another very important decision for many families. Claiming decisions affect survivors’ benefits as well as benefits at the time claimed.
- Long-term care insurance is particularly important for women.
Women and Life-Defining Financial Decision Series

The challenges by gender

Financial decision series addressing financial decisions throughout a woman's life that affect her financial security

New series of briefs addressing financial decisions throughout a woman’s life that affect her financial security
Thank You