

How longevity risk plays out in real life

When living longer changes everything

Let's say Alex retires at age 65 with:

- **\$1,000,000 in savings**
- Plans to spend **\$50,000 per year**
- Expects an average **5% annual return**
- Plans for money to last until age **85** (20 years)

Scenario 1: Everything Goes According to Plan

- Lives to **85**
- Withdraws \$50,000/year
- Earns ~5% annually

Result: Alex's money lasts his lifetime, possibly with a modest cushion at the end.

Scenario 2: Lives 10 Years Longer Than Expected

Now let's change just one variable:

- Alex lives to **95 instead of 85**
- Everything else stays the same. At first glance, it's "just" 10 more years—but financially, it's a major shift.

What Happens?

Those extra 10 years require:

- **\$500,000 more in withdrawals** (\$50K × 10 years)
- But Alex doesn't have an extra \$500,000 set aside

Even worse:

- By age 85, his portfolio is already significantly drawn down
- That means **less money left to generate returns**
- Withdrawals in later years start eating into principal faster

Result: Alex runs out of money in his late 80s or early 90s—right when he may need it most (healthcare, long-term care, reduced flexibility).

Why This Happens

Longevity risk hits harder than expected because of **sequence and compounding effects**:

- Early withdrawals reduce the base that compounds
- Later in life, there's less time to recover from market downturns
- Fixed spending continues even as assets decline

It's not linear—it accelerates.

How Big Is the Impact, Really?

To safely fund 30 years instead of 20, Alex might have needed:

- **Closer to \$1.3M–\$1.5M** at retirement; *or*
- To reduce spending to around **\$40,000/year**; *or*
- To earn higher returns (which comes with more risk)

A 10-year increase in lifespan can require **30–50% more savings**, depending on assumptions.

The Key Insight

Longevity risk isn't just about "a few extra years."

It fundamentally changes:

- How much you need to save
- How much you can safely spend
- How aggressively you need to invest

How long will I live?

If you guess wrong about how long you'll live, it's not a small error—it's one of the most expensive mistakes in your financial plan.

Life expectancy stats

U.S. Life Expectancy¹

- **Overall:** 79.0 years
- **Male:** 76.5 years
- **Female:** 81.4 years

States with the Highest Life Expectancy (Top 5)¹

1. **Hawaii** – 80.0 years
2. **Massachusetts** – 79.8 years
3. **New Jersey** – 79.6 years
4. **New York** – 79.5 years
5. **Connecticut** – 79.4 years

Countries with the Highest Life Expectancy (Top 5)²

1. **Monaco** – 86.7 years
2. **San Marino** – 86.0 years
3. **Hong Kong** – 85.9 years
4. **Japan** – 85.1 years
5. **South Korea** – 84.6 years

These countries consistently rank at the top due to strong healthcare systems, high income and living standards, healthy diets and lifestyles, and low infant mortality.

Sources:

1. CDC National Center for Health Statistics, "Mortality in the United States, 2024." These figures represent life expectancy at birth (i.e., average expected lifespan assuming current mortality rates).
2. Most recent global rankings (2025–2026, based on United Nations / World Bank–compiled data).

How to calculate my life expectancy

Tools to estimate life expectancy for financial planning purposes:

1. Start with [Living to 100 Calculator](#) (best overall insight)
2. Then sanity-check with [ActuaPlan Longevity Tool](#) (best for financial modeling)

Another useful tool is the [Actuaries Longevity Illustrator](#), which focuses on probabilities, not averages.

Reality check: Even the best calculators have limits:

- They explain only **~30–40% of lifespan variation**
- Real outcomes vary widely due to genetics, future medical advances, and random events
- In practice, a result like "85 years" could realistically mean **75–95+**

Don't rely on a single life expectancy number. Use a detailed calculator to understand your range—then plan financially for the high end of that range.