Living to 100: Retirement Implications to Consider

As MFS® celebrates its 100th year, we reflect on what effect living to 100 years of age may have on retirement planning and potential outcomes. With longer life expectancies, there is an increased chance of living to 100, or beyond. Over the past 100 years, the concept of retirement has evolved: The average time in retirement has increased and the type of retirement benefit we rely on has shifted responsibility more to the participant.

	Average retirement age		Life expectancy at retirement		Type of retirement benefit	
	MALE	FEMALE	MALE	FEMALE	DEFINED BENEFIT	DEFINED CONTRIBUTION
Today[1]	**65.2**	**65.3**	**▲18.1**	**▲21.0**	**▼22%**	**▲78%**
50 Years ago	63.4	62.9	15.0	19.4	74%	26%
100 years ago	72.0	67.0	8.1	13.6	Virtually none	

50 years ago, the average retirement age was lower than today, corresponding to the prevalence of defined benefit plans, which often provided early retirement incentives. Today, the average retirement age is around 65, and the average life expectancy at retirement is 18 to 21 years for men and women respectively. We have also seen a meaningful shift from defined benefit to defined contribution plans. As we contemplate what it may mean to live to 100, here are ten key retirement implications for both plan sponsors and participants to consider:

MFS® Global Retirement Survey[2]

Only **15%** of pre-retirees and **15%** of retirees in the MFS 2024 Global Retirement Survey are planning for their retirement to last more than **30** years.

Extended Retirement Savings: With retirement potentially lasting decades, individuals may need to save more to ensure they don't outlive their resources. This may mean saving earlier in life, saving at a higher rate or investing more aggressively while they have a long-time horizon.

- **Plan sponsor considerations:** The role of automatic enrollment, automatic escalation and encouraging strong deferral rates to help set participants up towards success.
- **Plan participant considerations:** The importance of saving early, with a strong deferral rate and in an age-appropriate asset allocation.

40+% of pre-retirees think less than **25%** of their retirement income will come from Social Security, but retirees tell us over **40%** of their monthly income comes from Social Security today.

Social Security: Individuals should evaluate their Social Security claiming strategy, especially as one option of delaying claiming Social Security can lead to a meaningful increase in the benefits received.

- **Plan sponsor considerations:** Offer Social Security planning tools.
- **Plan participant considerations:** Understand the role Social Security and other programs may play in retirement.

When asked about their biggest expenditures in retirement, **70%** of participants say it will be health care costs, while **62%** of retirees say it is one of their top three expenditures.

Health Care Costs: Individuals may face substantial medical expenses in retirement, especially in the later years of life. This means planning for long-term care and considering insurance options such as Medicare and supplemental insurance. Health Savings Accounts (HSA's) may also be a critical tool in planning for health care costs in retirement.

- **Plan sponsor considerations:** Integrate health care options, such as HSAs, into the retirement planning framework.
- **Plan participant considerations:** Understand and prepare for health care costs and insurance options such as Medicare in retirement.

61% of participants believe they will have a more gradual transition rather than a hard stop when it comes to retirement. However, **75%** of retirees say they had a hard stop, and **49%** said they retired earlier than expected.

Working Longer: Some individuals may choose or need to work beyond a "traditional" retirement age to continue earning income and maintain their standard of living.

- **Plan sponsor considerations:** Understand the workforce demographics, current retirement age and if the company could support later retirement dates.
- **Plan participant considerations:** Is working longer possible? Would it be at your current employer, in your current profession or might it look different?

When asked about the elements of a retirement portfolio, participants **(78%)** and retirees **(87%)** stress the importance of receiving a predictable stream of income payments in retirement.

Retirement Income Strategies: Strategies for generating income in retirement, such as annuities or systematic withdrawal plans, may need to be adjusted to ensure they can provide for a longer lifespan.

- **Plan sponsor considerations:** From a plan design perspective, determine if the goal is for participants to stay in plan or exit the plan, then build appropriate strategies to help facilitate that plan design.
- **Plan participant considerations:** Have a comprehensive financial plan around how to drawdown assets in retirement.

Inflation and Cost of Living: Over a long retirement, the cost of living can increase significantly due to inflation. Retirement income should aim to keep pace with rising costs to maintain purchasing power.

- **Plan sponsor considerations:** The importance of having diversified investment options available to participants to help offer and build inflation strategies for client's needs.
- **Plan participant considerations:** Do you plan to spend more, less or the same in retirement? Having a plan that will work in an inflationary or non-inflationary environment.

Housing: Decisions about where to live in retirement become more critical, with considerations such as accessibility and proximity to health care or family members who may be involved with caregiving.

- **Plan sponsor considerations:** If participants need to consider housing changes, do you operate in an area or cost of living environment where retirees will stay?
- **Plan participant considerations:** Do you plan to move when you are retired (from your home or from your current location)?

44% of participants think they will need to spend less in retirement. **60%** of retirees say they do in fact spend less in retirement.

Lifestyle Changes: Retirees may need to consider changes in their lifestyle to stretch their savings, such as downsizing their home, relocating to areas with a lower cost of living, or cutting discretionary spending.

- **Plan sponsor considerations:** If participants need to consider lifestyle changes, will those changes result in participants working longer?
- **Plan participant considerations:** You may need to consider lifestyle changes (such as downsizing, relocating or cutting discretionary spending) in retirement.

Cognitive Decline: Participants may need to plan for the possibility of diminished capacity to manage one's own finances, including setting up trusts, power of attorney or guardianship arrangements.

- **Plan sponsor considerations:** The importance of advice and potentially providing access to an advisor.
- **Plan participant considerations:** The importance of advice and potentially engaging with an investment professional or financial advisor.

Estate Planning, Legacy and Gifting: A longer life means more time to think about how to pass on assets to heirs or charities. Estate planning strategies may need to be more flexible to account for changing circumstances over a longer period.

- **Plan sponsor considerations:** Do you offer any tools to help participants with these broader concerns?
- **Plan participant considerations:** Thinking holistically about your retirement planning often involves these considerations as well.

The retirement industry's focus on developing retirement income strategies in a defined contribution world must also wrestle with what it means to potentially live longer. However, retirement income strategies are only one of a long list of considerations. Planning for a long retirement may require a comprehensive approach that considers financial, health care, social and legal factors to work towards a secure and fulfilling retirement.

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[1] Source: Average retirement age: 100 years ago = US Census Bureau, Age of Gainful Workers,1930. Average retirement age considered to be when <50% of persons were gainfully employed. 50 years ago = Bureau of Labor Statistics: Retirement Age Declines October 2001, Estimated average age of men and women 1970 to 1975. Today = OECD Average effective age of labor market exit in Pensions at a Glance 2023: OECD and G20 Indicators. Life expectancy based on MFS Analysis of life expectancy at average retirement age shown using relevant mortality tables : 100 years ago = 1932 Combine Annuity Mortality Table with Stark's Extension, Male & Female Combined. Female/male life expectancy increased/decreased by 1.5 years from combined mortality result, 50 years ago = 197 Group Annuity Mortality Table for Males & Females, today = Social Security 2024 Mortality Table. Type of retirement benefit: Employee Benefits Security Administration: Private Pension Plan Bulletin Historical Tables and Graphs 1975 to 2020, October 2022.

[2] Source: 2024 MFS Global Retirement Survey.

US Results. Methodology: Dynata, an independent third-party research provider, conducted a study among 725 Defined Contribution (DC) plan participants and 310 retirees in the US on behalf of MFS. MFS was not identified as the sponsor of the study.

To qualify, DC plan participants had to be ages 18+, employed at least part-time, actively contributing to a 401(k), 403(b), 457, or 401(a). US Retirees had to be fully or partially retired and must have had a 401(k), 403(b), 457, or 401(a), DB plan, or SEP/Simple IRA. Data weighted to mirror the age/gender distribution of the workforce. The survey was fielded between March 28 –April 13, 2024.

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