



## Five facts everyone needs to know about life expectancy

With the life expectancy of Australians increasing over the years, most of us can assume we're going to live longer than previous generations. But are our expectations on the money, or way off the mark? We bring you five important facts everyone needs to know about life expectancy.

Back when compulsory super started in 1992, living to age 80 was considered a long life. Fast forward thirty years, and improvements in medical care and living standards have seen our lifespan extend by over a decade. A 65-year-old today can expect to live well into their 90s and could spend over three decades in retirement.

Understanding your life expectancy is a crucial part of any good retirement plan. Living just a couple of years longer than you expect could leave you without enough income for later in life. But it's not an exact science and no one really knows how long they're going to live. However, you can make a more informed estimate with the right information. Here are five important facts you need to know about life expectancy.

### **#1 Many of us underestimate how long we'll live**

While a 65-year-old can expect to live well into their 90s, most retirees aren't expecting to live that long. A survey conducted by Challenger in 2021 revealed that our expectations fall short by quite a few years.

On average, our survey respondents expect a 65-year-old male to have a life expectancy of just 82 years. Women aged 65, on the other hand, are expected to live longer and reach an average of 85 years. While these are our expectations about others, both men and women on average believe that they themselves will live to 85 years of age. This result isn't surprising - a life expectancy of 85 years is a number widely published in many financial models. But for reasons we cover below, this number has some major flaws.

## **#2 Life expectancy numbers are based on a 50% success rate**

*Does a 50/50 chance of success feel like good or bad odds to you? Until very recently, the age of 85 was a convenient estimate of a typical lifespan. Not only is this estimate factually wrong, but it was based on only a 50% probability of being reached. The life expectancy of a 66-year-old female today, for example, is currently another 24 years to age 90. But in practice, around two-thirds of females of that age will live to anywhere between 81 and 99.*

*A retirement plan that gives you a 50% chance of success is probably not the financial security many people look for. Which is why relying on 'average' life expectancy may do more harm than good.*

## **#3 Your life expectancy increases as you age**

*The Australian Bureau of Statistics (ABS) estimates that the life expectancy of an Australian male is 81 years and 85 years for a female. While these figures are correct, they include the deaths of people who die young from accidents or illness and can therefore be misleading when calculating life expectancies for retirees.*

*What many people don't realise is that life expectancy isn't a static number - it changes as you age. Once you've reached age 65, you are already a 'survivor' and will therefore have a higher life expectancy.*

*This trend continues as you enter your 70s, 80s and 90s. If we look at improvements in the mortality trend over the past 25 years published by the Australian Government Actuary, half of today's 66-year-old men will live to at least 88 years of age, for women that age is 90. A male alive at age 90 can, on average, expect to live to 94 while a female can expect to live to 95. If you're banking on living only until age 85, you could have another decade of living to fund.*

## **#4 Most of us want to live longer than our life expectancy**

*While the survey revealed the average age we expect to live to is 85, most of us would like to live longer. On average, both women and men would like to live until 88 years of age.*

*While living longer might be great for our happiness, it might not be so great for our finances if we're not prepared.*



## **#5 Many retirees aren't confident their income and savings will last as long as they live**

*Most people assume that they'll spend less money in retirement. In fact, almost half (44%) the respondents said their level of spending today is about the same or higher than it was just before retirement.*

*It's no wonder that almost a third of respondents (31%) don't feel confident that their savings and income will enable them to maintain their current lifestyle. And 28% are highly concerned with the possibility of outliving their retirement savings.*

### **Why uncertainty needs a safety net**

*Managing the very real risk of outliving your savings is probably the biggest challenge of any retirement plan. Income from super, such as account-based pensions, is generally not guaranteed – the payments stop as soon as your balance runs out. Income from investing in the share market is unpredictable. And for most of us, the Age Pension alone is not enough to live comfortably. So, what's the answer?*

*One way to plan for the unknown, is to have a regular lifetime income stream, such as a lifetime annuity, as part of your retirement income plan. Adding a lifetime annuity to your retirement portfolio can boost your safety net income with regular income for life, helping to give you confidence that you can pay for your essential expenses to 100 years and beyond.*

### **Feel confident in your retirement income**

*A lifetime annuity gives you a regular monthly income, no matter how long you live. Speak to your financial adviser to see if a lifetime annuity could work for you.*

*Source: Challenger*

**If you would like to discuss or have any questions, please  
contact our office on 07 4192 8900**