Persons are far more inclined to react to bad news and negative events. We know this to be true, because every evening, and now on a constant basis all day long on the Internet, we are bombarded with bad news. The TV people have a saying, “If it bleeds, it leads!”

In recent months we have been subjected to an Economic Tsunami of proportions not felt by Americans for eighty years. Governments, at state and federal level, are now embarking on massive spending programs, both in America and abroad. They are hoping we can Spend Ourselves into Economic Health. Maybe it will work. Since we are borrowing huge sums, and printing trainloads of new money, it had better work.

There is another topic, however, that has even more significance to our clients, and to each of us personally. This issue contains some very good news, with enormous consequences. And these consequences represent wonderful opportunities for financial advisors.

**Good News — We are Living Longer!**

Not only are we living longer, we are living much better. The Life Expectancies in the 20th Century chart on page 13 indicates the incredible increase in longevity in other countries, such as shown in the Life Expectancies in the 20th Century chart.

China’s life expectancy may be low because of pollution and industrial deaths. It is certainly not genetics, because in Macau the life expectancy is 84.33. Imagine the population and economic difference that longevity increases will make in China and India alone!

A person born in the US in 1940 would have expected that when the time came for his or her 50th high school reunion in 2008 that less than half would be able to attend. However, almost 70% are still living! And judging from those on the dance floor, many are in darn good shape.

When it was established in 1935, Social Security was anticipating a life expectancy of less than 60 years for male workers, which comprised the bulk of the workforce. A normal retirement age of 65 therefore assumed that a majority would never receive any benefits. It has been estimated by The Cato Institute that in 2012 there will be more paid out by Social Security, than there is coming in from the withholdings and employer contributions. This will mean either sharp curtailment in benefits, significant delay in eligibility, or higher taxes — or all three.

### Understanding the Numbers

We tend to think that longevity, or life expectancy means that if you were born today, you will live a certain number of years. That is not what it means. Life expectancy means that, for example, a male child born in the US in 2001 can expect that 74.4 years later, half of those born then will still be living. Many will live into their nineties and a surprising number will become centenarians.

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### The Impact on Planning

You cannot assume your clients will live forever. That is unrealistic, and when you factor an inflation rate over a 40 or 50 year period, the numbers become unbelievable.

You cannot plan for death occurring at Life Expectancy. That would be foolhardy, since over half will live beyond that date, many for much longer.

You cannot use out-dated statistics. Which life expectancy tables would you use? Those
**Life Expectancies in the 20th Century**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>46.3 years</td>
<td>48.3 years</td>
</tr>
<tr>
<td>1910</td>
<td>48.4 years</td>
<td>51.8 years</td>
</tr>
<tr>
<td>1920</td>
<td>53.6 years</td>
<td>54.6 years</td>
</tr>
<tr>
<td>1930</td>
<td>58.1 years</td>
<td>61.6 years</td>
</tr>
<tr>
<td>1940</td>
<td>60.8 years</td>
<td>65.2 years</td>
</tr>
<tr>
<td>1950</td>
<td>65.6 years</td>
<td>71.1 years</td>
</tr>
<tr>
<td>1960</td>
<td>66.6 years</td>
<td>73.1 years</td>
</tr>
<tr>
<td>1970</td>
<td>67.1 years</td>
<td>74.7 years</td>
</tr>
<tr>
<td>1980</td>
<td>70.0 years</td>
<td>77.5 years</td>
</tr>
<tr>
<td>1990</td>
<td>71.8 years</td>
<td>78.8 years</td>
</tr>
<tr>
<td>2001</td>
<td>74.4 years</td>
<td>79.8 years</td>
</tr>
</tbody>
</table>

*Source: National Center for Health Statistics, U.S. Department of Health and Human Services*

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**A Little Introspection**

Please ask yourself, "How would I respond if I was to learn that my personal life expectancy is a lot less than that of others my age?"

If I were planning for my parents, how could I open this discussion, and how would I handle the delivery of the numbers and the impact? For example, what if your mother's expectancy is three years, but that of your father is 11 years, meaning he is likely to outlive her by eight years?

"If my clients run a serious risk of outliving their money, how will I help them reduce their expectations and spending, if that is the only solution? “What if that applies to me?”

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**The Good News**

You can handle these issues. I know thousands of Registered Financial Consultants, and also life agents and financial planners that are not (yet) in our organization. By an enormous majority, they are caring and conscientious. Those characteristics will help turn the discussion of longevity into Good News, from a business perspective, but more important to all of us, from the standpoint of helping clients achieve and maintain financial independence. You will help fix the financial issues, but a Longevity Report may stimulate them into better lifestyle habits and an even longer and better life.

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Ed Morrow, CLU, ChFC, CFP®, RFC®

Ed Morrow is the chairman and chief executive of the IARFC has been a practicing financial advisor for forty years. His advice and systems are used by thousands of financial advisors in the U.S. and across the world. As the CEO of the IARFC he is the primary originator of the Financial Planning Process course materials and a frequent instructor, both nationally and in 11 countries.

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