



PLANNING FOR THE 30+ YEAR RETIREMENT

Funding Longer Life in the Age of Longevity



Developed in collaboration with
the Stanford Center on Longevity and
Wells Fargo Wealth & Investment Management

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About the Longevity Project: We foster research and public conversation to build awareness of the implications of longer life and bring together leaders from business, government, and the social sector to plan for the transitions in health care, retirement planning, the future of work, and more. Together with our lead content collaborator, the Stanford Center on Longevity, and other leading nonprofits, think tanks, and media organizations, our goal is to support a new awareness of the longevity challenge and support change so that people around the world can live healthier, more secure, and more fulfilled lives.



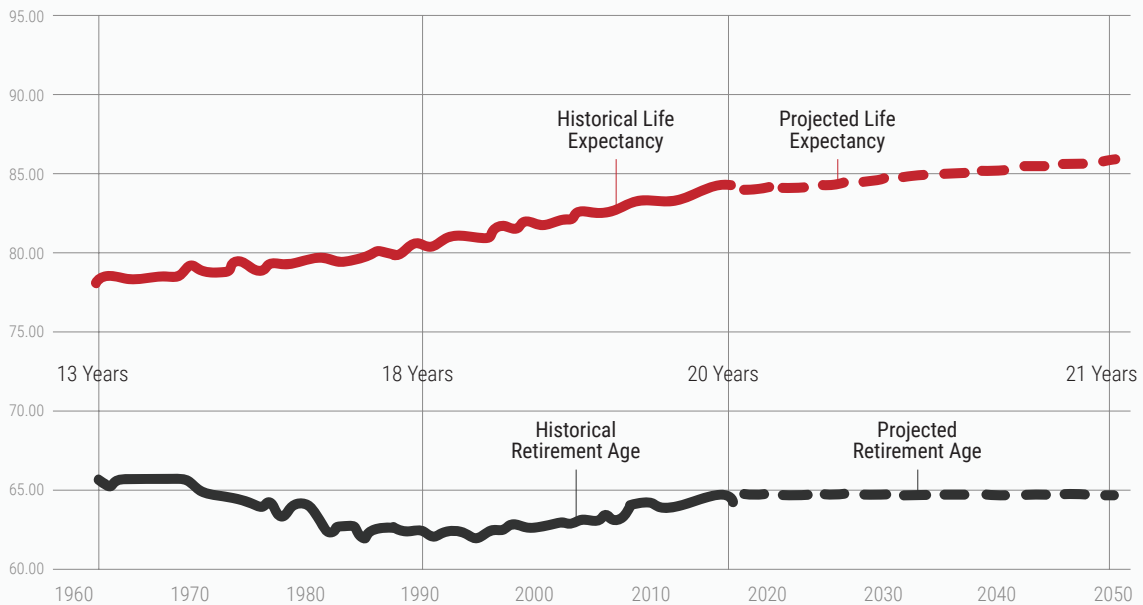
About "Planning for the 30+ Year Retirement:" The principal resources for this paper include original public opinion research conducted by the Longevity Project and interviews of leading experts in the retirement field. In particular, we want to thank a panel of subject matter experts from the Wealth & Investment Management division of Wells Fargo & Company who contributed significant time and many valuable insights for this paper.



THE 30+ YEAR RETIREMENT

Over the last century, life expectancy in the United States has increased dramatically, from approximately 53 in 1920 to almost 79 today. The addition of an extra 50% of life is the product of medical and health care developments, economic advancement, and widespread changes in lifestyle. Despite the unevenness of some of these advances, greater longevity is in many ways one of the great achievements of the last century, allowing hundreds of millions of people to have longer, more productive lives; to spend more time with family and loved ones; and to enjoy the quiet rewards of retirement.

Average Years in Retirement, Men, 1962-2050



Note: Average retirement defined as when 50% or more of the population is retired. Life expectancy is cohort life expectancies at 65 from Social Security Trustees report. Data only widely available for men during portions of this period.

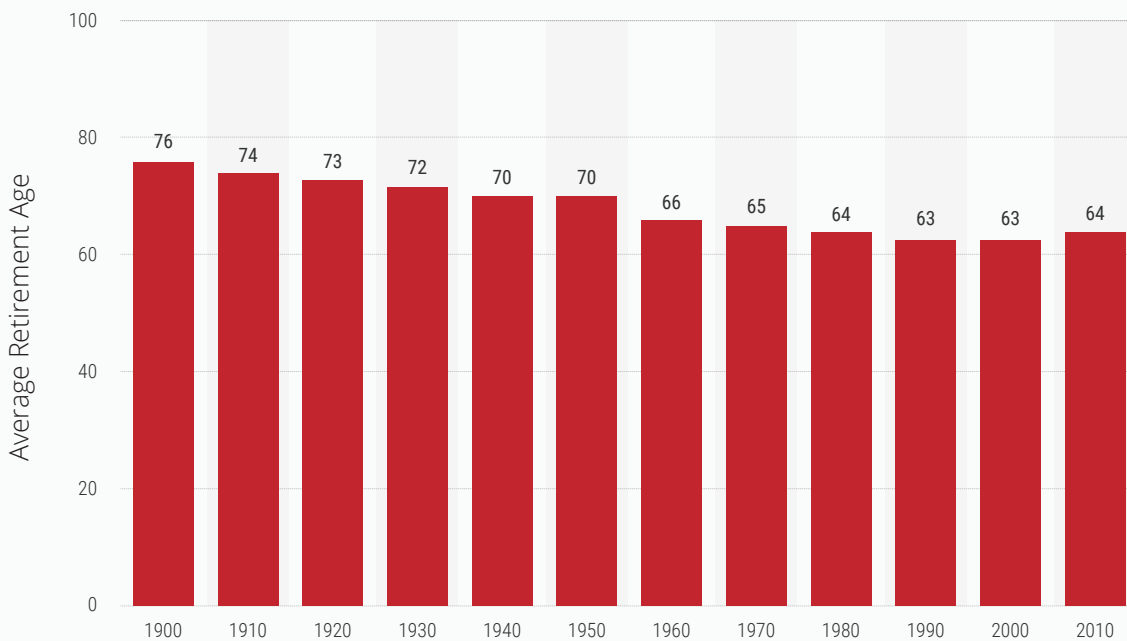
Chart: Center for Retirement Research at Boston College.

Source: Authors' estimates from U.S. Bureau of Labor Statistics, Current Population Survey (1963-2018); and U.S. Social Security Administration, Social Security Trustees Report (2018).

Longer retirement has been one of the most dramatic consequences of greater longevity in the United States. Longer life has not meant longer work life. Over the last century, the age of retirement has been largely unchanged. A half century ago, the average retirement age was 65. Today, despite various policy changes to encourage longer careers, the average retirement age

is 64. Because of the confluence of longer life and stagnant retirement age, working Americans can now expect to spend well over 15 years in retirement, and retirements lasting 30 or even 40 years will soon be routine, if they are not already now.

The Average Retirement Age in the United States From 1900 to 2010



Sources: Merrill Lynch: Age Wave | © Statista 2019
 Additional Information: United States: 1900-2010

Fifty years ago, the math of retirement was simple. Retirements were often quite short and largely guaranteed by defined benefit retirement plans. Upon retirement, work income was exchanged for retirement income. Today, planning for retirement is far more complicated: Retirements are longer, and a retirement funding system characterized by the simple math of defined benefits has been exchanged for a more complex algebra of Social Security, defined contribution plans, and a growing menu of retirement funding choices. Longer retirement periods also inevitably mean more volatility, a greater likelihood that something will happen in your life, in your community, or in our world that will bring risk and unpredictability to your retirement plan – a fact unavoidable as we write this during the coronavirus pandemic of 2020. The coronavirus pandemic has put a halt, likely very brief, to the linear march of longevity, but more importantly, it underscores the complexity of retirement and the critical need for planning and flexibility in the approach to the 30-year retirement.

It is little wonder that greater longevity is a significant source of retirement underfunding in this country. The Employee Benefit Research Institute (EBRI), an authoritative source of information on this topic, estimates that the retirement funding shortfall for those with longer life expectancies is 10 times that for those with shorter lifespans.

It doesn't have to be that way. Despite the increased complexity of retirement in the 21st century, our research shows that there are a handful of critical inflection points that can help people grapple with the challenges of a 21st century retirement and make sensible choices for themselves and their families. This report summarizes findings from the Longevity Project – Morning Consult Winter 2020 poll and a series of interviews that we conducted with subject matter experts in the field, including a panel from our partners at Wells Fargo & Company.

Key questions we answer in this report:

1

WHAT IS THE
PUBLIC'S ATTITUDE
TOWARD LONGER
LIFE?

2

WHAT DIFFERENCE
CAN PLANNING MAKE
IN FUNDING LONGER
LIFE?

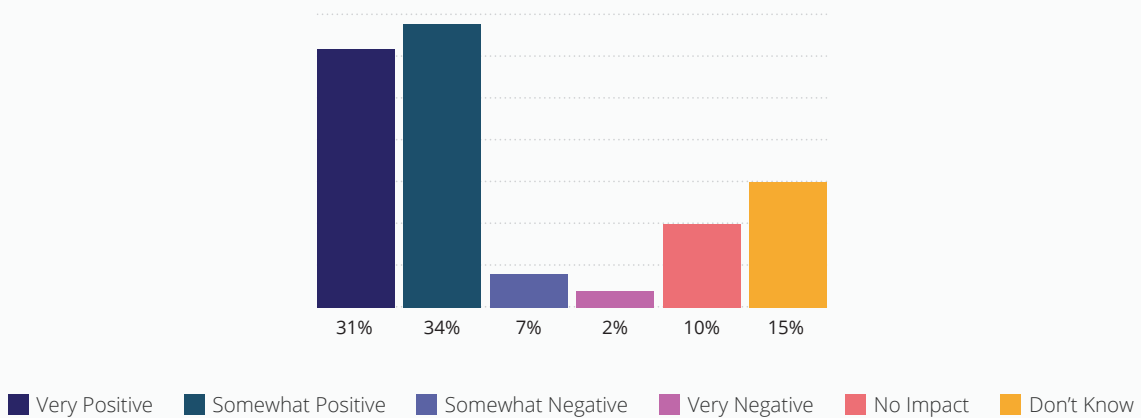
3

WHAT STEPS SHOULD
ALL PEOPLE CONSIDER
IN THEIR RETIREMENT
PLANNING?

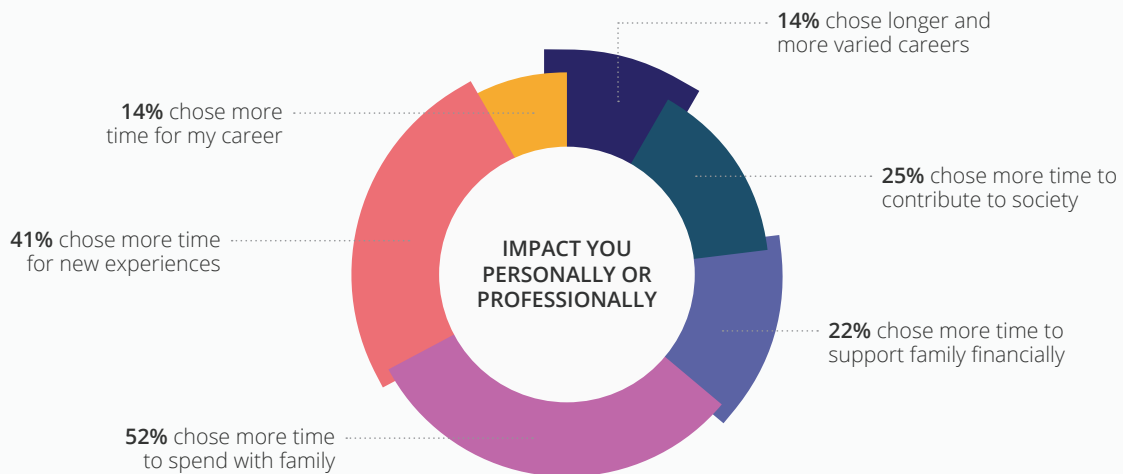
THE IMPORTANCE OF PLANNING

In general, Americans are aware of increased longevity: By a margin of 4:1, Americans think that it is likely that they will have longer lives than their parents. And they have a generally positive, though nuanced, view of how longevity will positively affect them and their families.

By a margin of 65% to 10%, Americans think that greater longevity will have a positive impact on “Me and my family.”



When asked how will longevity “impact you personally or professionally,” Americans overwhelmingly focused on how longevity will benefit them in their personal lives:



Note that respondents were allowed to pick more than one benefit.

While Americans are looking forward to longer life, they are also concerned about the difficulty of funding it. Almost two-thirds of Americans identify having financial security as a key element of a successful, longer life. However, less than half of Americans feel prepared for retirement and only one-third of respondents to our poll say they are saving as much as they should for retirement.

This partly reflects the complexity of the modern retirement world, where workers often have to cobble together different streams of retirement savings (Social Security, employer defined contribution plans, personal savings, and investments) and weigh their adequacy against key and hard-to-predict questions of a longer life:

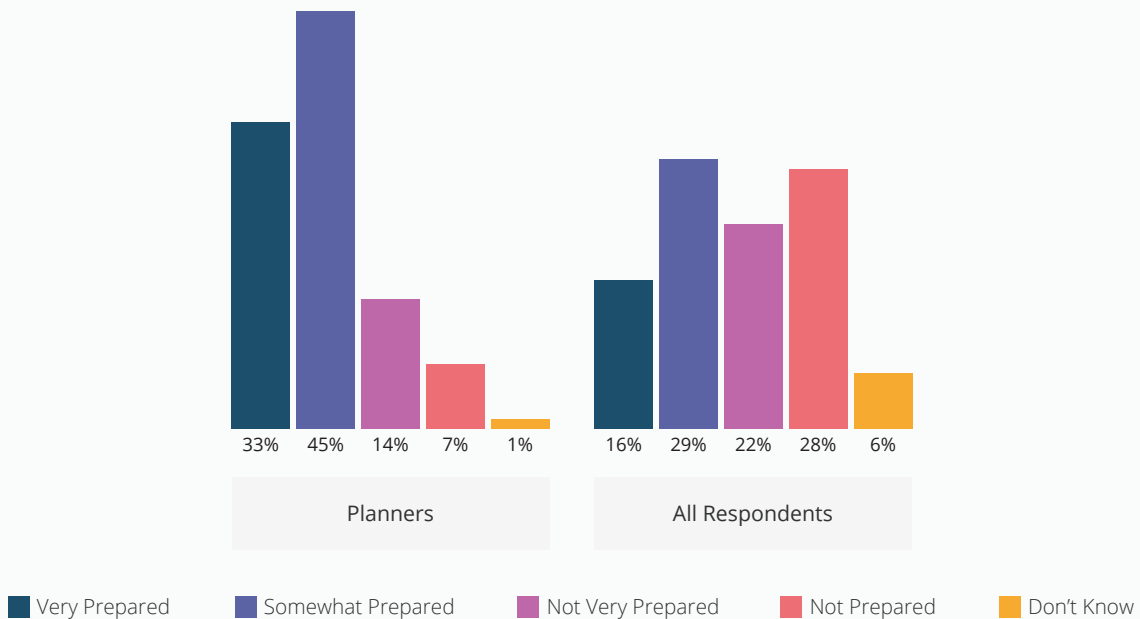
- How long will I live?
- How much will I need to spend for my health care?
- Will I be able to work continuously until I retire?
- What family challenges will I face?
- Will my retirement investments perform as I hope amid markets that are often volatile in the short run?

Forty-three percent of Americans cited “uncertainty about the future and difficulty assessing needs” as among the biggest obstacles to creating a successful retirement plan.

There is no single solution to the complexity of the American retirement system and the variability of longer life, but our research indicates that taking even modest planning steps can make a significant difference in both outcomes and attitudes. In our poll, we asked respondents to identify themselves based upon a set of financial attitudes and behaviors, including whether they had set and achieved a financial goal within the last six months, and whether they had a preference for saving for retirement now to ensure a more secure retirement in the future.

Only about one-third of Americans identified themselves as planners in this way, but consistently across all income, education, and age demographics, this group overachieved compared with their peers with regard to retirement preparation, satisfaction, and confidence.

Planners Are Better Prepared for Retirement



Planners are more closely attuned to the need to save

Ninety percent of planners consider it very important to plan and save for retirement, compared with 65% of nonplanners.

Planners are far more optimistic about their financial situations

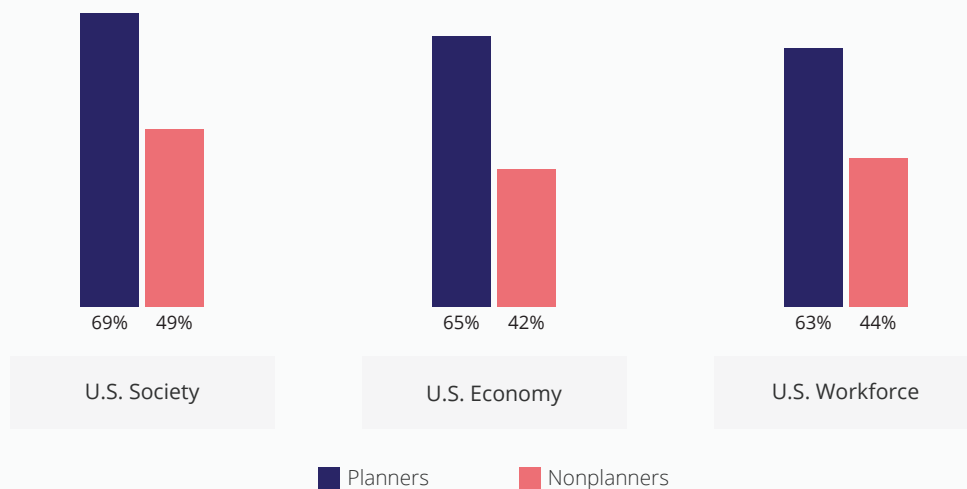
Planners are far more likely to believe they are “very prepared” for retirement (33% versus 8%) and think they are saving as much as they should for retirement (64% versus 17%).

The financial situation of planners is more favorable

Those who set goals are far more likely to invest: 51% of goal setters have investments and even 38% of goal-setting lower-wage earners (household income under \$50,000) report having investments, a number that far exceeds the average investment level.

Planners Are More Optimistic About the Impact of Longer Life

Planners are far more likely to view the expansion of life expectancy as a substantial plus for:



Planners take advantage of financial resources

Almost half of planners reported that they “typically” use a financial advisor, compared with only about 20% of nonplanners.

Planning has benefits regardless of age, income, or education

The group that identifies itself as setting goals and making financials plans is evenly distributed between men (47% of men identify as planners) and women (40%) and among age groups: 40% for Generation Z, 43% for Millennials, 43% for Generation X, and 46% for Baby Boomers. Planners, even those at the lowest income tested, are more likely to be confident about achieving their retirement goals, and more likely to be optimistic about the future for themselves, their families, and their communities.

Insights From Our Partners at Wells Fargo & Company: Adopting a Planning Mindset

Our research shows that having a planning mindset is a powerful predictor of personal well-being and overall financial wellness. It helps by creating a kind of road map that may strengthen a person's financial future. Individuals with a planning mindset generally:

- Are able to work diligently toward a long-term goal
- Have recently set and achieved a goal to support their financial life
- Prefer saving for retirement now to help ensure a better life in retirement
- Feel better having finances planned out for the next one to two years

Some people are natural planners; others need to develop this skill. The rewards can be powerful.

People With the Planning Mindset

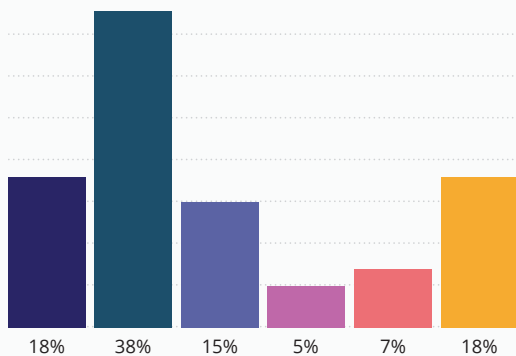


Source: Wells Fargo Wealth & Investment Management, "2019 Wells Fargo Retirement Study Reveal: Preparing for a 21st Century Retirement."

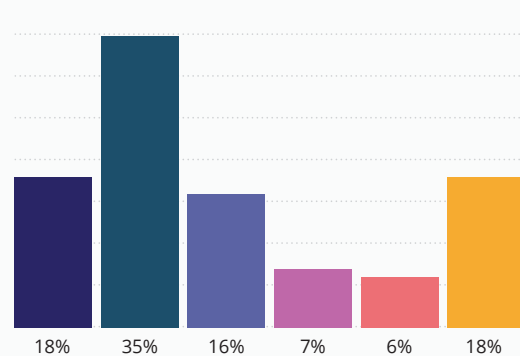
THE ROAD TO FINANCIAL WELLNESS

Increasing life expectancy brings many positive things, including a stronger society and economy, more time with family, and more opportunities to experience life.

By a margin of 56% to 20%, Americans think greater longevity will have a positive impact on American society.



By a margin of 53% to 23%, Americans think greater longevity will have a positive impact on the economy as a whole.



■ Very Positive ■ Somewhat Positive ■ Somewhat Negative ■ Very Negative ■ No Impact ■ Don't Know

But it also brings challenges on how to fund longer retirements. This is a challenge for many Americans because many people underestimate the likely length of their own retirement and two-thirds of the people we surveyed don't engage in even modest financial planning activities.

How should you cope with the greater costs and increased financial variability associated with longer life? There is no one answer, of course, but the American retirement system, for all its limitations and complexities, does provide opportunities for most people of all income levels to achieve a suitable retirement.

In this section, we outline 10 steps along the road to financial wellness, all of which emerged from our research as important items for attention for virtually every American. This is by no means an exhaustive list – there are plenty of other strategies and considerations – but we are confident that paying attention to these matters will help in the sensible funding of longer life.

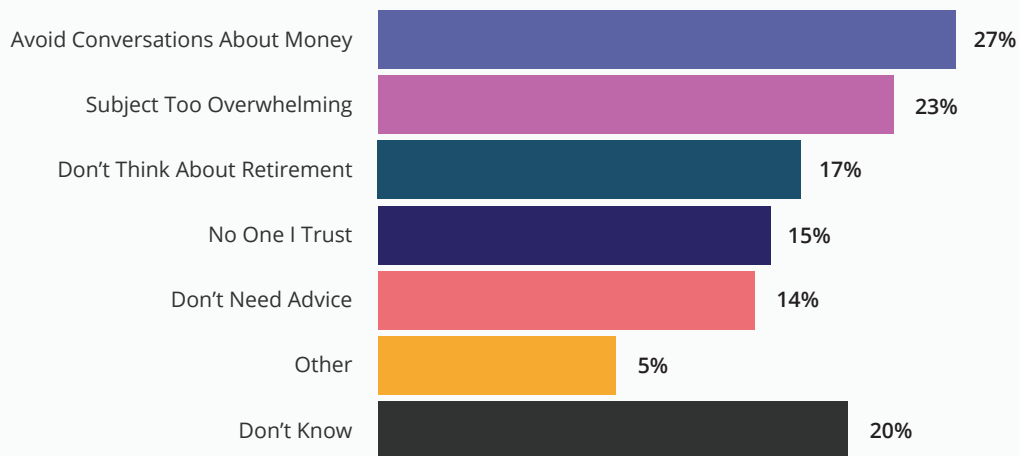
1 Make a plan

Planning for the 30-year retirement may sound daunting, and it surely is. But, starting down the planning road is not. Our research (and prior research from Wells Fargo) shows that taking even modest planning steps – setting and achieving financial goals in the last six months and trying to plan out your finances for the next year or two – can make a huge difference. Good planning for a long life can begin with baby steps.

2 Talk with others

Americans famously don't like to talk about money. This reluctance has been described in *The Atlantic* magazine as a "society-wide gag rule." That is confirmed in our own research, which reveals that only 38% of all Americans have ever talked about their retirement plans with anyone else. Having that first conversation can be hard – as the avoidance instinct is strong with many Americans – but taking advantage of the advice of a financial advisor, parent, employer, or friend is often the first step toward making a successful plan.

Why I Don't Talk About Retirement?



3

Start early

If there was one consistent theme in our panel interviews, it was that starting to save for retirement early in your career is perhaps the most important step possible. Einstein may not have actually described compound interest as the eighth wonder of the world, though he is frequently credited with saying so, but compound interest and investing for the long run means that early savings are astonishingly valuable. Using historical rates of return, putting aside \$10,000 every year between ages 25 and 35 will yield more retirement savings than putting aside \$10,000 every year between 35 and 65. It is never too late to start saving for retirement. It is even more true to say that it is never too early.

Culture Matters

Starting early is one of the most important things an individual can do, and whether someone starts early can be influenced by family, company, or even industry culture. John Carter, the president and COO of Nationwide Financial, tells of how first responders as a group often are effective and early retirement savers because planning for retirement is highly valued within the sector. It is common that a squad or precinct captain will approach a new employee on the first day of work and personally impress upon them the need to start saving immediately for retirement – even if retirement is the last thing on the mind of a brand new employee. It is a reminder how important community can be in developing a solid retirement plan and the value that you can get from engaging with a boss, a colleague, or a family member on how to prepare for retirement.

4

Maximize your employer contribution

Defined contribution programs are now the most popular employer-sponsored retirement plans, covering over 100 million Americans with about \$5.7 trillion in accumulated total assets, according to the American Benefits Council. The vast majority of defined contribution plans offer some form of employer match, and taking advantage of that match is often critically important to the math of funding longer retirements. Most Americans take advantage of employer matches, almost two-thirds of plan participants, according to Vanguard, but that means that roughly 35 million Americans are not, a concerningly high figure when we are talking about “free” money for retirement. Our subject matter expert panel stressed that taking advantage of employer retirement matching funds is one of the handful of specific steps every eligible worker should take.

5

Make sure you keep your retirement savings when you change jobs

Over the decades, the American workforce has become increasingly mobile, changing jobs on average every four years. Job mobility has its benefits and has become a way of life for many younger Americans. One of the risks of changing jobs is that workers all too frequently cash out their 401(k) (or similar) accounts, instead of moving them to a new employer's defined contribution plan. In the first year following a job change, a full 40% of participants become plan dropouts, cashing out over \$90 billion in tax-advantaged retirement income. Our expert panel advised that rolling over retirement savings into new employer plans or into other tax-deferred vehicles is a prudent and important action.

6

Accept that something will go wrong

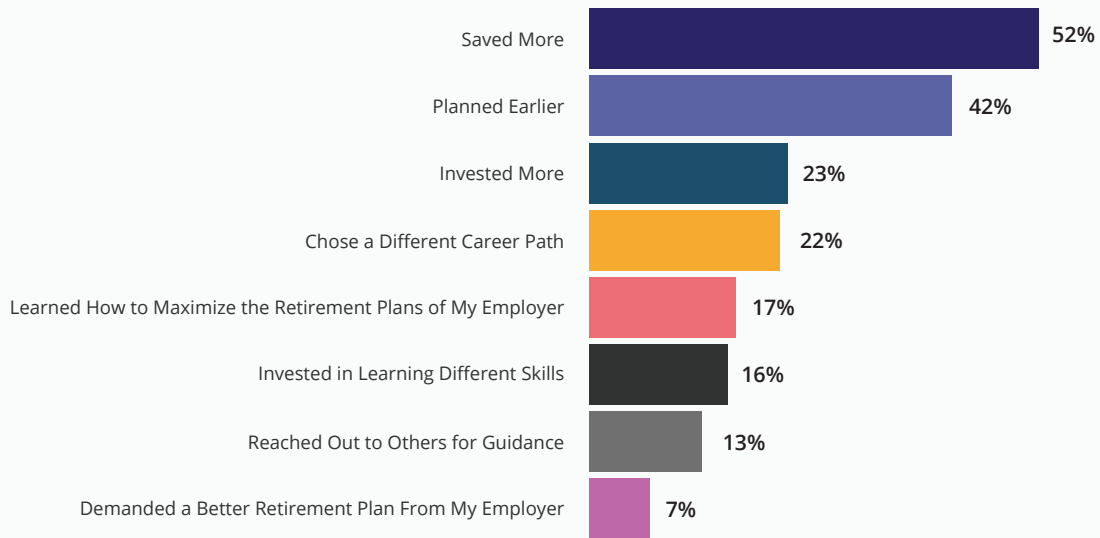
With longer life comes the certainty that your retirement plan will be subject to jolts from global or national crises or just from challenges within your family. Think about the exogenous shocks of just the last two decades (9-11, the Great Recession, and now the coronavirus pandemic), and that doesn't even take into account the personal challenges to health, job security, or family that many people will face over the course of a long life. No one wants that, but any good plan should anticipate the "known unknowns," the knowledge that we will all face some unwanted shocks even if we don't know what they will be.

7

Better late than never

When asked what they would do differently with their finances if they could do it all over again, a significant number (42%) of poll respondents said "earlier planning." But our panel of subject matter experts, while agreeing with that sentiment, said that it is never too late. If you haven't planned before, start now, as even late life planning can help you take full advantage of guaranteed benefits, like Social Security, and help you maximize your personal saving potential, even in the later stages of your career. And it can help you figure out when you can afford to retire or if you need to start thinking about continuing work after any formal age of retirement. As one expert said to us, "The best time to plant a tree is 20 years ago; the second best time is today."

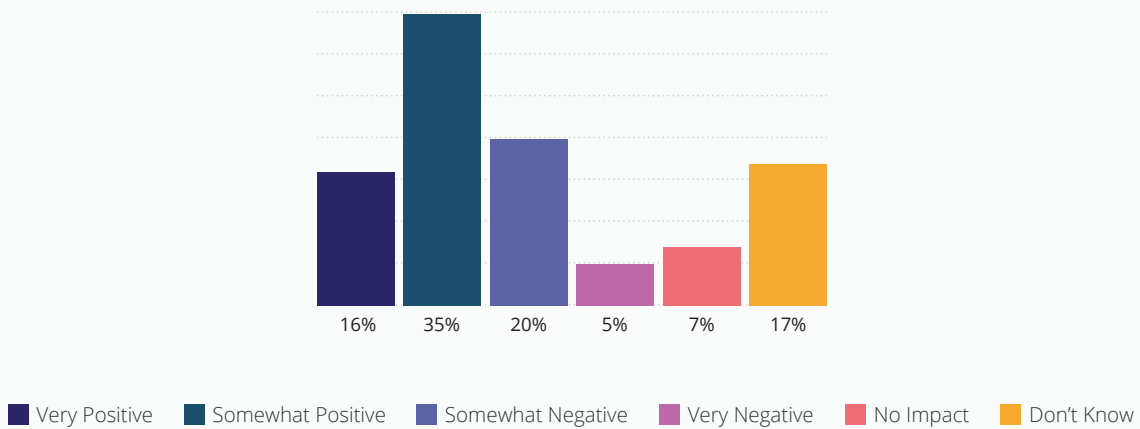
Thinking of How You Have Managed Your Finances so Far, What Might You Have Done Differently if You Were Able to Do It All Over Again?



Consider working longer

The average age of retirement has not changed in the United States for the last half century, even as life expectancy has steadily increased. Retiring in your early 60s is an unsustainable model from a social perspective and unrealistic for many individuals. There are significant financial advantages to postponing retirement: Working to the full retirement age of 70 yields a monthly Social Security check more than 70% higher than a retirement at age 62. Working full-time or part-time into the late 60s, and for some beyond, can help build assets and ensure that retirement savings won't be depleted prematurely. In that regard, you may not be alone, as attitudes toward older workers and their role in the economy are increasingly positive.

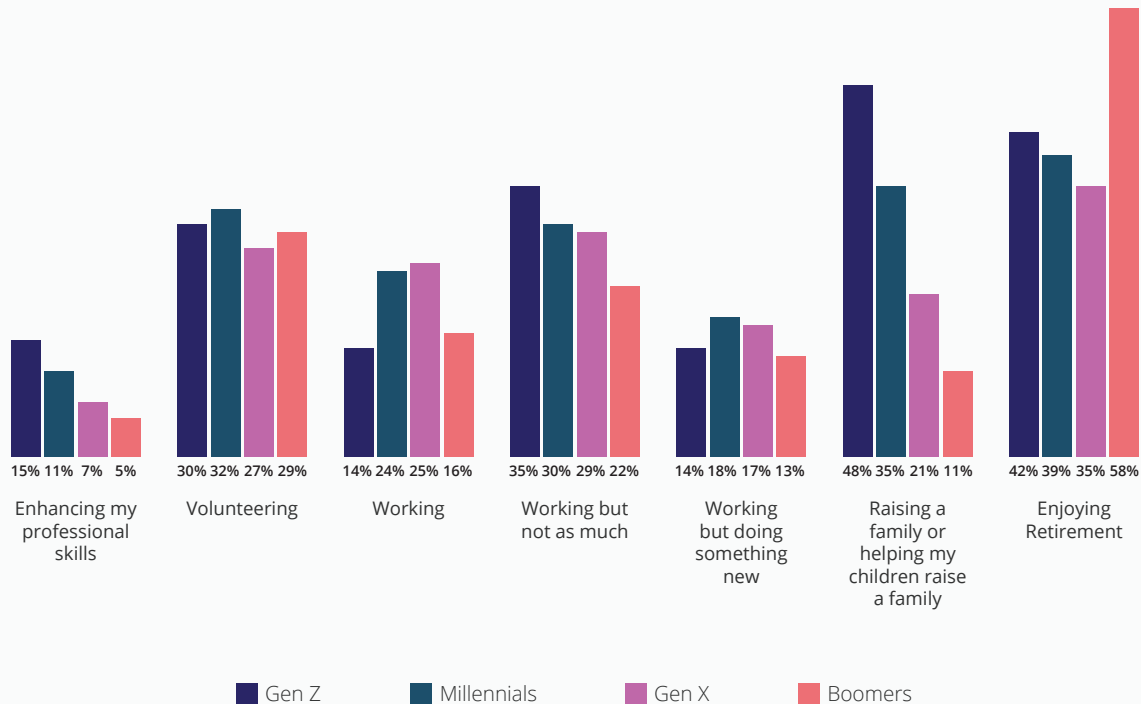
By a margin of 51% to 25%, Americans think that greater longevity will have a positive impact on the workforce.



9 Think about a more flexible retirement

While the overall age of retirement has not changed (yet), norms around retirement are beginning to shift. People over the age of 65 are the fastest-growing segment in the American labor force. Sixty-two percent of respondents to our poll said that at age 65, they would still be working, working but not as much, or working but doing something new. Some of this reflects financial pressure, but it also reflects better health for older Americans and the desire to continue to lead an active and productive life. There are a growing number of options for flexible or part-time work (though we need more) after age 65, and everyone should consider how working past the traditional retirement age might fit into their longer life.

What Do You Expect to Be Doing at Age 65?



10

Have a “decumulation” plan

Virtually all conversation around retirement focuses on the accumulation phase – how you save money for your retirement – but not nearly as much attention is given to the decumulation phase – how you spend down your money over the course of your retirement. When people hit retirement now, they are faced with a vast array of choices, even in how to take their Social Security income, and the result is often paralysis in the face of too much choice. That may mean that retirees spend down their assets too quickly, but more often than not, it means that retirees underspend their assets due to fear of running out. Neither are necessarily optimal behaviors, so making a plan to decumulate is as important as one focused on accumulating resources in the work portion of life.

Final Thoughts

Planning for a successful life involves being thoughtful about how to navigate it, and that includes accounting for the increased costs of longer retirements. Our poll reveals that the majority of Americans are not fully grappling with this challenge.

Only 22% of respondents acknowledged to us that they might need to work longer to fund longer life, and only 33% of those surveyed admitted that they might need to save more for retirement in light of longer life.

That is not reassuring math. As the average length of retirement continues to grow and as modern life gets more complex in terms of both opportunities and challenges, it will inevitably require some change in our expectations around work and life. That will require people to develop more resilient plans, and we hope that this paper might help you along that planning path.

About the poll: The Longevity Project – Morning Consult poll was conducted between December 26 and December 29, 2019 of a nationally representative sample of 2,200 adults. Interviews were conducted online. Results from the survey have a margin of error of plus or minus 2%.

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