

Longevity and Inflation Risk

We all want to live long, healthy lives in retirement with plenty of time to spend with loved ones and enjoy our hobbies. Living a long life is a good thing, so how can longevity be a risk?

While a long lifespan is a wonderful thing, if it's not properly planned for, it can put you at risk of outliving your retirement savings. In other words, a long life can increase the chances that you could run out of assets before you pass.

AVERAGE LIFE EXPECTANCY

Consider the following average life expectancies.

Year	U. S. Life Expectancy ¹
1940	63.2
1960	69.8
1980	73.7
2000	76.8
2020	77.4
2021	77.2
2022	79.1
2023	79.1
2024	79.3

As noted in the table above, life expectancy for all Americans is currently around 79 years. However, as you get older, your expected life span increases. On average, a 65-year-old male can expect to live another 17 years, while a 65-year-old female can expect to live another 19.7 years.²

The table below shows the estimated likelihood of a 65-year-old reaching certain ages³

	Male age 65	Female age 65	Couples age 65*
50% probability	87 years	89 years	93 years
25% probability	93 years	95 years	97 years

* At least one surviving spouse. IRAs

- <https://onlinedegrees.kent.edu/college-of-public-health/community/life-expectancy-and-public-health>
- <https://www.ssa.gov/oact/TR/2024/lr5a4.html>
- <https://www.fidelity.com/viewpoints/retirement/longevity>

INFLATION'S IMPACT ON LONGEVITY

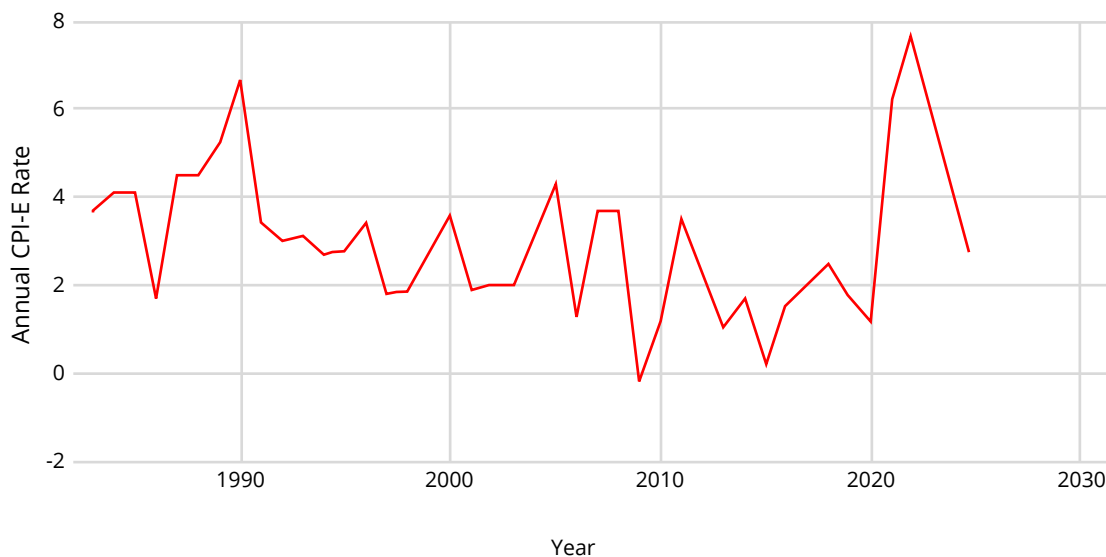
Inflation refers to the gradual rise in the price of goods and services over time. Rising inflation impacts everyone, but it can be especially challenging for those who are retired and living off a fixed income. That's because rising inflation erodes your purchasing power over time.

The CPI-E is a metric used by the Bureau of Labor Statistics to measure inflation for individuals age 62 and older. It tracks the costs that have a greater impact on retirees than the general population, such as healthcare, housing and energy.

Since 1983, the average annual inflation rate for the CPI-E is 2.94%, which means prices have increased by nearly 3% each year. Based on life expectancy figures, it's possible you or your spouse may live nearly 30 years in retirement. If prices rise 3% every year, you can expect your cost of living to double over a 24-year period.

Can your retirement assets survive a doubling of your expenses throughout the course of your retirement? How will recent years' high inflation impact your long-term goals? Consider the following historical annual rates of the CPI-E.

ANNUAL INFLATION



Information represents past performance only which may not be used to predict or project future results.

Source for inflation data: <https://www.bls.gov/cpi/>

Annual inflation had remained less than 4% for nearly 30 years. That changed in 2021, with an annual inflation rate 4.70%, a 3.46% increase from 2020's 1.23% rate. In 2022, inflation hit a whopping 8%. In 2023, the inflation rate cooled to 4.1% and as of November 2024, the inflation rate has continued to cool and is currently at 2.4%.

Rising inflation can be temporary, or it can represent a long-term change in economic conditions. While it's impossible to predict future inflation, you can prepare by incorporating inflation protection strategies into your retirement plan.

STRATEGIES FOR MANAGING INFLATION AND LONGEVITY

Fortunately, there are several strategies that can help you effectively manage both longevity risk and inflation risk.

- **Continue to focus on portfolio growth throughout retirement.** A common mistake made by some retirees is shifting their entire portfolio from growth-focused to preservation-focused. While it's important to protect a portion of your assets to cover your daily living expenses, expenses, many people may need to continue to allocate at least a portion of their portfolio to growth-oriented investments to help your portfolio address inflation.
- **Look for opportunities for guaranteed lifetime income.** One effective way to help protect against longevity risk is by incorporating a guaranteed source of income that will last throughout your lifetime. Social Security and defined benefit pension plans both offer guaranteed monthly income that you can't outlive. Another option is to use annuities to create a guaranteed income stream.

**COULD YOU USE SOME HELP PLANNING FOR LONGEVITY AND INFLATION IN RETIREMENT?
SCHEDULE A CALL TO LEARN MORE.**

Could you use some help navigating your longevity and inflation risk?

**SCHEDULE A CALL
TO LEARN MORE.**



WWW.MOSAICRETIREMENTPLANNING.COM

7200 S. ALTON WAY, SUITE B290, CENTENNIAL, CO 80112
720.617.4400 | BHABLUTZEL@MOSAICRETIREMENT.COM

Investment advisory services offered by duly registered individuals through CreativeOne Wealth, LLC a Registered Investment Adviser. CreativeOne Wealth, LLC and Mosaic Retirement Planning, LLC are unaffiliated entities. Licensed Insurance professional.

Provided content is for overview and informational purposes only and is not intended and should not be relied upon as individualized tax, legal, fiduciary, or investment advice. By contacting us, you may be offered a meeting to discuss how our insurance and other services can meet your retirement needs. The presenters of this information are not associated with, or endorsed by, the Social Security Administration or any other government agency.

Investing involves risk, including possible loss of principal. No investment strategy can ensure a profit or guarantee against losses. Insurance product guarantees are backed by the financial strength and claims-paying ability of the issuing company. 22660 | 2024/11/19