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Planning for a Longer Retirement is a Must-Do

Conduct a thorough longevity risk assessment using modern planning tools

Perhaps the most daunting challenge facing today's retirees is longevity risk – the possibility that retirement savings will be depleted while the retiree is still living. With life expectancies steadily increasing, this is no longer a hypothetical concern. According to recent actuarial data, a 65-year-old couple in 2025 has a 50% chance that at least one spouse will live beyond age 92, and a 25% chance one will live past 97. This means retirement assets may need to last 30 years or more – often while also covering rising healthcare costs and unpredictable market environments.

Meanwhile, uncertainty around the future of Social Security adds another layer of complexity. While benefits are expected to remain intact for current and near-term retirees, long-term sustainability remains an open question, underscoring the importance of building independent, sustainable income streams.

To address these realities, traditional withdrawal strategies such as the 4% rule are being reexamined. Many advisors are now turning to dynamic withdrawal approaches, which adjust withdrawals based on market performance. During down markets, spending is reduced to preserve capital, while stronger years allow for greater flexibility. Bucketing strategies – dividing assets into short-, mid-, and long-term "buckets" based on time horizon and risk tolerance – can also provide structure and stability. Separating essential expenses from discretionary lifestyle spending helps maintain adaptability. Additionally, Roth conversion strategies during low-income years can create tax-efficient income sources and increase flexibility in retirement.

Fortunately, in-plan solutions are becoming more widely available. Thanks to the SECURE Act, lifetime income options such as Qualified Longevity Annuity Contracts (QLACs) have gained traction. QLACs allow participants to allocate a portion of their savings – up to $230,000 in 2025 – toward guaranteed income starting at a later age, typically 80 or 85. This creates a form of "longevity insurance" that helps protect against outliving assets. Other income-generating options include guaranteed minimum withdrawal benefits, immediate annuities with inflation protection, and managed payout funds designed to provide predictable income while preserving liquidity.

Working longer – even in a part-time or consulting capacity – can also be a powerful strategy. Additional years of employment allow assets to grow, reduce the number of years savings must support, delay Social Security benefits for higher payouts, and provide access to employer-subsidized health coverage before Medicare eligibility.

Healthcare planning remains central to longevity risk management. Current projections estimate that a 65-year-old couple retiring in 2025 will need approximately $390,000 to cover healthcare expenses throughout retirement, excluding long-term care. Planning for these costs involves selecting Medicare supplement plans carefully, considering long-term care insurance or hybrid policies, and maximizing HSA contributions while still eligible.

To build a resilient plan, we recommend conducting a thorough longevity risk assessment using modern planning tools. Review in-plan and external income solutions, evaluate Social Security claiming strategies, and develop a tailored healthcare funding plan. Consider how flexible work arrangements might support income needs while transitioning into retirement.