The Seattle Times

Millennial Money: The 4 longevity questions you should ask your financial planner

Jan. 30, 2024 at 4:01 am

FILE – In this June 15, 2018 file photo, twenty dollar bills are counted in North Andover, Mass. Only one-third of men correctly estimated how long a 60-year-old man in the U.S. could expect to live, according to a 2022… (AP Photo/Elise Amendola, File) **More**

By KATE ASHFORD of NerdWallet

The Associated Press

Only one-third of men correctly estimated how long a 60-year-old man in the U.S. could expect to live, according to a 2022 TIAA Institute survey. And fewer than half of women got it right for a 60-year-old woman.

Advisers call this — understanding how long you'll live in your retirement years — longevity literacy. It's a crucial part of your retirement strategy, and it's important that you and your financial professional are on the same page. You should be talking about things like what your planner is using as your life expectancy, how you'll cover future health care costs and whether you need to account for any spending related to aging parents.

Getting this right means your money will last for as long as you do. Here are the questions to ask your adviser.

1. WHAT ARE YOU USING AS MY LIFE EXPECTANCY?

No one can know when they're going to die, but your health and family history can help your planner make a good guess. How long did your parents live, or your grandparents?

Do you have any health conditions?

"I've started, a few years ago, asking a lot of health questions of my clients," says Mitchell Kraus, a certified financial planner in Santa Monica, California. "They should let their adviser know of any health concerns that might cause their life expectancy to be shorter."

Planners often work with software that can model what will happen to your finances if you die at different ages, based on the assumptions you're making. You can explore various scenarios together and decide what makes the most sense.

"If you've got longevity in your family, let's boost it up to (age) 97 or even 100," says Timothy Knotts, a CFP in Red Bank, New Jersey. "We want to make sure we don't have this thing that keeps you up at night, which is, 'Am I going to run out of money?'"

2. WHAT SHOULD I BE DOING ABOUT LONG-TERM CARE?

The big wild card in your financial plan is whether (and how long) you'll need long-term care. There's a reasonable chance you'll need some kind of support, so talk to your planner about the best way to prepare.

You may want to plan to purchase long-term care insurance at some point, or a hybrid policy that combines permanent life insurance with a long-term care rider. Or it may be better to self-insure and plan to use savings for long-term care needs if insurance is too expensive.

"It's something that unfortunately many of us aren't good at — the risk and uncertainty thing," says Paul Yakoboski, a senior economist with the TIAA Institute. "This is where an adviser could be extremely valuable — to help us understand likelihoods and scenarios and the costs attached to them."

3. HOW SHOULD I PREPARE TO PAY FOR HEALTH CARE NEEDS?

You may have seen Fidelity's statistic that a 65-year-old couple today may need $315,000 to pay for health care expenses in retirement. It's a daunting figure. But making the right health care decisions once you're eligible for Medicare can help.

"I think if people have Medicare and a Medicare Supplement, I've actually found they have a pretty good chunk of their health care paid for," says Clark Randall, a CFP in Dallas.

This is because Medicare Supplement Insurance, otherwise known as Medigap, can pay for most out-of-pocket costs associated with your Medicare plan. As long as you can pay the premiums, many of your costs may be covered if you have a big health event.

"We also build in some percentage for out-of-pocket expenses," Knotts says.

4. SHOULD WE INCLUDE ANY PLANNING FOR MY PARENTS?

If there are older adults in your life who may need your support later, make sure your adviser knows this and builds it into your retirement plan to the extent that's possible. Do you anticipate bringing them to live with you or potentially moving in with them? Do you expect an inheritance, or do you expect to have to help pay their bills?

"I will ask, 'Do your parents have enough money to support themselves in retirement?'" says Catherine Valega, a CFP in Winchester, Massachusetts. Clients may be doing everything right, she says, but it doesn't mean their parents have done everything right.

Considering these questions may facilitate a conversation with your loved ones about the future, which can be helpful for everyone. If they're young enough, you can also encourage your parents to look into long-term care insurance for themselves.

This column was provided to The Associated Press by the personal finance website NerdWallet. Kate Ashford is a writer at NerdWallet. Email: kashford@nerdwallet.com. Twitter: @kateashford.

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The TIAA Institute-GFLEC Personal Finance Index (P-Fin Index) was completed online in January 2022 by a sample of 3,582 U.S. adults, ages 18 and older. Asian, Black and Hispanic Americans were oversampled, as was Gen Z. The data were weighted to be nationally representative.

TIAA Institute. (2022). "Financial literacy, longevity literacy, and retirement readiness." https://www.tiaa.org/content/dam/tiaa/institute/pdf/insights-report/2023-01/longevity_literacy_financial_literacy_and_retirement_readiness.pdf

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