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## Retirement Roulette

by Stephen D. Gresham and Glen E. Gresham

The members of the Cadeucus Colloquium, a discussion group of retired and semi-retired physicians, sat together in Dr. Kaplan's living room overlooking the lake one recent afternoon. Dr. Kaplan finished serving drinks and asked: "Who goes first?"

"I noted in the *New England Journal of Medicine* [April 20 issue] that overall life expectancy at birth in the U.S. has reached 77.2," Dr. Whiteside said. "We're catching up with Canada, Britain and Japan — at last. Of course, they've always achieved their superior figures with less than half of our per-capita cost for health care. But, let's take time off from talking costs and just consider the impact of this demographic on our thoughts about aging."

"Exactly what do you mean?" inquired Dr. Russo. "Half of the population living to almost 80 and beyond doesn't seem like a big deal to me."

"But it is," argued Dr. Whiteside. "We've got to change our thinking about aging in general and retirement in particular. Age 65 is becoming passé as a landmark, and the 70s decade is becoming the new last hurrah."

This set off murmurings throughout the little group, which culminated in a series of exchanges that revealed a lack of consensus on Dr. Whiteside's assertions. Were changing demographics really altering retirement?

Dr. Kim refocused the discussion with a proposal: "Why don't we look at the microcosm presented by our own group? We're all in our 70s, so let's think about what's happened to our own members to see if Whiteside's theory holds for us."

They all agreed and soon came up with a profile. Of their original 25 members, two had died from cancer (colon and pancreas, respectively), one had disabling Parkinson's disease and one had just entered an Alzheimer's unit. All the others were leading active lives, even the one who had had cardiac bypass surgery and another who had survived a minor stroke. By general agreement, cataract surgery and joint replacements were considered only "par for the course."

In the end, they had to agree with Dr. Whiteside. The lucky majority was pursuing active lives in their 70s and the age 65 milestone had, for them, been a mere artifact.

The following week, Dr. Whiteside summarized this discussion for his financial advisor. "Jack," he said, "We've got to kick the 'retirement-at-age-65' habit and help those folks who are going to be healthy and active through their 70s reprogram their expectations and planning."

### BETTER THAN EXPECTED

How quickly the world can change. The "Silent Generation," born 1926-1945, including my co-author, was given that moniker because of its ability to carry on despite the ravages of the Great Depression and World War II. Retirement was a gift earned through years of sacrifice, not an entitlement. The historic longevity achieved by this generation was a surprise to many of its members, including the group above. As a result, many "Silents" have ill-formed plans for retirement and equally insufficient finances. What then is the outlook for this generation of retirees — and the boomers who will soon follow them?

Our guess is that three out of four Americans will reach 65 with sufficient health to carry on a full life of their choosing — an extraordinary advance in a single generation, considering that when Social Security was put in place, 65 was the national longevity rate. So those odds — three-to-one — are pretty good.

### GOING PAST NINETY

The updated longevity calculations suggest that a 65-year-old man today has a 50 percent chance of living to 85 and a 25 percent chance of reaching 92. A 65-year-old woman has a 50 percent chance of living to 88 and a one-in-four shot at 94. For couples, where both the man and the woman are 65, there is a 50 percent chance that one of them will make it to 92, and a 25 percent chance of a survivor at 97.

### FOUR QUESTIONS FOR THE ODDSMAKER

#### ▪ Do You Feel Lucky?

Faced with the longevity facts, how do you “play the odds” with clients? Tricky subject, but it's much like investing — there is both an emotional and intellectual angle. Explore best-case, worst-case and best-guess scenarios. Help clients define each of these scenarios for their families. Be aware that there are many different interpretations. For example, one couple's worst case might be development of a disability in both spouses, while another might consider that situation a common challenge faced as equals.

#### ▪ Play Each Hand

Delve into each scenario — best case, worst case and best guess. What would change in each scenario with regard to the hierarchy of top retirement needs:

**Housing** — where do you live?

**Care for Daily Needs** — how do you receive the basic necessities of daily living — meals, personal grooming, security?

**Location** — where is your home relative to family, activities?

**Lifestyle and Activities** — what do you do each day, for vocation, recreation, travel, enjoyment, hobbies?

For example, a best-case scenario is typically for both partners to remain in their home of choice — probably their current home — and be self-sufficient for their daily needs. Their location is their own choice and their lifestyle and activities a function of their interests, energy level and financial resources — not something that is dictated by their physical health.

A best guess is that one member of the couple will become disabled at some point, challenging the status quo — possibly in all four areas of need. Housing in a multilevel home can become impractical for someone who is disabled, and special care may have to be arranged if one spouse cannot or wishes not to provide needed assistance for the other. Location might have to be changed as well so the couple can be closer to family, and a European Elderhostel may no longer be the ideal vacation plan.

Contemplating the impact of disability on each of the four areas is an important exercise for you to conduct with a couple. They will benefit from discussing openly situations that can become very real very quickly — often with emotionally challenging implications for the entire family.

#### ▪ Spin the Wheel Again

Having explored these hypotheticals, have the clients reassess their best-case, worst-case and best-guess scenarios. They have likely acquired new insights into the potential challenges of retirement — and perhaps

learned more about what lies ahead. Give them an opportunity to rethink their earlier choices and make adjustments. The revised outlook will probably be more realistic — and more valuable.

▪ **Know When to Quit**

There are no sure winners, and fate has a way of disrupting streaks of both good and bad luck. So don't let clients overthink or overplan. Neither approach will ensure a worry-free retirement. As the Colloquium discussed above, there is much to be gained in preparing to enjoy the golden years, and that means realizing the potential risks and costs of a very different outcome than the one expected. There are some big winners in the game of life and a lot of fun to be had along the way if you can avoid gambling too much with your future.

**WHEN YOU'RE 65**

Your longevity odds are:

**MAN**

50% Chance of living to **85**

25% Chance of living to **92**

**WOMAN**

50% Chance of living to **88**

25% Chance of living to **94**

**MARRIED COUPLE**

50% Chance of living to **92\*** |

25% Chance of living to **97\***

\* one survivor

*Source: Employee Benefit Research Institute*

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