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The Impact of Retirement Age Uncertainty on Retirement Outcomes

retirement-insight.com/the-impact-of-retirement-age-uncertainty-on-retirement-outcomes

By David M. Blanchett, CFA, CFP®, AIFA, Head of Retirement Research, Morningstar Investment Management

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Editor's note: This article is an adaptation of the live webinar delivered by David Blanchett in 2019. His comments have been edited for clarity and length. You can read the summary article here as part of the 4th Qtr 2019 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.) You may also choose to take the full length course The Impact of Retirement Age Uncertainty on Retirement Outcomes for 1.0 hour continuing education (CE) credit.

My goal is to help you understand the trends and role of the age people retire to help you better help your clients

- Create reasonable expectations for their financial plans;
- Understand what the kind of drivers of early and late retirement are and what they mean;
- Understand the idea of retirement age uncertainty or very early retirement on required savings (and not surprisingly, it's not good news);
- Be aware that if they were retire to later, they could save less, but if they retire earlier, they have to save more.

The implications of retiring earlier than expected suggest that savings rates should be higher than they are today.

What are the Implications of the Timing of Retirement When It Differs from Expectations?

Expectations are what your clients tell you when you help them figure out how much to save for retirement.

A client wants to know, "How much do I have to save for retirement? When can I retire?" It is based upon this idea of an expectation and on the concept of retirement age timing. This gets to kind of the concept of what retirement age certainty means for a financial plan. A financial plan is a combination of hundreds of assumptions, and they're not all going to be correct. But the goal is to make them as accurate as possible as we've moved towards using more complex financial planning tools such as Monte Carlo that utilizes random returns.

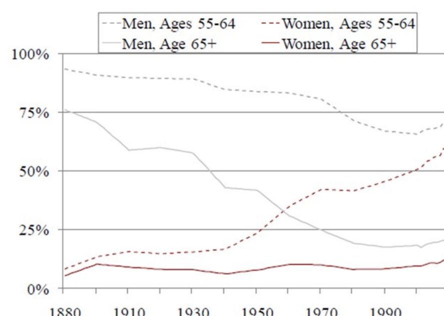
If you add in retirement age uncertainty into a financial plan, what does that mean for the average person when it comes to saving for retirement? Think about all the things that you could control to affect someone that is not on track to retire successfully. They can work longer, they can save more, or they can live off less when they retire.

How do consumers feel about time and age as a variable to improve their outcomes? We've done surveys where we ask people, "Assume that you aren't on track to retire successfully. What would you be willing to change?" Is retirement age a lever that individuals want to use to possibly improve their outcome?

(See the research David Blanchett has published on this topic at right.)

Retirement Age Trends

This is an interesting graphic that shows the percentage of individuals still in the workforce between the ages of 55 and 64 and ages 65+ (our focus here is on the dotted line for men and the dark gray line).



What's interesting about this slide is if you go back to 1880, 75% of people over the age of 65

were still working. At that time, life expectancies at that age were probably no more than ten years.

Back, then we didn't have this idea of working for 30 or 40 years and then living for another 10 to 30 years in retirement. Things have obviously evolved. Looking at the solid gray line (men aged 65+), we went from a 75% workforce participation in 1882 to about 20 percent in 1990.

What's interesting about the effect of this change is that it's occurring as life expectancies are increasing. Suddenly not only do you have the opportunity to retire, but you have a more extended period to enjoy it. So, while there was this decrease in workforce participation for men from the years 1882 to 1995 or so, people are starting to work more at older ages.

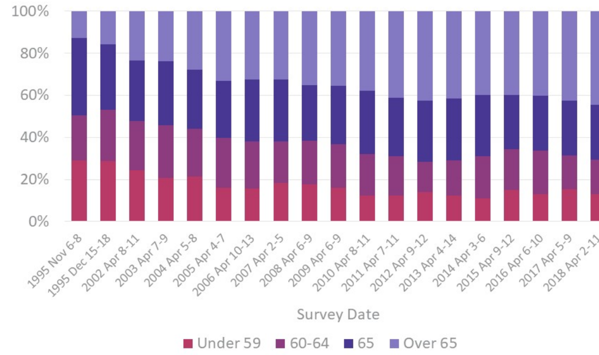
This is actually a global phenomenon. It hasn't occurred exactly in the US as it has everywhere, but the average age of retirement for the 20+ countries in the OECD had also been declining. For both men and women, retirement ages declined since the year 1972 to about the year 2000, but it has ticked back up again. So, there is this kind of new global effect where individuals who were retiring earlier and earlier and earlier are now retiring later.

One of the most apparent reasons for the increase in retirement age is the declining availability of defined benefit plans. Fewer and fewer organizations, both domestic and globally, are offering pensions, forcing individuals to save themselves, and we all know that people don't do a very good job saving for retirement. What will be curious is how this effect plays out in the future.

At What Age Do People Expect to Retire?

This first slide shows you the distribution of retirement expectations for different surveys that have been done by Gallup for the last 23 or 24 years. There's a noticeable change in that upper blue region when someone says they are going to retire after the age of 65. Back in 1995, that was only around 10%, but now it's over forty percent.

Distribution of Expected Retirement Ages



Source: Gallup (2019) https://news.gallup.com/poll/234302/snapshot-americans-project-average-retirement-age.aspx

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Source: Average American Expects Retirement at Age 66, Gallup.

This is a considerable change in retirement expectations over the last 20 or so years. What's interesting though, is who among us have these expectations.

The latest EBRI Retirement Confidence Survey looks at when do people expect to retire based upon their current age. Twenty-five percent of Millennials want to retire before the age of 60. Only one percent of individuals aged 55 plus say they're going to retire before the age of 60. Older Americans, all of a sudden, realize that a lot has happened over their lives. Maybe they got a divorce, they weren't able to save as they wanted, or they had to pay for college; there are financial issues that have affected their ability to save, so they have to delay their retirement.

The trend is that the actual age of retirement is increasing, but it is rising along with expectations.

Actual vs Expected Retirement Age

Source: Gallup

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Source: Gallup

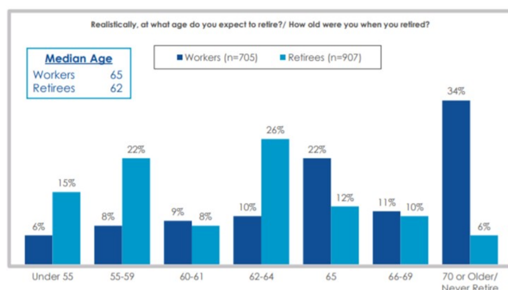
What we see here is about a spread of four years between the expected age of retirement among non-retirees (the purple line) and the actual age of retirement (the pink line). If we look at the year 2000, the actual retirement age was 59 and the expected age was 63.

We're in a lot better space today based upon the point in 2014. The actual retirement age is increased three years to age 62, but so too has the expected age. From my perspective, what we have here is a constant gap of three or four years. This gap is pretty scary. The reason it's scary is that if you don't retire when you expect to do so, it creates the possibility for a significant difference in the amount you have saved for retirement and what you're going to need right now.

This works both ways. If individuals were expecting to retire at age 60 but retired at age 63 or 64, they're going to have a lot more than they probably need when they retire.

We see this effect where retirement ages are not necessarily reliable indicators of when someone is going to retire. The median age a worker today thinks they are going to retire is 65; the median retirement age is 62.

Retirement Age Estimates vs. Reality



Source: EBRI (2019)

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Source: 2019 Retirement Confidence Survey, EBRI.

According to the 2019 EBRI Retirement Confidence Survey, 34% percent of people think that they're going to work to age 70 or never retire. Here's the thing: only six percent did. This is significant. If they're basing their retirement savings on that assumption, they're going to be terribly wrong.

Only about 5% of Americans retire later than planned about 45% retire about when they plan to do, so about 50% retire earlier than expected. Again, there's this significant effect here where the errors around the expectations for retirement are not random.

Why Do People Retire Early?

Half of Americans retire earlier than expected. This has significant implications for saving for retirement. Why does this happen? When an individual retires early, is it because they choose to retire early or because they have to? This is important in the context of things like retirement saving.

The number one reason for early retirement is health problems or disability. Forty-one percent of retirees have something happen that effectively prevents them from working.

Reasons People Retire Early

- Health problems or disability (41%)
- Downsizing or closure (26%)
- Having to care for a spouse or another family member (14%)
- Able to afford an earlier retirement (24%)
- Wanting to do something else (10%)

Source: EBRI (2017)

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Source: Employee Benefits Research Institute (EBRI).

The next largest is downsizing or closure of the company (26%). In theory, these individuals could go back to work, but it isn't very easy to find a good job for lots of people who are 65 years old. Other things can happen to you have to care for a spouse or a family member who has health issues (14%). There are a few folks that choose to retire early. If you look at the reasons people retire early, it is not related to choice. It's because they have health issues, or they get laid off, and they simply can't go back to work.

Overwhelmingly people delay retirement because

- they can't afford to retire
- they don't believe that Social Security will provide them with an adequate benefit
- they have concerns about health care costs, or
- they want to have a comfortable retirement.

All these reasons point back to a lack of savings, and therefore they can't afford to retire.

Only about 30% of retirees work for pay after they retire. In theory, working in retirement could be a great way to help your savings last longer. But we've just not seen individuals work much in retirement.

Working in retirement has significant positive financial and psychological benefits. When someone works and stays active, it helps with cognition. It helps with happiness. There are

lots of reasons why working can help someone prolong their retirement. If you can work, there is evidence that the wages are pretty good for retirees.

If I'm married in retirement, I'm going to be 5% happier on average that if I'm single. Happiness appears to rise with age, so if I'm age 65 to 69, I'm about 10% happier. People that have a defined benefit plan and a defined contribution plan are five percent happier on average if than if just a defined benefit plan.

People who are forced to retire are 30% less happy than those that retire their own free will, and individuals that are partially forced to retire are 20% less happy than individuals that get to retire of their own free will.

What is the one thing that I can do to improve my clients' retirement success? Delay retirement. Delayed retirement gives you one more year to save, one more year for your savings to grow, one more year to delay claiming Social Security, and one less year to plan for retirement. Early retirement has the opposite effect. We know though that people tend to claim Social Security as soon as they possibly can.

We also know that households with higher income levels are living longer and longer, potentially two to four years longer than the average American. This idea of early retirement affects them even more because if they retire early and only live for 15 years, it's no big deal, but if they retire early and live for 30 years, it will have a huge effect on retirement needs.

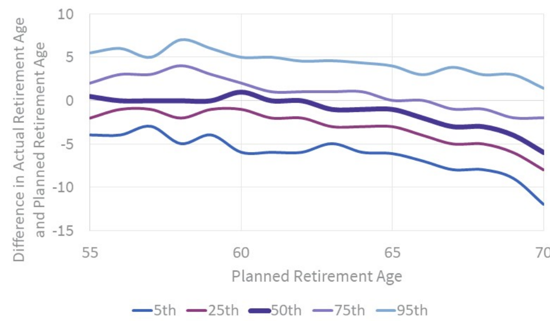
Blanchett's Rule of 61

For my research and analysis, I looked at data from the Health and Retirement Study over different waves. What's interesting about this data set is that it tracks people over time, i.e., it goes back to the same households every two years and asks them tons of questions. This data set asks people when they expect to retire, and it documents when they retired. There has been a definite increase in the expected retirement ages among households over time.

While several variables were statistically significant, the key driver that I found of the differences in success in retirement was based upon the expected age of retirement.

On the horizontal axis is the age that someone is planning on retiring. On the vertical axis is the difference in the actual retirement age versus the planned retirement date. If it's above zero, they retired later than expected.

Actual Differences



Source: Blanchett (2018)

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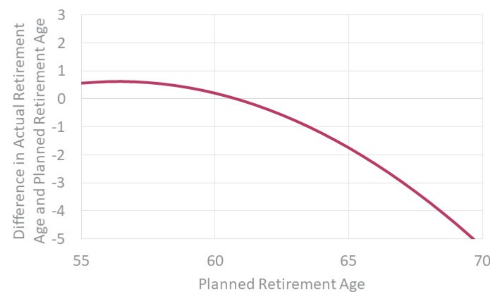
For example, if someone is age 59 with a value of positive five, they retired at age 64. If it's below zero on the vertical axis, they retired before the expected age, so if they are age 59 with a negative 5 for planned retirement age, they retired at age 54.

The bolded line the 50th percentile shows you that people were pretty good with their expectations until around age 61. After age 61, there's a noticeable decrease in the planned retirement age.

This is what this looks like if you collapsed it all together into a single model.

Actual Differences: Regression Model



Source: Blanchett (2018)

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The red line crosses the 0 on the vertical axis at the age of 61. So if someone retires at 61, they hit the bogey and retire when planned. If they retire past age 61, there's a negative difference, or they retired earlier than expected. If they before 61, they retired a bit later than expected. This is what I call the "Rule of 61".

What the Rule of 61 does is help you kind of figure out the actual retirement age based upon their projected retirement age. For example, if you target a retirement age before the age of 61, you tend to retire about one year later on average. If I have a targeted retirement age of 58, I'm going to retire at 59 on average.

If I target age 61, I retire about when I expect to. After age 61, it's usually about a half year for each additional year of planned work past age 61. The example here is if a client thinks they're going to work until age 69. On average, they will retire at age 65, four years earlier than expected (age 69 – age 61 is 8, divided by 2 for years).

One thing that I learned was that you don't have to model retirement uncertainty at all. If you can incorporate the Rule of 61 in your analysis, random retirement doesn't matter. If you again incorporate the fact that people tend to retire earlier than they expect to retire after the age of 61, there's no need to have retirement age is another random variable projection.

Here's a really important thing: if you ignore retirement age uncertainty, if you ignore the assumption that someone retires early, it can have a devastating impact on their retirement. If a client says they're going to retire at age 70, plan for them to retire at age 66 or so on average to maintain the same level of happiness in retirement. Retiring four years early increases the amount of savings needed almost 50%. If someone is saving expecting an age 70 retirement and they retire early, they're going to be in huge trouble. You've got to tell them there's a good chance they're not going to work to age 70. We've got to model this like you're going to retire sooner and not be surprised.

If you incorporate this idea of random retirement, it requires more savings – at least 25% more. For every client out there that says hey I'm going to retire at age 65 and retires at 63, they need to be saving more for retirement. If you don't educate them on that possibility that very real possibility, we're going to end up in a very kind of dangerous place when they do eventually retire.

What are the Overall Conclusions for Today's Financial Plans?

Financial planners should consider showing clients the implications of early retirement to potentially get them to save more than they would be using a more traditional approach where retirement age is treated as certain, because:

1. Your financial plan is going to be wrong. This is an absolute certainty. There are hundreds of assumptions that go into these plans, and life happens. You can't just use historical long-term averages in a projection. You've got to use expected returns. No one knows what's going to happen. I don't know what the markets are going to do. A financial plan is only as good as assumptions.

2. As an industry, we overwhelmingly get the retirement age wrong. People are retiring earlier than expected across the board; half of the people retire earlier than expected. Use this Rule of 61, especially for folks who are targeting retiring working until age 70. It's not going to happen for most people. If you ignore this uncertainty around retirement age and the implications of early retirement, it is going to have a significant negative impact on many retirement outcomes.
3. When you run financial plans, also model retiring earlier. If your client is targeting age 67, rerun the numbers and see what that looks like for their annual required savings rate.

About David M. Blanchett, CFA, CFP®, AIFA, Head of Retirement Research, Morningstar Investment Management

David conducts research primarily in the areas of financial planning, tax planning, annuities, and retirement plans and he serves as the Chairman of the Advice Methodologies Investment subcommittee.

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The Impact of Retirement Age Uncertainty on Retirement Outcomes – David Blanchett

Retirement Speakers Bureau

The “Missing Link”: The Broadening Extended and LTC Planning Options

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By Carroll Golden, CLU, ChFC, CLTC, CASL, LECP, FLMI, the Executive Director, Limited and Extended Care Planning Center (LECP Center) for the National Association of Insurance and Financial Advisors

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Editor’s note: This article is an adaptation of the live webinar delivered by Carroll Golden in 2019. Her comments have been edited for clarity and length.

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What are the Realities and Impact of Extended Long-term Care Today?

An aging population is not the only one impacted. The problem spans generations.

We often see the statistic that 10,000 people are turning 65 a day. We can now update that statement by saying that 10,000 individuals are turning 70 each day. By the year 2035, it is projected that the number of individuals over the age of 65 will outnumber the number of individuals under the age of 18.

One of the effects we will cover later is what this reality does to the continuing availability and cost of care. According to a 2009 Wells Fargo survey where the participant had an average age of 70, when asked where their primary source of funds for retirement comes from, a startling number – 86 percent – said Social Security and pension. Just 5% called out IRAs or 401(k)s. Boomers look to Social Security for 41% of their retirement expenses and pensions for 19%. In the case of the Millennials, only 25% expected to rely on Social Security or 12% for pension plans.

What is the Effect of the Caregiving Crisis Today?

There is a severe shortage of facilities now with trained personnel and health care aides. Let's look at the impact that caregiving costs may have on their funding caregiving, given the need to fund IRAs and 401 k plans.

Most employers do not even measure the effect of caregiving on the employee, and only 24% of the employers acknowledged the impact on productivity as for workers themselves according to research from in 2019 Transamerica Center Retirement Studies.

Today's workers plan to live to an average age of 90 or longer. Planning to live longer requires a more robust plan to fund retirement, but it also directly relates to funding care needs.

The increase since 2004 in the cost of extended care in an assisted living facility is 69%. The percentage increase in the cost of extended care with a home health aide is 25%. For 2019, the median cost of a home health aide or an assisted living facility is around $50,000.

What Information Should You Gather from Clients to Plan for Extended or LTC?

You can generally use the same approach for each client. The results will reveal individualized options to cover this risk. Be sure to ask:

- What the client can afford for care now?
- What can the client afford to maintain during retirement years?
- Did they share a story about what they think "retirement" will look like?
- Who and what is important to them?
- What support can they reasonably expect from family, friends, the government?
- Do they have a legacy to protect?

- Are there “consequences” to needing care that concern them the most?
- Did they have a family member or friend who needed extended or LTC? Who paid for it?
- Do they understand there are “can” and “cannot do’s” from products/services?
- Did you adequately uncover objections?

Basic Options for Funding Extended and Long-term Care

Let’s start with the two ends of the spectrum. Most wealthy people do not quickly move to self-funding, given the opportunity to analyze the cost of care with the cost of insurance self-funding. One source of self-funding is using an HSA (health savings account) to pay LTC premiums up to an annual limit. Any individual with a qualifying high-deductible health plan can open an HSA. There are a few exceptions. Although HSA funds cannot be used to pay regular health insurance premiums, you can withdraw money to pay specialized types of insurance. Long-term care insurance premium payments qualify.

At the other end of the spectrum is a reliance on the government to cover the cost of care. Government programs are limited by financial resources and availability. The most obvious challenges include a lack of control. It was one thing to have a random roommate in college. It’s another thing to have it when you’re not feeling well, and you suddenly find your room another person who’s not feeling well. There is also the growing shortage of services and trained personnel and the infamous paperwork.

State budgets are starting to become noticeably impacted by the cost and availability of services and trained care personnel. As a result, states are learning to pay more attention to this growing budget issue. For example, kudos to the governor of Maryland. He signed Bill 953 into law, creating the Maryland task force on long-term care education and planning. Arkansas, Vermont North Dakota, California, and the membership of the National Association of Insurance Commissioners and AIC voted unanimously to create a task force focused on long-term care insurance.

Market stability also has significantly changed LTC. A shopper’s guide was recently adopted at the federal level of the National Association of Insurance (NAIC). The National Association of Insurance Financial Advisors (NAIFA) represented insurance professionals and advisors at the federal interagency task force on LTC interagency. They discussed policy recommendations to complement the reforms by the states relating to LTCI regulation.

A Basic Review of Extended and Long-Term Care Insurance Options

As advisors, we need to carefully read the specimen contract or work with specialists that have done so. There's no such thing as a perfect solution in terms of extended and LTC contracts. Each contract, whether insurance or non-insurance, must be carefully looked at it and explained about what it does and certainly, what it does not do, how it does it, when it does it, where it does it, and for how long it does it.

Let's start with traditional long-term care insurance. To trigger long-term care benefits in a traditional long-term care contract or an LTC rider, the policyholder must be able to qualify in one of two ways: the inability to perform at least two activities of daily living or suffer a cognitive impairment that requires care to protect the insured. It must be certified by a licensed healthcare practitioner.

The sales of traditional standalone long-term care policies accounted for 20% of the 2017 policies sold, while claims incurred totaled $11 billion. In the 2019 Milliman long-term care survey in 2018, 15 carriers reported a 13 percent drop in the number of policies and a five percent drop in the amount of new annualized premiums.

What are the reasons? Since 2012 premiums have noticeably increased. Rate increases have been well-publicized. There are also additional advisor education requirements that only apply to selling standalone long-term care that has contributed to declining distribution as well as limiting joint sales.

Hybrid combo products are considered the hot market now. The Pension Protection Act (PPA) signed into law on August 17, 2006, became effective in 2010. It allows life insurance and annuity companies to offer long-term care riders on top of regular policies. The PPA also provided that the internal charges against the values in annuities and permanent life insurance policies used to pay long-term care insurance premiums aren't taxed. The long-term care rider and the critical illness rider are both accelerated death benefit riders, which means that the benefits paid out diminish the asset on which the rider rests. Some people were concerned that if the death benefit were used for care expenses and the money ran out, what would happen? Some companies may offer – for an additional fee – an extended death benefit (EOB) once the death benefit has been fully exhausted. The policy will continue to pay benefits.

After the death benefit has been used up, sometimes they provide a residual death benefit. There have been two innovations in the EOB world that are worth calling out.

1. The shift from the single pay to annual pay periods, and it's opened the market to younger and less affluent buyers as well as increasing the advisor and agent interest. This is very significant.
2. Some policies are now offering compound benefit increased options, but that comes with a price tag that some consumers may not want to pay. It can be expensive.

The devil is in the details.

All in all, according to the Life Insurance Marketing Research Association (LIMRA), combo life and LTC policies represented 16 percent of new 2017 annualized life insurance premiums. If you include a hundred percent of the single premium sales, the figure moves to 4.1 billion. We can expect this trend to continue.

A lot of us are familiar with traditional long-term care insurance, and we've heard about hybrid products or combo products. A lot of us are not that familiar with short term care, with nearly 40 States approving some form of short-term care products. The market is taking shape as a reliable solution for those who may not be able to qualify for long-term care insurance or riders, or maybe they have an affordability issue. The most appealing aspect of this option is its affordability. Premiums can be as low as $100 per month and provide a benefit that could cover 360 days of care. There are a couple of useful applications for short term care. Clients facing health issues, especially at older ages, may provide a little more time to work with their family or with a planner to prepare for the longer-term care options that may be available to them.

Others may use short term care insurance on the front end of their long-term care plan to lower the premiums because then they could select a longer elimination period. Another option is Home Health Care policies and riders, according to the AARP Public Policy Institute. When asked, almost 90% of adults want to stay in their home for as long as possible, so we see policies that address this need gaining popularity now.

What is the State of Worksite Long-term Coverage?

Some employers may see more value in offering an insurance product that affects employees in their current employment rather than a traditional LTC policy, which is frankly more likely to be used after leaving employment.

It's important to note that there is the ability to do a Section 1035 exchange under the IRS code provision that allows for a tax deed transfer of an existing annuity, contract life insurance policy, long-term care product, or endowment for another one of like kind. The primary beneficiary for those with an existing life insurance policy that may either have significant cash built up, or it's no longer needed, or a non-qualified annuity with significant tax-free build-up, can be exchanged for a policy that includes paying for long-term care. There is a little bit of a challenge there because you must make sure that a carrier is equipped or is willing to do such exchanges.

The percentage of traditional long-term care policies bought in 2018 in the worksite was 15% of total traditional LTC sales. However, worksite policy sales have decreased by 41 percent. Why is this significant? For starters, a major carrier withdrew from the market, but what really affected the level of sales was the requirement for unisex pricing for products

sold at the worksite. As a result, males may get a better deal purchasing individual coverage outside the worksite because before, males were traditionally less expensive. When you walk into an elder facility, you will find that most everyone is female.

What Concerns Might Your Clients Have Regarding Long-term and Extended Care Policies?

Let's address some of the public issues concerning rate increases because I think that that's affected souring some people on considering what to do to ensure this missing link in a solid retirement plan.

Some clients may have friends who have a carrier that exited the business, but that doesn't mean the carrier no longer sells long-term care products. Assure them that existing policies are never canceled. The contract becomes part of a closed block of business, and they're either handled by the carrier or a third-party administrator (TPA).

The only way to cancel a traditional long-term care product is to default on premium payments. Even then, for a limited time, reinstatement may be possible. In some cases where the worksite program is in place, some carriers who no longer sell individual policies may also still be offering new employees the ability to participate.

What about liquidation and the role of the State Guarantee Association? Each state operates an Insurance Guarantee Association. It's sort of the insurance industry's FDIC (Federal Deposit Insurance Corporation for banks).

If an insurance company fails, policyholders are protected up to certain limits. Those limits, in some cases, can be as much as a half a million dollars. Every insurance company that sells health policies in the state is assessed a fee to cover any costs.

The reason for increased premiums is to cover the current policies that were sold previously. One size doesn't fit all. Each carrier has had to look at each block of sold policies, and within the block, consider a number of variables like how old it is and what is in the block. They are obligated to make a sound financial case to each state who then may grant the premium increase request, or frankly, they may modify it. We've seen that before. Granting a request for the need for additional carrier profit is not a valid argument.

There is very little historical data upon which to base policy lapses. They used a percentage from non-LTC policies. Some expectations were as high as six percent, but LTC lapses are often less than 2%. We're talking even after the rate increases have been put in place.

Interest rates were substantially higher when policies were priced back then, while fluctuations might have been expected. A prolonged low-interest-rate environment was not accounted for. In addition, higher-than-expected claims, as well as early claim experience

lasting longer than expected, has negatively impacted pricing. So, faced with the financial realities of reserves being seriously underfunded, the carriers had to create options and alternatives for dealing with them.

All insurance carriers allow clients to reduce the maximum daily monthly benefits, and all allow clients to move to shorter than originally available benefit options. Eighty percent of today's insurers allow clients to select a longer elimination period. Carriers may include a specific interval of time where policyholders may exercise the contingent non-forfeiture benefit that allows the policyholder to retain the policy as a paid-up benefit.

In addition to evaluating which offer alternative bets best fits a client's situation, there are, of course, the new products out there. Generally, though, I want to remind everyone that it's not in the client's best interest to replace an older policy.

What about sales of new policies? Is it beneficial for advisors to approach rate increases? We are beginning to see more rate increase hearings. Maryland, Maine, Massachusetts, Minnesota, Pennsylvania, and South Dakota. The Long-term Care Insurance Rate Model and Act and the American Council of Life Insurance has established a working group to specifically address future increases and issues that may relate to combo or hybrid products.

Non-insurance Extended and Long-Term Care Options

Non-insurance options to consider offsetting the very expensive impact of long-term care include:

- Reverse Mortgage Funding
- Life Settlement Funding
- Medicare/Medicaid
- Veteran Benefits
- Crowd Funding

Reverse mortgages can improve a retirement income plan by spending coordination with a client portfolio by using a line of credit as a standby feature, in case the market is not a place that you want to go for funding bridge income to delay Social Security benefits. It is also a significant funding option to pay taxes for a Roth IRA conversion, providing a larger inheritance or contingency fund, or using it for unexpected care needs. Reverse mortgages have come a long way in terms of being regulated, with regulation such as the Reverse Mortgage Stabilization Act of 2013, which made them safe and sustainable.

Life insurance policies can also help pay for long-term care. A client may be able to raise cash by selling his or her life insurance policy for its current value.

Consumers think that the long-term care services (LTSS) (editor's note: defined as the services and supports used by individuals of all ages with functional limitations and chronic illnesses who need assistance to perform routine daily activities such as bathing, dressing, preparing meals, and administering medications), that have been introduced to Medicare Advantage plans are going to help them. I'm just going to list the qualifications the person must meet, and then you judge.

1. They must have one or more comorbid (the simultaneous presence of two chronic diseases or conditions), or
2. Medically complex chronic conditions that are life-threatening, or significantly limit their overall health, or function to have a high risk of hospitalization or other adverse health outcomes, ***and***
3. Require intensive care coordination.

I would encourage you to remember that these are state-approved programs.

For the carriers, it's based on objective criteria. They have quite a bit of broad discretion in developing the LTSS supplemental benefits. So, if a client changes their Medicare Advantage plan, or the carrier changes a plan, or it's not stable yet, it doesn't provide what we traditionally think as extended long-term care benefits.

Financially qualifying under medical Medicaid programs: historically, there have been no penalties for an applicant who divests himself or herself of assets before applying. The regulation has established a three-year look-back period, and for Extended Care Service, that may be subject to a copay. We really could do another whole series on just this topic.

Crowdfunding: over 10,000 people start a GoFundMe account. Significantly, one-in-three GoFundMe accounts are designated for medical costs.

Estimate Retiree Medicare Costs

If we're concerned about the low rate of retirement savings, the estimated savings required for an individual or couple who turned 65 in 2019 to have a 90% chance of meeting expenses is $144,000 for a man, $163,000 for a woman, and $301,000 for a couple. These amounts cover Medicare Part B health insurance, Part D prescription drug coverage, Medigap Plan F, and out-of-pocket drug costs, assuming median prescription drug expenses. These estimates do not include services not covered by Medicare or Medigap.

These estimates tell us that even if a member or client is saving, given the costs associated with current Medicare coverage, their income might have a big bite taken out of it. I mentioned this because so many think that the government or these Medicare programs are the answer.

Key Takeaways

I think that most of us agree that this entire issue is more than a passing fancy on the part of us who are concerned about the impact of retirement on all generations.

What exactly can we do now that we have an overview of all these different options?

I remind myself that I have one mouth and two ears because the more we hear a person's story, the more we can gauge their level of motivation, as well as their level of knowledge. It's essential to personalize the conversation to keep the focus.

1. Listen to client considerations. Sit and listen for essential information, such as who and what is important to them. We need to know about, for example, their financial picture.
2. They tend to focus on assets for retirement, but with long-term care needs income is also major their risk tolerance
3. Who's there real significant advisory influence?
4. What is their retirement plan? Do they even think about protecting it or what might drain it?
5. Get to know their health history. You might want to know if they've had anybody in their family with Alzheimer's or cognitive impairment.
6. Tools and the questionnaires are out there. There are some very fun things you can do to uncover how they feel about the risks and whether they are willing to take the next step.
7. I think it's important for them to know whether what they know is hearsay or whether it's true.

My advice is to change the conversation to one based on what it affects. In our industry, we have found that talking about these issues has moved clients to a more realistic view of what they need to do and what could happen to their cash flow. They may have to invade capital that could result in unplanned taxes. They get angst about market timing and liquidity. What if the markets down and I must do something? A lack of planning can result in a lack of personal determination.

By sharing the expanded list of options, clients will trust that you're focused on them and not on a product.

If you don't ask you don't get. Simply ask about extended or LTC risk protection. That's part of this business and best practices. You have a responsibility and dealing with the topic of retirement to also find out if they're expecting you to protect that.

What does that mean? How can you move forward? Let's look at some of these resources. There is the LECP center, which is NAIFA's Limited and Extended Care Planning Center. Through thought leadership, events, educational resources, research, networking, and advocacy, the LECP Center will leverage technology to increase conversations, build trusted relationships, and expand distribution year-round while raising consumer awareness.

I think also it's important to mention the Certification in Long-term Care, the CLTC. It is a top-rated designation program. The fact is, there is likely no other unexpected life event with the potential to cause serious, if not irreversible consequences to a family than a need for care over an extended period. Planning starts with a conversation.

About Carroll Golden, CLU, ChFC, CLTC, CASL, LECP, FLMI, the Executive Director, Limited and Extended Care Planning Center (LECP Center) for the National Association of Insurance and Financial Advisors

The "Missing Link": The Broadening Extended and LTC Planning Options – Carroll Golden

Carroll Golden is a forward-thinking organizational consultant and business strategist with a diverse international background holding senior leadership roles within the healthcare and insurance marketplace. Carroll is recognized by industry peers for her contributions in the extended and long-term care insurance (LTCI) field and is a frequent speaker and noted author across numerous professional benefits and financial services organizations.

Carroll has an extensive business background focused on business development, solutions selling, risk management and insurance distribution. As a Senior VP in charge of a leading carrier's LTCI Sales and Marketing department, her nationwide responsibilities spanned formulation of strategic sales plans, product development, innovative and traditional marketing initiatives. She excels in developing relationships and adding value within both small, privately-owned companies and large global corporations.

Working with a Certified Public Account audience, Carroll did a local radio spot on LTCI, focusing on the Executive Carve-Out Business market and later specialized in Group/Worksite Long Term Care Insurance. For several years, she contributed a monthly feature to Benefits Selling Magazine. Carroll gained brokerage and field perspective working with East Coast, and later with West Coast, national LTCI distributors.

Carroll entered the professional world as an International translator, having spent several years as a student at the Sorbonne in Paris and continuing her studies in Reims, France. Traveling to more than 44 countries while working with a prestigious Manhattan, NY law firm, Carroll gained insight into how different customs and traditions influence governments and businesses.

As an active member of the Society of Financial Service Professionals (SFSP), Carroll served as Chapter President and taught continuing education (CE) classes. Additionally, she served as Chairperson for both the Society of Actuaries Fifth and Tenth Annual Intercompany LTCI Conferences. She currently participates on the Board of Directors of the Intercompany Long-Term Care Conference (ILTCI). Carroll is President of C. Golden Consulting, LLC and is currently working with the National Association of Insurance and Financial Advisors. NAIFA is creating the first of several Specialty Centers. Carroll is the Executive Director of the NAIFA Limited and Extended Care Planning Center (LECP Center). LECP is an easy to access hub-dealing with all aspects relating to or impacted by extended and long term care planning-or the absence of planning.

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Understanding How Different Types of Annuities Work

By Wade D. Pfau, Ph.D., CFA, Professor of Retirement Income for the American College of Financial Services

Wade D. Pfau, Ph.D., CFA, Professor of Retirement Income for the American College of Financial Services
Editor's note: This article is an adaptation of the live webinar delivered by Wade Pfau in 2019. His comments have been edited for clarity and length.
You can read the summary article here as part of the 4th Qtr 2019 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)
You may also choose to take the full length course "Understanding How Different Types of Annuities Works for 1.0 hour continuing education (CE) credit.

Understanding how annuities work is the crucial first step towards subsequently then exploring the potential role they have in a financial plan. This article is based on material for my new book, "Safety First Retirement Planning," available through Amazon.

Product allocation for retirement income is that we don't simply think about asset allocation, which would be the world of the systematic withdrawals from an investment portfolio, but we explore as well how different types of annuities can fit into that mix.

A caveat: for this article, I'm referring to "good annuities," as not all annuities are created equal. By that, I don't mean different types of annuities but just are they competitively-priced. Some of these annuities can be complex, and that can obscure the pricing element behind them. The type of annuity I'm talking about can be priced competitively so that they can provide that value to consumers.

What are the Basic Annuity Vocabulary Concepts?

Annuity vocabulary can create much confusion because they can refer to different things, and so it's not always clear what was meant.

The first issue to address is, are we talking about fixed or variable annuities? These terms don't simply refer to the returns coming from the annuities. It refers to something deeper. A fixed annuity is taking premium and investing that in the general account of the insurance

company. It might provide a fixed return if it's a traditional kind of deferred fixed annuity, or it may be more of a fixed index annuity where it might have a variable return linked to an index. But it's still technically a fixed annuity just because that's how it is regulated and structured. Any fixed annuity will provide principal protection.

However, a variable annuity is regulated differently. It's more like a security; it can have principal losses; the account value can have a capital loss connected to it. The variable annuity also allows for investments in sub-accounts, which are not technically mutual funds, but which behave in a very similar manner, so you can choose an asset allocation and choose underlying funds and have a variable return. You could also have a fixed return with a variable annuity. Again, the idea is you are investing in a sub-account that gave you a kind of short-term cash-like return, and it's regulated like a security.

Now the other important concept to address is immediate versus deferred annuities. This can be confusing because it can refer to two different things.

Both a single premium immediate annuity or a deferred income annuity are immediate annuities. What we're talking about with these terms is, "When is the contract annuitized?" The contract would be annuitized immediately. Immediate versus deferred can also refer to when do the payments start. In that case, an immediate annuity would begin payments within the first year. With a deferred annuity, you would pay the premium today, but the income it provides would not start for at least a year. That's one way those terms get used, but that's not the general context of what these terms mean. With an immediate annuity, you annuitize the contract immediately today. When the payments begin is a separate issue. That's important because we're going to be talking about deferred annuities with guaranteed living withdrawal benefits.

Now with a deferred annuity, you might start the income immediately – with guaranteed withdrawals – but you're not technically annuitizing the contract. You still have a contract value, you still have liquidity, and you can still receive guaranteed lifetime payments through an optional living withdrawal benefit, but the contract has not been annuitized. So, you could have a deferred *income* annuity, but it's annuitized immediately.

You lose the liquidity for that contract versus just a deferred annuity. You could have guaranteed payments start immediately, but a deferred annuity with a guaranteed living withdrawal benefit can provide a lifetime income without annuitizing the contract the annuitize. The annuitization process is deferred, and it's contingent upon if you ever deplete the contract value, then that's when the guaranteed living withdrawal benefit would kick in and provide the lifetime income.

How are Different Types of Annuities Priced?

In terms of how these are priced, it depends on three ingredients:

1. *Mortality rates*, which are going to be based on age and gender. They impact how long the payments will be made. The longer someone is expected to live, the lower the payout rate is because you must extend those payments out for longer. Younger people and women live longer than men so that these factors will reduce the pay rate.
2. *Interest rates*, which are going to impact the returns that the insurance company will be generating with the premium that it places into its general account. Higher interest rates can translate into higher payout rates from the annuity.
3. *Overhead costs* are the extra charge the annuity provider needs to cover both its business expenses and to manage the risk around pricing an annuity. They will make assumptions on mortality rates and interest rates. They need a bit of a cushion or a reserve if they are wrong about their estimates. This will be reflected in overhead costs.

The way an income annuity is priced is it is simply a present value calculation. It's a little bit more than just a present value because it also accounts for survival probabilities.

We're looking in an example for a 65-year-old female. We'll make the yield simpler by assuming a flat yield curve at 3%. What would be the cost for this 65-year-old female to fund $10,000 a year of income for her lifetime? The first step s to determine how much it would cost to build that through a bond ladder. If she buys individual strip bonds maturing each year – so they're not paying coupons to make the calculations a little simpler – how much does she need to set aside for each future payment? Through age 100, it would cost her about $225,000 to fund $10,000 a year of income through age 100 with just a bond ladder.

In terms of the 4% rule style, like what is a sustainable spending rate, that would be the $10,000 of spending divided by a $225,000 cost or a 4.45% withdrawal rate.

Now the annuity considers the cost of the bond ladder. But because of the risk pooling element where the insurance company can rely on the law of large numbers, they can apply survival rates to those numbers, and those survival rates decline with age.

So, the cost of the annuity would be summing up not just the discounted values, but those discounted values multiplied by their survivor probabilities. If we add those up through age 104 (even longer I did with the bond ladder), that's still just about a $173,000. Funding retirement with bonds to age 100 would just cost roughly 30% more than funding retirement through an annuity that would provide that payment for a lifetime (for a life only version).

This implies an annuity payout rate of 5.78%, which is the $10,000 of annual spending, divided by the $173,000 cost. This is the basic way a simple income annuity gets priced.

Now you could see lower payments if you want more certainty for the payments, like if you want period-certain or a cash refund. If I want ten years of period-certain payments, the adjustment is those survival probabilities for ages 65 to 75 would all stay at 100%. It's not that the individual is immortal at that point, but those payments continue regardless of whether the individual is alive. This would raise the cost of the annuity and lower its payout rate.

Same concept with other provisions. If you want a joint life payout instead of a single life, there is a higher probability that at least one person of a couple will still alive versus the likelihood of just one individual in isolation, so that would lower the payout rate. Or if you want a cost-of-living adjustment on the payments to increase over time, there would be a lower initial payout to account for that.

What are the Fees on Annuities?

The consumer media just mixes every kind of annuity into one jumbled mess, so if they talk about no liquidity and high fees, that's not something that exists.

The high fees part usually is a variable annuity feature. These are the potential fees on a variable annuity:

1. Underlying fund expenses, just like any sort of expense ratio on a mutual fund.
2. There's a mortality and expense charge. For the traditional annuity that's commission-based, this would be used in the long run to support the commission to that advisor, as well as cover other company expenses and support the basic death benefit of the contract.
3. There can be a surrender charge schedule that doesn't apply to guaranteed distributions. If you just want a free distribution that is not part of the guaranteed living withdrawal benefit and it exceeds a certain level, typically, the annuity will allow you to take up to 10% of the account balance every year without a surrender charge. But if you want more than that back, for that liquidity in the early years of the contract, there's a surrender charge scheduled that will decline over time, and eventually get down to zero. So, it's not a factor for long-term holders, but it can impact a short-term holder.
4. Then there are charges for the optional living benefits such as the GLWB or other death benefits or living benefits.

Now today, we see more in the way of fee-only annuities, so they don't pay commissions. The framework is there now for the advisor to treat annuities as any other assets under management that the advisor could charge an AUM fee on if they wish. Because there's no commission built into the contract, that can substantially reduce mortality and expense charges and substantially reduce or possibly even eliminate surrender charges so that it can dramatically reduce the overall fees on a variable annuity.

When we think about variable annuity fees, there are two issues to think about. With a systemic withdrawal strategy, you might be looking at the lower payout rate because you're worried about outliving your money. So even if the annuity has a higher fee drag, you might be able to fund your retirement goal with fewer assets. And in that regard, it's not the fee drag that matters; it's how expensive is it to fund your retirement? The variable annuity might allow you to support a retirement spending goal with a smaller asset base.

There's also the asset allocation issue, where if the owner of the annuity is comfortable investing a little more aggressively, the additional equity exposure could more than offset, or a potentially offset much of the fee drag, and not necessarily reduce the long-term net legacy from the contract. Fees don't necessarily have to lead to smaller legacies if it's accompanied by a little bit riskier asset allocation as well.

What is the Return on an Annuity?

One issue that confuses consumers is the idea that some think that the payout rate implies a rate of return from the annuity. That's not the case. You don't compare the payout rate on the annuity to a return from building a CD or a bond ladder, because the payout rate on the annuity includes the return of principal. It is comparable to a 4.4%-rule style calculation in terms of a spending rate from a portfolio that also implies spending down principal if you have the matching assumption on whether there's an inflation adjustment or not, but that's the idea. The payout rate involves interest, return a principal, and mortality credit. It's not just an interest rate that you're earning.

Though, there is an underlying investment return that would be part of the insurance company's general account where they're investing those premiums and that they are factoring into the payout rate they can provide. If they're able to earn a higher rate of return on the general account, they can offer a higher payout rate on the annuity. So that general account is primarily a fixed-income investment, but they're able to use asset-liability matching. They have a good idea of their expenditures each year, so they can match bonds to those expenditures so that they have comparable maturities. That can allow them to earn a higher fixed income yield than a household might be able to earn, especially if the household is not in mutual funds and bond mutual funds. The insurance company can focus on a longer maturity, have more diversification for the credit risk, and invest in less liquid bonds because they have less need for liquidity. They're holding those assets to maturity and benefiting from institutional pricing on trades so that they can get a pretty good underlying fixed income return relative to the household. That's working behind the scenes; that's not observable. What you do observe is the payout rate from the annuity.

Now a common question is, are annuities expensive? For an income annuity, the answer, “Compared to what?” Fixed annuities are spread products. They don’t charge external fees, so in that regard, you don’t see a fee associated with it, but it’s just like with a checking account. The insurance company is expecting to earn more on the deposits then it pays out as an interest rate.

If you want to know the implied cost of the annuity, you just do your calculation. It’s called a money’s worth measure, where you should be realistic for the household. What could the household earn on its fixed-income investments, and that would lead you to the discount rate or even to use an entire yield curve. Then you also want to think about what are reasonable mortality assumptions/survival probabilities for that household?

Then with those ingredients, what would be the fair price for the annuity? You take whatever payout rate you get from that, and you compare it to the commercial payout rate. A reasonable price would be 5.8% as a payout rate, and then you look at the commercial annuity, and it’s a 5.7% payout rate. That is a 10-basis point difference, which is the implied cost of the annuity.

With deferred income annuities, they’ll offer higher payout rates for two reasons:

1. You’re delaying the payments until later ages when you have a lower probability of survival
2. Because you’re paying a premium beforehand, that premium has a chance to grow in the insurance company’s general account.

These two factors would allow you to translate from a single immediate annuity versus a deferred income annuity and in the higher payout rate it provides.

What are Income Annuities? (SPIAs and DIAs)

Simple income annuities are all immediate annuities because they will annuitize the contract immediately. They do not have liquidity. This could be a single premium immediate annuity (SDIA) or a deferred income annuity (DIA), but it’s deferred because payments start later. It’s immediate because you are annuitizing the contract when you pay that premium.

So, who’s covered by these types of income annuities? You have an owner who will receive the payments, the annuitants whose lifetime the payments are based on. Usually, the owner and annuitant would be the same individual, but they can be different. Then the beneficiary would be anyone eligible for a death benefit from the contract. The payments could be started immediately, or they could be deferred. You could have this for one life or a joint annuity for two lives.

You can have different flavors of payouts. With the life-only version, you're offering the most risk to the risk pool. If you sign the contract and then get hit by the bus leaving the office, you would lose the entire premium, but because of that, you're going to get the highest payout rate. You are offering the most mortality risk to the risk pool, so you'll get the most mortality credit back from the risk pool.

If you're not comfortable with that approach, though, you can have other provisions like a lifetime payment but at least maybe ten years. So, if the annuitant passes away in the first ten years, payments would continue for at least ten years.

Or you could have a cash refund whereas the premium is returned as payments, if the annuitant passes away before the entire premium has been returned, the difference would be refunded to the beneficiary. It's a similar idea with installment refunds, but instead of getting one lump sum refund, it would be provided in installments. You can even have annuities that are not linked to lifetime payments, but that are simply a fixed number of years, and so can be an alternative to building a CD ladder or a bond ladder. As well, payments can be fixed, or they can grow over time. They could be level payments. They could have fixed cost of living adjustments such as a 2% or 3% annual increase that you'd try to benchmark to what you believe inflation might be. Or they can be inflation-indexed through the CPI, although since November, there is currently no commercial provider of an inflation-indexed income annuity.

What are Deferred Variable Annuities?

General features of a deferred variable annuity are:

1. If you add an optional guaranteed lifetime withdrawal benefit (GLWB) that gives you downside spending protection. Spending is no longer linked to market performance because even if the contract value depletes, you get that guaranteed income at that spending level.
2. At the same time, you have upside potential because you are now able to invest in sub-accounts, and can you have asset growth.
3. The GLWB could have a provision that will lead to higher income step-ups as well if the contract value is growing.
4. Also, because it's a deferred annuity and the contract is not annuitized, you do have liquidity. You can take out more than the allowed guaranteed levels. If you want, it will reduce the subsequent guarantee, but that would be true for an investment portfolio as well. You can spend more from your investment portfolio if you want, but you better anticipate spending less subsequently.

5. Any deferred annuity is also going to provide a tax deferral element. Another popular use for deferred variable annuities with RIA-type (registered investment advisor) fee-only advisor is to use a low cost, investment-only variable annuity to get tax deferral. If the annuity cost is less than the tax deferral benefit, you'd have an advantage there.

Behaviorally, with the deferred variable annuity, you can get the value of that risk pooling in the mortality credits without "sacrificing" the asset. With an immediate annuity, you are annuitizing the contract, and then the asset disappears from the balance sheet. Advisors who are used to managing their clients with a portfolio statement and with account balances, now with the fee-only variable annuities that are out there, that's all still on the balance sheet. It's an asset, you have sub-accounts, and you can invest it. That's something that you can get the value of lifetime income without behaviorally-speaking, giving up that asset for the household. You still see the assets on the balance sheet. It may also provide some comfort to invest a little more aggressively because you have the guarantee in place. That GLWB is like a put option on the stock market. If the stock market tanks, income is protected on the downside. If the stock market goes up, you might be able to get some step-ups.

So, you have downside percent protection with some upside exposure. It can also help to stay the course with market volatility as well, because then if the market tanks, a client may be less likely to panic and sell off their stocks because they know they have that guarantee in place.

What are Fixed Index Annuities (FIA)?

Fixed index annuities have a lot of the same general features as the variable annuity. They have:

1. Principal protection; the contract value cannot experience a capital loss.
2. Lifetime spending protection through the optional GLWB.
3. Some degree of upside potential, but generally, the idea is there somewhere in the middle between an income annuity and a variable annuity, where there is more downside protection than the variable annuity but less upside potential in the variable annuity.
4. Liquidity because they are a deferred annuity. The contract is not being annuitized.
5. Tax deferral to the extent that is a potential benefit as well for the client.
6. The power of risk pooling to the GLWB without "sacrificing" the asset as you would with an immediate annuity that annuitizes the contract. You can still see the asset on the balance sheet. It's something the advisor can manage.

7. A fee-only version of the fixed index annuity is just like another asset class that the adviser manages with principal protection. You're not at risk of a loss with a market downturn, and compared to bonds, if interest rates go up, you can have a capital loss. There's no capital loss on a fixed index annuity so that can potentially allow for more comfort with investing a little more aggressively elsewhere because you have essentially a bond-like asset that's not even exposed to a capital loss as part of that asset allocation.

The return on an FIA credits interest to the contract that could be a fixed interest rate or this is where you could get a variable return, where the fixed interest that's credited could be linked to the performance of an external index like the S&P 500 or others.

When the FIA is linked to an external index, the FIA is not actually investing in that index. The interest that it will credit is based on the performance of that index as calculated using financial derivatives. That means the interest credited will be based on the *price* returns of the index – it doesn't include the dividends – so it's not the total return of the index. It's the price return without the dividends.

You have principal/downside protection, which implies the contract value does not decrease, even if the index experiences a loss. If the contract value is linked to the S&P 500, and the index is down 40%, the contract has a floor of zero, and you don't have any loss. The trade-off, of course, is you're going to have to give up some of the upside exposure to have that downside protection.

In terms of the fees on an indexed annuity, you're not investing in the fund, so there are no underlying fund expenses. There are no mortality and expense charges. So, you cross both of those out, and that's where you can hear the concept that an FIA is no fees. There is a fee, but it's a spread product. As with an immediate annuity, the fees are baked into the idea that the insurance company is generating more on the premium than it's going to be paying out to the individual.

There can be a surrender charge schedule attached to the contract. If you do want the GLWB to provide lifetime income, that's an optional thing that you're adding to the contract, and that does have a fee that will be charged against the contract value. There is also this unobserved internal spread, just like a single premium immediate annuity where you don't see it. Still, the insurance company is getting a higher return than what they're paying out.

We now have fee-only, fixed index annuities that are much more friendly for the RIA. They don't pay commissions, which can reduce surrender charges or potentially eliminate surrender charges and reduce that unobserved internal spread as well. Because they're not compensating the advisor through the annuity, the adviser would make that charge separate from the annuity. You might still like to have a surrender charge schedule on an FIA, not because it was needed to pay a commission, but because that allows the insurance

company to invest in less liquid, longer-term bonds that could potentially yield more. If you hold the contract for the long-term, you might get a better return from it and never have to realize any surrender charges.

Key Takeaways

1. Understanding how annuities work can help to illuminate why they may add value to a retirement income plan.
2. Annuitized contracts lose liquidity and upside but generally offer the highest guaranteed income.
3. Deferred annuities with living benefits continue to provide liquidity and upside.
4. Variable annuities generally offer more upside potential, but less downside income guarantees than fixed index annuities.

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Understanding How Different Types of Annuities Work – Wade Pfau

Wade D. Pfau, Ph.D., CFA, is a Professor of Retirement Income in the Ph.D. program for Financial and Retirement Planning at The American College in Brin Mawr, PA. He also serves as a Principal and Director for McLean Asset Management, helping to build retirement income solutions for clients, and Chief Planning Strategist of software provider inStream Solutions. He holds a doctorate in economics from Princeton University and publishes frequently in a wide variety of academic and practitioner research journals on topics related to retirement income.

Wade hosts the website and is a monthly columnist for Advisor Perspectives, a RetireMentor for MarketWatch, a contributor to Forbes, and an Expert Panelist for the Wall Street Journal. His research has been discussed in outlets including the print editions of The Economist, New York Times, Wall Street Journal, Time, Kiplinger's, and Money Magazine. He is the author of Reverse Mortgages: How to Use Reverse Mortgages to Secure Your Retirement and How Much Can I Spend in Retirement? A Guide to Investment-Based Retirement Income Strategies.

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