

The Society of Actuaries: Today's Retirement Risks Fact Sheet

The Society of Actuaries (SOA) developed the *Risks and Process of Retirement Survey Report* to help identify retirement risks and raise awareness of approaches to manage those risks. Anchored in centuries of helping the world understand risk, actuaries are using their rigorous training and risk insight to manage today's complex retirement environment.

The survey analyzes the leading retirement risks of men and women, ages 45 to 80, who are either retired or still in the workforce. Inflation can be considered one of the most prevalent retirement risks, since it is linked to a variety of other retirement concerns such as healthcare affordability and expenses for basic needs.

Today's Top Retirement Risks*	Retirees	Pre-Retirees
Inflation	57%	63%
Affording long-term care	52%	63%
Affording adequate healthcare	51%	69%
Maintaining a reasonable standard of living	48%	55%

*Percentages that express significant concern.

Today's Top Retirement Risks*	Women	Men
Inflation	62%	51%
Affording long-term healthcare	57%	47%
Healthcare costs	56%	45%
Depleting savings	52%	37%
Affording to stay in their home	44%	29%

*Percentages that express significant concern.

Today's Retirement Risks	Understanding Risks	Actuarial Approaches to Manage Risks
Inflation	From 1980-2007, annual inflation in the US for all items ranged from 1.1% to 8.9%, and has averaged 3.5%.	Strategies should include investing in equities, ownership of home and other assets, Treasury Inflation Protected Securities, annuity products with a cost-of-living adjustment and a stage of semi-retirement to delay tapping retirement assets.
Outliving one's assets	For today's 65-and-older population, average life expectancy for American men and women is 17 and 20 years, respectively. Thirty percent of all women and almost 20 percent of men age 65 can expect to reach 90 years old.	Strategies should preserve principal, including investing in annuities such as joint and survivor annuities and deferred annuities commencing at high ages, such as 75 or 80.
Loss of spouse	Because women have longer life expectancies than men and traditionally have been younger than their husbands, periods of widowhood of 15 years or more are not uncommon. For many women the death of a spouse is accompanied by a decline in their standard of living.	Strategies should produce income, including joint and survivor annuities and life insurance.
Decline in functional status/long-term care	The cost of care in later ages may amount to \$1 million or more for a couple over their lifetime. Nursing home care costs may reach \$70,000 or more per person per year. Care may be provided at home, in adult day care centers, assisted living facilities or nursing homes.	Strategies should include personal health and wellness commitments, long-term care insurance that helps pay for the cost of caring for disabled seniors. Many continuing care retirement communities cap monthly costs for assisted living and skilled nursing care, but are subject to their own financial risks.
Healthcare and medical expenses	With catastrophic illness, medical costs for an over-65 retiree couple not covered by Medicare can exceed \$1 million over their lifetime.	Strategies should include medical insurance and Medicare supplements.

For a copy of the SOA's *Risks and Process of Retirement Survey Report's* summary and/or a full report, please contact Kim McKeown at (847) 706-3528, kmckeown@soa.org or visit www.soa.org.

About Actuaries

Actuaries bring a complex future into focus by applying unique insight to risk and opportunity. Known for their comprehensive approach, actuaries enable smart, more confident decisions.

About Society of Actuaries

The Society of Actuaries (SOA) is an educational, research and professional organization dedicated to serving the public and its members. The SOA's vision is for actuaries to be recognized as the leading professionals in the modeling and management of financial risk and contingent events. The SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal problems involving uncertain future events. To learn more visit www.soa.org.