

How long might I live in retirement?

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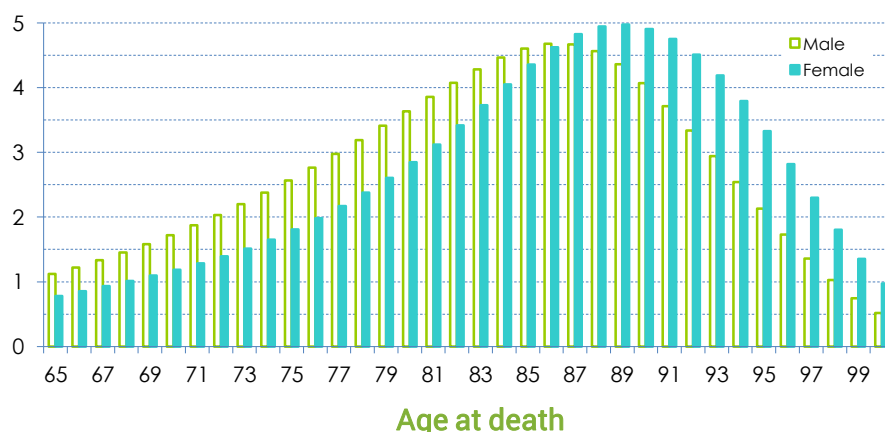
When it comes to deciding how much to save for a secure retirement, one big unknown is how long you will live in retirement. If you retire at age 65, the answer probably lies somewhere between 1 day and 40 years. The average is about 20 years; slightly less if you are male and slightly more if you are female.

In early 2014, Statistics New Zealand published the results of its latest mortality investigation. It was based on the 2010-2012 period. Based on this data, the average period of retirement for 60 and 65 year olds is:

| NZLT 2010-2012 | | |
|----------------|------|--------|
| Retirement age | Male | Female |
| 60 | 23.0 | 25.5 |
| 65 | 18.8 | 21.2 |

Of course, like all statistics, an average hides a “multitude of sins”. An individual will live longer or shorter than average. Very rarely will they live exactly average. Also, on average, non-Maori live longer than Maori, but not all Maori will live shorter than all non-Maori. The population is made up of people in good health and people in poor health and the average is therefore too high for some and too low for others.

Graphically, if 100 people retired at age 65, the number expected to die each year, depending on whether they are male or female:



Therefore the chances that we might live a further 5, 10, 15, 20, 25 or 35 years, are:

| Probability of living 'x' years after retirement at age 65 | | |
|--|------|--------|
| Period in years ("X") | Male | Female |
| 5 | 93% | 96% |
| 10 | 83% | 88% |
| 15 | 68% | 77% |
| 20 | 48% | 60% |
| 25 | 25% | 36% |
| 30 | 8% | 14% |
| 35 | 1% | 3% |

The table highlights that, while the average might be 21 years, for a 65 year old female, about 36% (just over 1 in 3), will live 25 years plus.

At the end of the day, we all need to decide for ourselves how long we need to plan for our money to last in retirement. In doing so, we should think about the consequences if we live longer than "average".

Improving life expectancy

The analysis above focuses on the 2010/2012 study. This repeats the 2005/2007, 1995/1997 and the 1990/1992 analysis. Over the last 20 years, the average expected retirement period has risen from 14.8 years to 18.8 years for a 65 year old male, and from 18.5 years to 21.2 years for a 65 year old female. Also, the point beyond which a quarter of females live in retirement has risen from just under 90 to just over 92 years.

If we are 55 today and planning to retire in 10 years time, do we allow for a further year over and above the 2010/2012 number? What if we are 45 today with 20 years to go? In your retirement planning, it seems prudent to allow for some continued improvement in life expectancy.

Longer retirement

In 1977, when NZ Superannuation was introduced, the life expectancy for a 65 year old was approximately 15 years and 18 years for a male and female respectively. For a 65 year old therefore, retirement represented 19% of a male's life and 22% of a female's.

Based on the latest mortality tables, if we wanted to spend approximately 20% of our lives in retirement, on average, we should be thinking about retiring at age 68, or later if we allow for a continuation in the trend of improving life expectancy.

Your numbers

To see how long you might live in retirement, based on when you want to retire, check out the life expectancy calculator at www.SuperLife.co.nz/calculators.