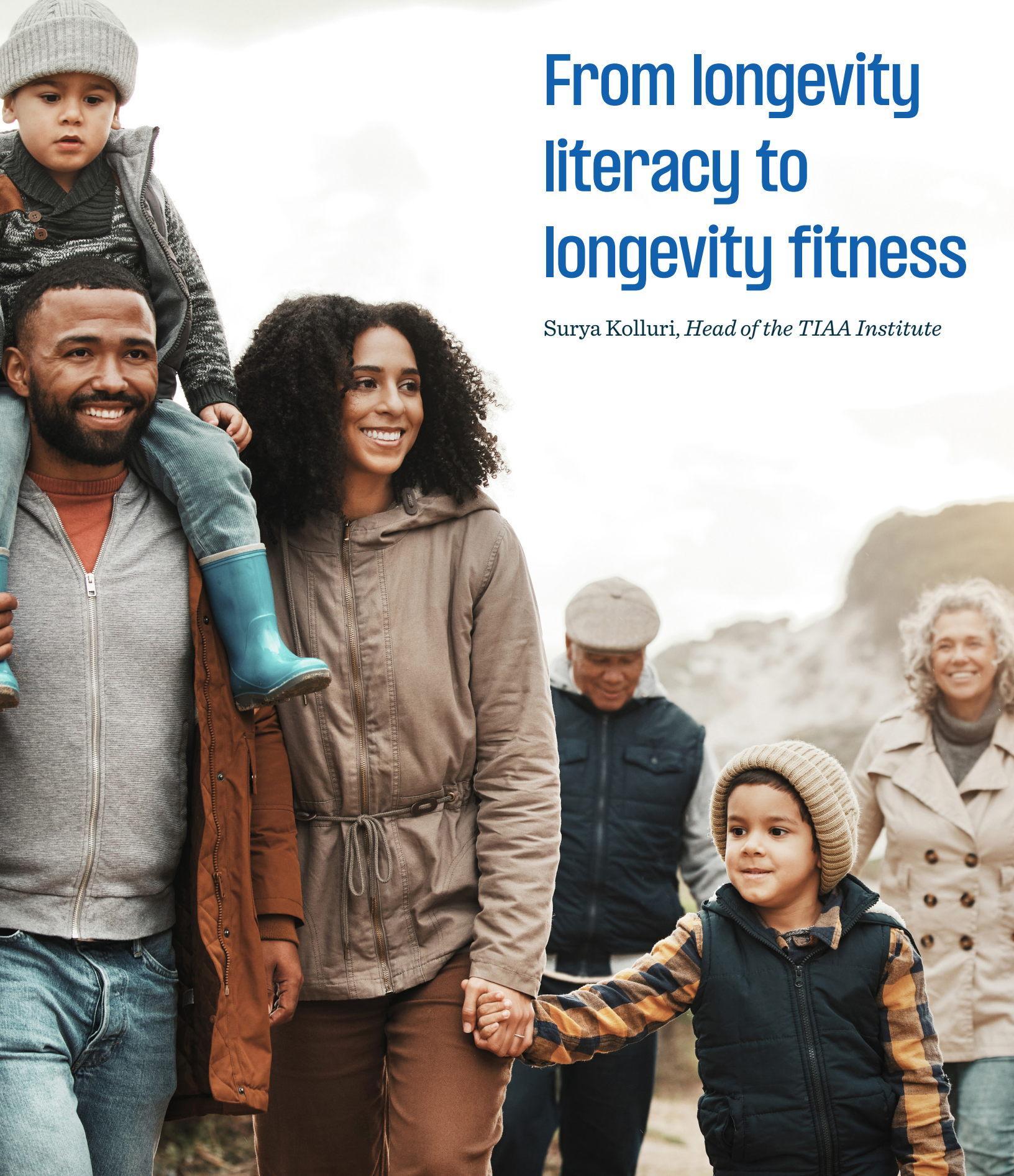


From longevity literacy to longevity fitness

Surya Kolluri, *Head of the TIAA Institute*



Introduction

Our society is transforming, and quickly. Life expectancy has risen by 17 years since the Social Security program debuted in the United States nearly 90 years ago.¹ This comes with tremendous opportunities, but it also comes with headwinds.

The biggest challenge—and the biggest opportunity—will be helping people improve not just the length of their lives, but also the extent of their health and wealth. We need to make sure retirees have enough money to last as long as they live, and we need to help them live longer by matching their life span with their health span.

Some of that will mean improving our infrastructure. It could be anything from increasing the font size on products you see in stores to helping people communicate using virtual reality. We also need to consider how older employees can remain in the workforce—not to displace younger workers, but to grow the entire economy. We need to remove the stigma that comes with aging and help people rethink how to live those longer lives.

Health and wealth are two sides of the same coin, which is why we must move from *longevity literacy* to *longevity fitness*.

My grateful thanks to many mentors, friends and colleagues who introduced me to these ideas and collaborated with me over many years; they are cited, quoted and featured throughout this report.



Surya Kolluri
Head of TIAA Institute



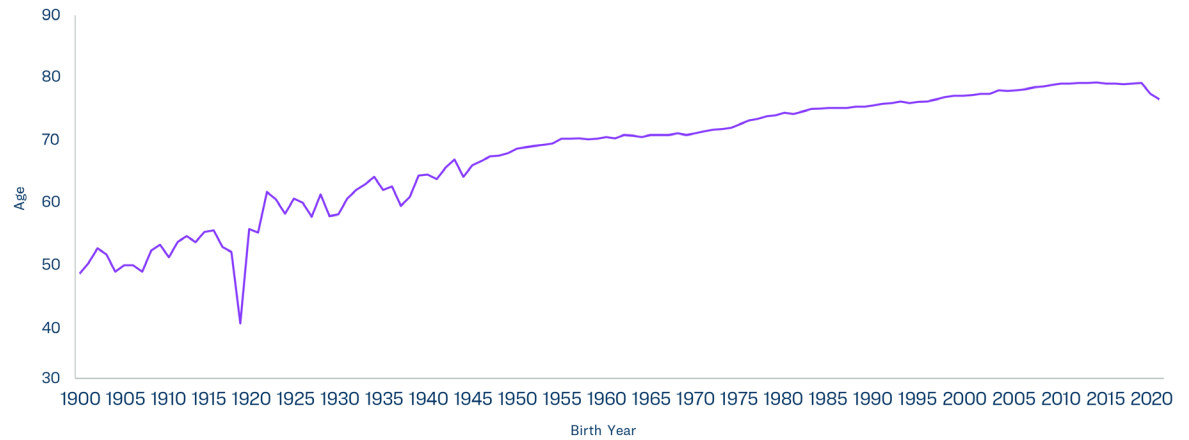
When it comes to the future of retirement, what we don't know can hurt us. But there's a path to greater knowledge and later years in life filled with meaning and fulfillment.



Longevity is perhaps the greatest gift of our time and one we've almost come to take for granted. Amid life-prolonging medical advancements, we hardly bat an eye when someone we know turns 90 without slowing down, and we mourn the passing of octogenarians for leaving us too soon. In the United States, life expectancy soared from 47 years in 1900 to nearly 79 years in 2019.^{2,3} And despite pandemic-related dips in 2020 and 2021,⁴ the longevity trajectory seems unlikely to slow. By one estimate, more than half of children born in wealthy countries today can expect to live past 100.⁵

LIFE EXPECTANCY – A STEADY MARCH TOWARDS INCREASED LONGEVITY

Life expectancy from birth, 1900 to 2021



Source: Center for Disease Control and Prevention and National Vital Statistics System Annual Reports, 2019–2021



“ It’s not just about expecting to live longer. The expectation is to live better.”
–Joseph F. Coughlin, Director, MIT’s AgeLab

A longer life span means more years to work, create, travel, enjoy time with friends and family, and follow our passions. “It’s not just about expecting to live longer. The expectation is to live better,” says Joseph F. Coughlin, director of MIT’s AgeLab. “In a world where there’s an app for everything, we believe that there should be something to help us age in place, to maintain our health, to keep us mobile and, frankly, to make us smile and have fun.” As their numbers swell, older people are wielding unprecedented economic power, adds Coughlin, author of *The Longevity Economy*. According to AARP, Americans aged 50 and older contribute \$8.3 trillion to the U.S. economy each year, or about 40% of GDP.⁶

Yet the benefits of longevity are not automatic—or shared equally. Sharp fissures in typical life spans persist along socioeconomic, racial, gender and other lines. And even for those who achieve numerical longevity, the quality of those years too often remains an open question. Indeed, old age brings risks and challenges across every area of life, from health to social interactions to finances.

When the United Nations, supported by the World Health Organization, the World Bank and other organizations, declared the 2020s “the decade of healthy aging,” the label was as much a call to action as a celebration. Under the banner of “adding life to years,” the organizations called on society to marshal resources to address areas such as health and nutrition, social isolation, safe housing, long-term care and digital equity.⁷

While the challenges are global, they also fall directly on individuals to prepare for their personal journey into old age, a journey for which the maps are being redrawn in real time. With little historic precedent to guide them, individuals must balance the risks of aging alongside the opportunities it presents. Longevity literacy—a clear and objective understanding of life expectancy—is essential to planning and preparing for a successful retirement.

For most Americans, that understanding is lacking. *The Personal Finance (P-Fin) Index* by TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) at Stanford University, finds that among more than 3,500 U.S. adults surveyed nationwide, just 12% demonstrate strong longevity literacy, compared with 31% showing weak longevity literacy.⁸ These results imply significant risks to retirees’ health, finances and overall well-being, especially for those who underestimate the typical life span in retirement. Greater longevity literacy is essential to promoting retirement security and mitigating those risks.

LONGEVITY LITERACY

A clear and objective understanding of life expectancy



Longevity literacy among U.S. adults

12%
STRONG

31%
WEAK

Source: TIAA Institute-GFLEC
Personal Finance Index, 2023

But literacy, while essential, is not enough. To give themselves the best chance of filling those extra years with meaning, financial security, good health and happiness, individuals must pursue longevity fitness, which might best be described as longevity literacy converted into action.

Understanding the risks of longevity

Longevity risks come in two types. First are the risks that make reaching old age less likely: life circumstances, historical injustices based on race or ethnicity and behavioral choices that cause too many people to miss out on the steady gains we've seen in longevity. But there's another risk, more nuanced perhaps, but no less serious: the risk of living a long life but not enjoying a quality of life worthy of those years. And the factors that influence whether we live a long life *and* how those years play out—from our physical and mental health to our social connections and finances—are intertwined.

The systemic barriers to a long life

A deeper look into average longevity reveals sharp divisions along socioeconomic and racial lines. In the United States, the life expectancy gap between the poorest and wealthiest segments of society is 15 years for men and 10 years for women.⁹ Beyond those stark figures, what's notable is how the difference in life expectancy among men and women narrows as people move up the wealth scale.

Among the poorest Americans, women outlive men by more than six years. Among the most affluent, the difference stands at a little over a year and a half. There is not only inequality in the expected number of years lived, but also in the quality of life of those later years.¹⁰ (See "Health disparities," page 7.) The reasons may include wealthy people eating healthier diets, doing jobs that involve less physical risk, having more time to exercise and enjoying better access to healthcare. Ensuring greater longevity, along the entire income scale, could hinge on factors such as more effective education around diet and exercise, better availability of healthy food options and guaranteed access to quality healthcare.

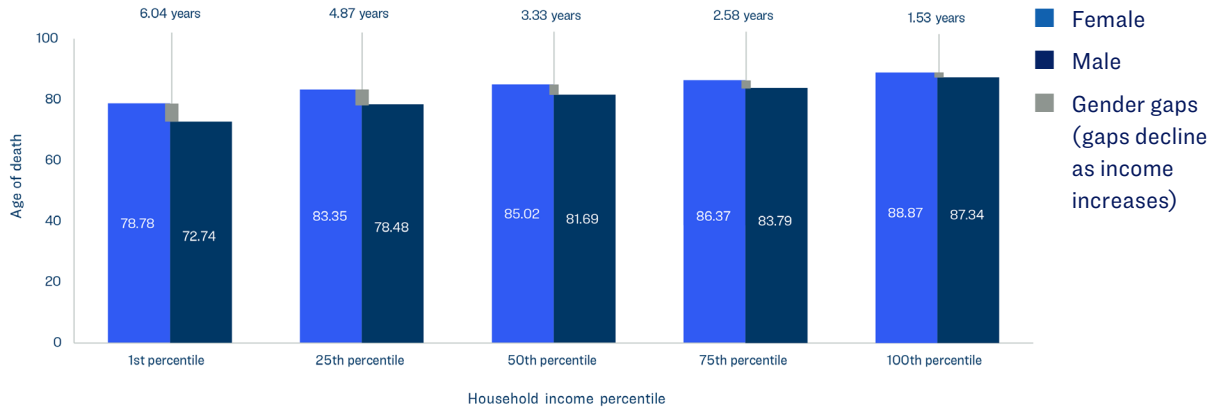


What's notable is how the difference in life expectancy among men and women narrows as people move up the wealth scale

In the United States, the difference in life expectancy between rich and poor is 15 years for men and 10 years for women.

HEALTH DISPARITIES

Expected age at death based on household income at age 40



Source: Health Inequality Project. (n.d.). How can we reduce disparities in health? healthinequality.org

Disparities by race emerge as well—and not always in expected ways. For example, studies of Asian, white, Black and Hispanic Americans show that Asian Americans enjoy the longest life spans (85.6 for women, 81.2 for men), followed by Hispanic Americans, with white and Black Americans holding the third and fourth positions.¹¹ (See “Life expectancy at birth by race, ethnicity and gender,” below.) The risks contained in that data naturally suggest an important focus for policymakers of lifting longevity for those with shorter life expectancies.

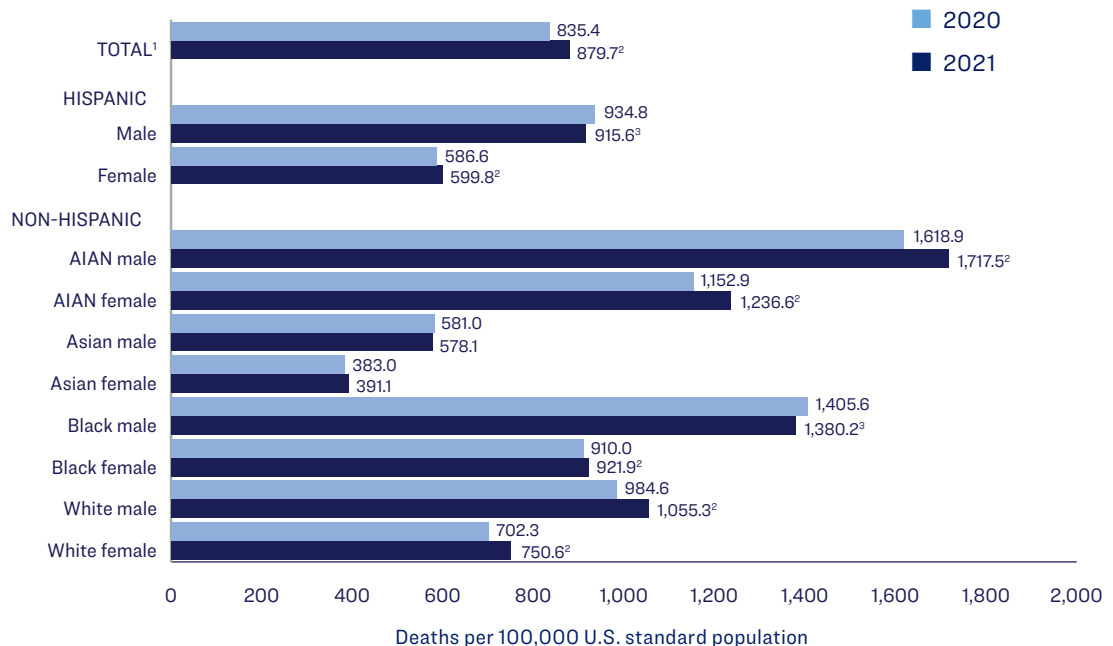
LIFE EXPECTANCY AT BIRTH BY RACE, ETHNICITY AND GENDER

United States, 2020 and 2021



The larger and stronger your social networks, the longer you’re going to live.

–Dr. David Hayes-Bautista, Director, UCLA Center for the Study of Latino Health and Culture



¹ Includes races and origins not shown separately. ² Statistically significant increase (p < 0.05). ³ Statistically significant decrease (p < 0.05). AIAN is American Indian or Alaska Native. Source: National Center for Health Statistics, National Vital Statistics System, Mortality. <https://www.cdc.gov/nchs/products/databriefs/db456.htm>



Even among groups with longer life expectancies, the benefit of extra years may carry its own risks. Consider Hispanic American women, whose 81-year life expectancy is second only to that for Asian American women. Yet an analysis reveals potential gaps for Hispanic women when it comes to financing their longevity. For example, Hispanic women place last among six groups (white, Black and Hispanic women and men) when it comes to average Social Security benefits at age 65, receiving \$10,500 a year less than a white man at retirement.¹² Hispanic Americans also average just 20% of the retirement savings of white Americans¹³ and are less likely to have access to a workplace retirement plan—or to participate when they do.^{14, 15}

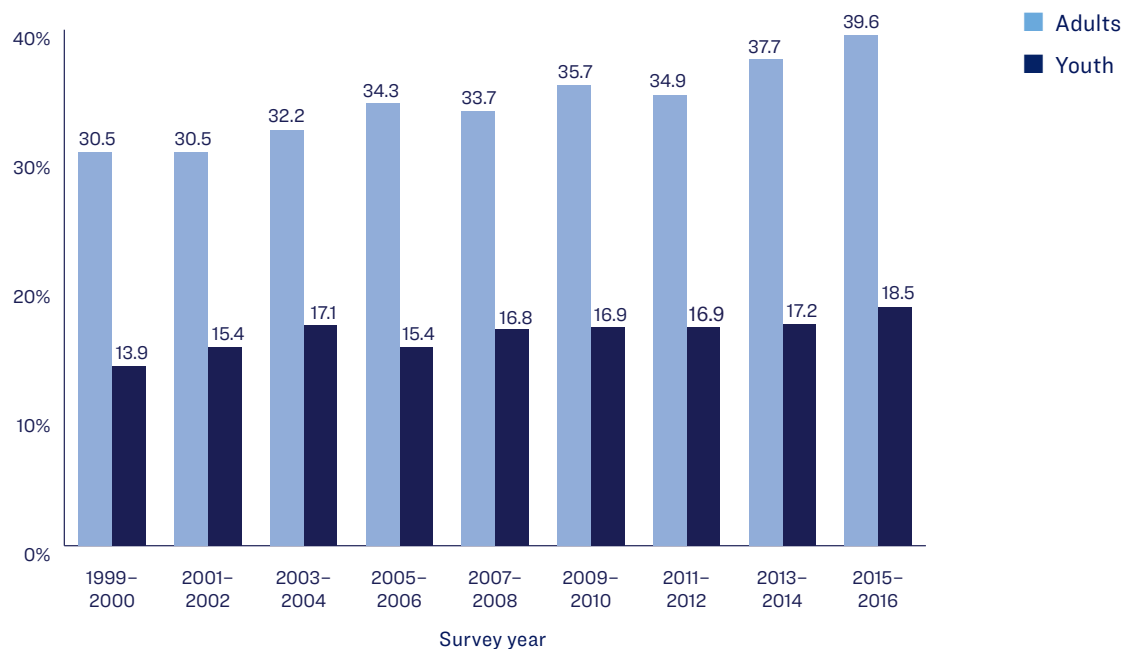
The complicated intersection of health and longevity

Rising mortality rates from cancer and heart disease, plus a sharp increase in deaths from drug use, are headwinds to longer lives in the United States.¹⁶ The country’s obesity epidemic poses another potential drag on progress. From 1999 to 2016, obesity in the United States increased from a little over 30% of adults to nearly 40%. (See “Obesity is an epidemic,” below.) Still more troubling is the rise in youth obesity over the same period, from 14% to 19%, portending an escalating health crisis for tomorrow’s aging Americans.¹⁷

Rising obesity among adults and children is contributing to illness and death

OBESITY IS AN EPIDEMIC

Obesity in the United States, 1999 to 2016



Source: Hales, C.M., Carroll, M.D., Fryar, C.D. & Ogden, C.L., (2017, October). Prevalence of Obesity Among Adults and Youth: United States, 2015–2016. National Center for Health Statistics. (Data Brief No. 288.) <https://www.cdc.gov/nchs/data/databriefs/db288.pdf>

One irony of greater longevity is that health challenges that used to be rare, because fewer people lived long enough to develop them, have become commonplace. In many instances, a spouse or loved one is in the position of providing care and thus even more people are indirectly impacted by this challenge. By age 85 we have a 1-in-3 chance of developing dementia.¹⁸ Add spouses who often serve as the first line of care, and the proportion of those affected by dementia is closer to two-thirds. Back when most people passed away in their 60s and 70s, Alzheimer’s disease was a less pressing issue. The United Nations estimates that by 2050, the number of people in their 80s globally is expected to triple.¹⁹ Given that, Alzheimer’s is a tsunami headed straight at us.

Many of the risks to achieving longevity and enjoying good health in later years are rooted in choices made early in life. “Many people do not appreciate how physically, emotionally, cognitively healthy lifestyles while in their 20s and 30s can substantially impact whether they will enjoy a healthy, high quality of life in later years,” says Mary D. Naylor, Marian S. Ware Professor in Gerontology at the University of Pennsylvania. “We have such a rich body of evidence about the importance of nutrition and exercise, and yet we’re now watching 40- and

50-year-olds diagnosed with chronic conditions such as diabetes and hypertension, often preventable and costly long-term challenges in both human and economic terms.”

The perils of loneliness and isolation

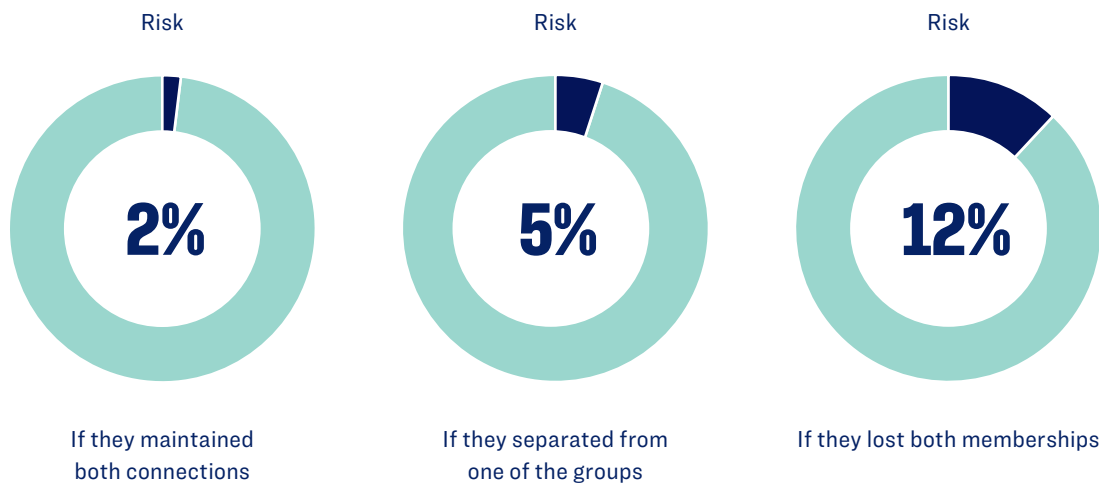
Social networks become harder to maintain as we age and leave the workforce, and recent trends such as remote communication replacing in-person interactions to the fraying of community ties only add to the pressures. Compared with their counterparts 20 years ago, baby boomers have weaker ties to families, friends and neighbors, and they’re less likely to be married or engage in religious or community activities.²⁰

The risks of social isolation are clear. One study looked at mortality among recent retirees with memberships in two social organizations. Individuals who maintained membership in both organizations during the first six years after retirement showed just a 2% chance of dying. Among those who dropped one membership, the risk more than doubled to 5%, while those who dropped both groups ran a 12% risk.²¹ (See “The importance of connection,” below.)

THE IMPORTANCE OF CONNECTION

In one study, retirees with memberships in two social groups had a:

Risk of death in the first six years, based on social connection



Steffens, N.K., Jetten, J., Haslam, C., Cruwys, T. & Haslam, S.A. (2016, October). Multiple Social Identities Enhance Health Post-Retirement Because They Are a Basis for Giving Social Support. *Frontiers in Psychology*. (7, 1519.) <https://pubmed.ncbi.nlm.nih.gov/27799916/>

The challenges of affording a long life

As longevity rises, the shortcomings in our retirement savings system are laid bare. The shift from the defined benefit pension system to a greater reliance on individual saving and investing has left many retirees at risk of insufficient savings and inadequate retirement income. “For boomers, that happened midstream,” says Laura L. Carstensen, professor of psychology at Stanford University and founding director of the Stanford Center on Longevity. “And so, when it came to preparing for the future, they suddenly went ‘I should’ve saved more.’”

Other financial choices we make, even for the best of reasons, could wind up costing us in the long run. For example, one study calculated that parents in the U.S. spend about \$500 billion per year supporting adult children, about twice as much as they spend saving toward their own retirement.²²

The misguided notion that aging is nothing but a downward slide may also discourage long-term planning, Carstensen says. “That image of aging is one of the biggest problems,” she says. “If all we have to look forward to is misery as we get older, why not go out to a fancy dinner, go on a vacation, spend money now because it’s not going to be fun later?” Emphasizing the joy and possibilities of the later years of life, on the other hand, could inspire people to save more and prepare better.

““ When it came to preparing for the future, boomers suddenly went ‘I should’ve saved more’.

—Laura L. Carstensen, Professor of Psychology, Stanford University; Founding Director, Stanford Center on Longevity





Toward greater longevity literacy

All these risks are compounded by a widespread lack of knowledge about what lies ahead. Consider a 65-year-old woman and a 65-year-old man. How many years of life, on average, remain for each of them? For a woman, would you say 17, 22 or 27 years? For a man, is it 14, 19 or 24 years? If you chose 22 years for a woman and 19 years for a man, congratulations. You can count yourself among the few with a good understanding of life expectancy at retirement age, which research suggests translates directly to better outcomes in later life.

Better knowledge, better outcomes

The *P-Fin Index* reveals that just 35% of U.S. adults understand life expectancy well enough to answer the above question correctly. (Women, it should be noted, outperformed men, 36% versus 33%.) More ominously, 56% of U.S. adults are either ignorant of the retirement planning horizon for a typical 65-year-old or imagine a planning horizon that is too short. Most adults are unaware of or underestimate the likelihood that a 65-year-old will live to an advanced age, say 90.²³ Since retirement planning should be grounded in an accurate understanding of how long retirement may last, this lack of knowledge is worrisome. (See “Longevity literacy among U.S. adults,” page 12.)

56%

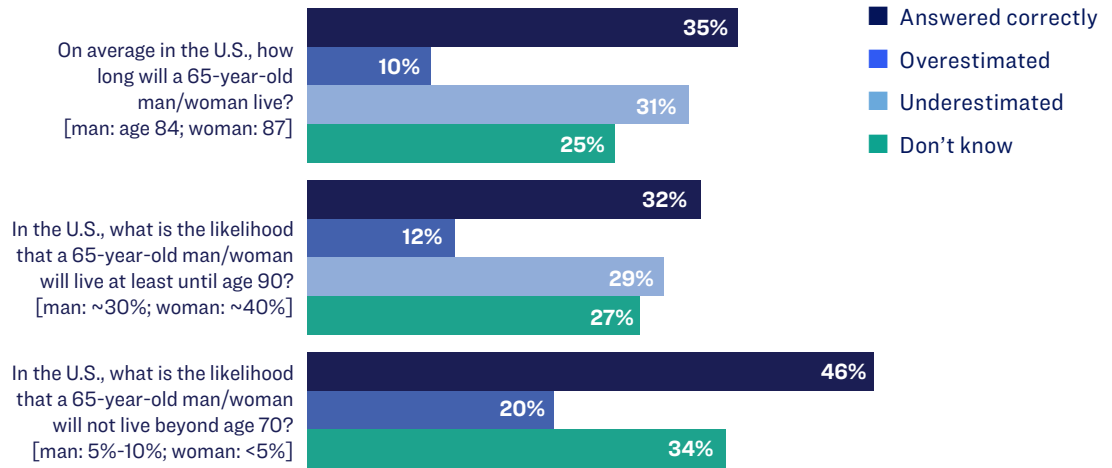
of U.S. adults are either ignorant of the retirement planning horizon for a typical 65-year-old or imagine a planning horizon that is too short.



Scan the QR code to learn more about the *P-Fin Index*



LONGEVITY LITERACY AMONG U.S. ADULTS



Source: TIAA Institute-GFLEC Personal Finance Index (2023).

The *P-Fin Index* finds a close connection between longevity literacy and a tendency to focus on and prepare for the years ahead. “People who have a better sense of longevity are doing much better at retirement, and they are better able to prepare for the future,” says Annamaria Lusardi, GFLEC founder and co-author of the *P-Fin* study. Lusardi, a senior fellow at the Stanford Institute for Economic Policy Research and director of the university’s Financial Freedom Initiative, notes that “if we think we are only going to live for 20 years or less, we might not prepare adequately.”

Workers with strong longevity literacy are more likely to have figured out how much they need to save for retirement (50% have, compared with 32% of those with weak longevity literacy), and a larger share save for retirement on a regular basis—72% do versus 58% of those with weak longevity literacy. It follows that they tend to be more confident about having enough money to live comfortably throughout retirement. Furthermore, among retirees, those with strong longevity literacy are more likely to report that their current lifestyle meets or exceeds their pre-retirement expectations (77% compared with 62% of their peers with weak longevity literacy).²⁴

“ People who have a better sense of longevity are doing much better at retirement, and they are better able to prepare for the future.

–Annamaria Lusardi. GFLEC founder and co-author of the *P-Fin* study

LONGEVITY LITERACY AND RETIREMENT READINESS

Comparing retirement readiness between workers with strong longevity literacy and those with weak longevity literacy

	Determined how much they need to save for retirement	Saving for retirement on regular basis	Confident they are saving an adequate amount (among workers saving for retirement)	Have thought about how they will withdraw money from savings	Likely to annuitize some retirement savings	Confident they will have enough money to live comfortably throughout retirement
Workers with strong longevity literacy	50%	72%	76%	31%	14%	69%
Workers with weak longevity literacy	32%	58%	66%	28%	11%	53%
Workers who responded “don’t know” to each question	24%	52%	69%	26%	9%	51%

Source: TIAA Institute-GFLEC Personal Finance Index (2023).



We need to find new ways to talk to young people about what’s ahead.

–Shontay Delalue, Senior Vice President and Senior Diversity Officer, Dartmouth College

A path toward awareness

The need for longevity literacy is apparent: “Everyone needs to understand disparities in health and wealth and think about how to address them,” says Shontay Delalue, Senior Vice President and Senior Diversity Officer at Dartmouth College. “Having people die prematurely and having people retire without enough money to live is a pressing problem.”

Still, when it comes to addressing racial inequalities and longevity, the emphasis on access to traditional education may not go far enough. “As one example, Black women with a college degree have a higher pregnancy-related mortality rate than white women with less than a high school diploma.²⁵ Education alone isn’t the equalizer as it doesn’t fully address the effects of systemic racism,” she says. “We have put a lot of emphasis on access to education—and that must continue. But we must also put an emphasis on addressing health disparities and wealth inequities and understanding longevity.”

The question of how to drive greater awareness is more challenging. Delalue, for one, believes society must change the narrative around longevity by using qualitative and quantitative data to connect people to family and community through human stories.

“We need to find new ways to talk to young people about what’s ahead,” Delalue says. “At 19, as a first-generation college student, I didn’t understand longevity literacy and financial literacy. But if the conversation had started with, ‘Tell me more about your family,’ I would have perked up, because my family is very important to me. Leading from a narrative place that resonates with people can create a pathway to discussing longevity literacy in a more accessible way.”

A society thus connected and motivated may be that much more prepared to use longevity literacy wisely by taking the steps to develop longevity fitness.



Fit for longevity — what will it take?

The longevity wave is upon us. That much is sure. The main question is how successful older Americans—and society overall—will be at ensuring those years will fulfill their promise as a period of growth, joy and meaning. Longevity literacy, as important as that is, is not enough. We must also embark on a path toward longevity fitness.

This requires building equity in our longevity, the same way we build equity in our home or build up our bank accounts. It's a process of creating long-lasting value covering three types of capital: social, health and financial.

An embrace of aging

This journey to longevity fitness starts with looking at aging as something to be celebrated rather than feared, avoided or overcome. Businesses, in their pursuit of the youth market, too often fuel the perception that older people matter less. “In the United States, the 50-plus market makes up between 65% and 68% of the spending power, but only gets 2% to 3% of the advertising dollars,” MIT’s Coughlin says. Small wonder older people feel compelled to “stay young.”

Meaningful longevity involves taking the opposite approach: Not just accepting aging but seeing it as a new and vibrant stage of life, full of potential and novel experiences. “The scientific community knows from research that individuals who embrace aging live longer and healthier. Those who fight against it, who battle aging, do not,” says James Appleby, chief executive officer of the Gerontological Society of America. In fact, research has found that those with more positive beliefs about aging live 7.5 years longer than those with less positive self-perceptions.²⁶



Individuals who embrace aging live longer and healthier. Those who fight against it, who battle aging, do not.

—James Appleby, Chief Executive Officer,
Gerontological Society of America

Continued connections

Nurturing social ties and staying engaged are essential to what Appleby refers to as “meaningful lives as we age.” Yet of the three pillars of longevity fitness—health, financial and social—social is the one that’s often treated as an afterthought. “Staying socially connected is really the secret that no one thinks about,” Appleby says. “Everyone thinks about staying healthy. Everyone thinks about saving money. But that social connectedness is what everyone seems to forget.”

Perhaps that’s because we view friendship as organic rather than something to be worked on. But as we age and old friends move or pass away, forging new acquaintances and finding new activities doesn’t just happen. Often, concerted effort and planning are required. Family is vital, of course, but social capital ideally extends well beyond family ties. What really matters is that we’re challenging our brains to learn new things. That could mean traveling, which forces us to navigate new terrain, learning a new skill or volunteering with an organization that helps others.

Studies draw a direct connection between activities like volunteering and health benefits such as lower hypertension, delayed physical disability, enhanced cognition and even lower mortality.²⁷ (See “The benefits of volunteering,” below.) And AARP’s Global Council on Brain Health cites “be social” among its top recommendations.²⁸

THE BENEFITS OF VOLUNTEERING

In addition to the societal impact, benefits to the volunteers themselves include:



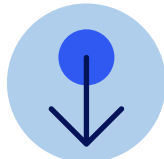
Reduced risk of hypertension



Delayed physical disability



Enhanced cognition



Lower mortality

One option for maintaining social connections is through volunteering.

Steffens, N.K., Jetten, J., Haslam, C., Cruwys, T. & Haslam, S.A. (2016, October). Multiple Social Identities Enhance Health Post-Retirement Because They Are a Basis for Giving Social Support. *Frontiers in Psychology*. (7, 1519.) <https://pubmed.ncbi.nlm.nih.gov/27799916/>

While remote communications, which helped all of us endure the pandemic, have provided new ways to stay in touch from afar, a video screen is no substitute for face-to-face contact. There’s just a lot more going on with in-person socialization, whether it’s reading body language, sensing the mood, understanding the environment or making an effort to have that social connection.

Good health, in every way

A healthy body, just like a strong financial portfolio, requires careful diversification. Tending to it means paying attention to a multiplicity of assets—the body and the brain—and investing time to ensure proper nutrition and physical activity. (See “Managing health equity,” below.) Beyond social connections, ways to promote brain health include managing stress, picking up new interests, exercising and getting sufficient sleep.²⁹

MANAGING HEALTH EQUITY



Children covered under parents' health insurance



Being active and eating healthy can help prevent or delay certain diseases



88% have at least one chronic health condition



1-in-3 chance of dementia

Source: MedicineNet, 2018. Alzheimer's Association, 2018.



Sleep is important enough to warrant its own health category.

Indeed, sleep, while at times overlooked and undervalued, is important enough to warrant its own health category. Today's culture focuses a lot on diet, exercise and physical health and a lot less on the importance of sleep. The proverbial good night's sleep too often morphs into sleep fragments as we age. And as a culture, we celebrate all-nighters and cities that never sleep as badges of honor, but those things aren't conducive to longevity.



The healthcare industry, nonprofits and governments will have to work together to move society toward greater longevity fitness.

Rethinking health care

While individual behaviors such as better sleep, more exercise and a healthier diet can certainly contribute to longer and healthier lives, the healthcare industry, nonprofits and governments will have to work together to move society toward greater longevity fitness. In addition, individuals need to plan to finance healthcare costs for their longer lives, especially in retirement.³⁰ That starts with ensuring that longer and healthier living applies to everyone.

“Many older adults, especially those who have suffered a lifetime of systemic and structural racism, do not trust our care system,” says the University of Pennsylvania’s Naylor, a founding member of the multidisciplinary Coalition for Trust in Health & Science. “Absent trust, we will fail to effectively partner with older adults and their families and position them to achieve their health goals.”

Along with building trust, achieving universal longevity fitness will require equitable access to basic preventive services and consistent quality of care. Instead of merely treating diseases, Mary Naylor notes, we should do more to help people maintain good health. “We don’t really have a healthcare system in the United States,” she says. “We have an illness care system.”

Also needed is a broader focus on the social determinants of good health. “Those responsible for delivering health services cannot focus exclusively on physical or emotional needs. We need to pay attention to issues such as housing and food insecurities,” Naylor says. “We must take care of the whole person, in the context in which they live, if all individuals are to achieve the healthy longevity they seek and deserve.”



We don’t really have a healthcare system in the United States.
We have an illness care system.

–Mary D. Naylor, Marian S. Ware Professor in Gerontology,
University of Pennsylvania

Want to know when you can retire?

Why do we save for retirement?

It sounds like a simple question with an obvious answer: We save (or at least most of us do) so we can maintain our standard of living after we retire. We save so we will have money to spend on the goods and services we need to live comfortably.

But notice what is not included in this answer—a number.

In all the years I've been asking this question, no one has ever said the point of retirement is to have \$1 million at age 65—even though much of Wall Street promotes this very concept. That's because “the number,” the amount of wealth we're supposed to accumulate, is not the real goal. It's an intermediate step toward what really matters, which is creating a secure and happy retirement. It's not even a real measure: After all, how much is enough when the number of years you'll live in retirement (your longevity) is unknown?

Guaranteed lifetime income helps solve the longevity problem. Stocks and bonds are good for growth. But according to six decades of academic research, we're likely to be better off when annuities play a significant role in retirement plans, providing a predictable stream of income that never runs out. It shows that income, not wealth, is the outcome that matters most for financial security and peace of mind.¹

I am the son of two high school teachers. My dad taught social studies, and my mom taught office skills such as typing and shorthand. My parents never earned a lot, but they were savers. They clipped coupons. I wore hand-me-down clothes. Thanks to their saving habits, my parents built up a decent nest egg.

A few years before I entered my PhD program, my parents retired. They were in their mid-50s. They needed to figure out how much they could spend each month, and to do that they had to guess how long they would live.

Mom and dad are now healthy, self-sufficient 84-year-olds. Had they planned for only 25 years of retirement, they could have spent more, but they would have outlived their money. Instead, they lived frugally—too frugally I'd argue. Their biggest fear was running out of money. They never wanted to be a burden to me or my siblings.

When I started graduate school, the subject of retirement planning resonated with me, and it led to a 25-year career in research and education. Here's what I've learned:

- Having enough guaranteed lifetime income to cover basic needs provides financial security and peace of mind. Our well-being does not come from how much money is in our account on a given day. It comes from having the money we need when we need it. If we all knew how long we had to live, it would be easy to toggle back and forth between wealth and income. We don't.



Jeffrey Brown, a TIAA trustee, is Dean and Josef and Margot Lakonishok Professor at the University of Illinois's Gies College of Business. He also serves as a fellow at the TIAA Institute.

It's about what you'll spend, not what you've saved

- We have a retirement system built around wealth (unfortunately). There's a disconnect between what we want from retirement and how we've been told to get there. We obsess about how much money we will have the day we retire, when what we really need to know is how much money we can spend each month. Policymakers feed this obsession. The government endorses the use of default investment options based solely on how they facilitate wealth accumulation. The IRS requires a minimum rate at which you must withdraw, without considering whether you will have enough money left at older ages. Regulators impose fiduciary duties to diversify investment options and keep expenses low but no duty to consider lifetime income.
- Converting savings to income is psychologically difficult when you've spent your life defining success by how much money you have. The human brain is hard-wired to look for mental shortcuts. These shortcuts are often valuable—hear a growl in the bushes, and nobody sticks around to see if it's a bear or a possum—but they sometimes mislead. And one of those sometimes involves retirement planning. In psychology, the word “framing” is used to describe how decisions can be influenced by mental shortcuts instead of facts and outcomes. About 15 years ago, I partnered

with researchers from Harvard University and Brookings Institution to test the impact of a wealth frame versus an income frame when thinking about retirement. We explained a savings account and a life annuity and gave respondents a choice. In half the test cases, we used words like “spend” and “payment” to get them focused on consumption. Within this group, seven in 10 people chose the life annuity over the savings product. For the other half, we provided identical information but used words like “invest” or “earnings” to get them thinking about wealth instead. When we framed the choice this way, only two in 10 chose a life annuity over a savings product.²

People should view guaranteed lifetime income as a glass half full: “I am never going to run out of money no matter how long I live.”

Instead, we have conditioned them to think of guaranteed income as a glass half empty: “I used to be a millionaire, but now I live on a fixed income.”

What can we do to fix this?

- 1. One option is to try to educate.** I am an educator, and I almost always believe more education is a good thing. But I am also a social scientist who cares about data and evidence. And what I can tell you is that educating our way toward secure retirements will not be enough.
- 2. We must also focus on product design and plan architecture.** Think about the powerful influence automatic enrollment has had on savings rates. If we built lifetime income into our plans and products—making lifetime annuities a default option in 401(k)s, for instance—people could have happier, more secure retirements.
- 3. The third thing we can do—one that can be implemented right away—is shift our communication strategy away from a relentless focus on wealth.** We should stop obsessing over “the number.” We should stop making account balances the yardsticks of success. We should maybe even stop talking about whether someone has “saved enough” for retirement.

Instead, we should be talking about how much future income we have provided ourselves. About how we have ensured that we can maintain our standard of living. About what we have done to guarantee that we will not run out of money in retirement.

Income is the outcome. It's a powerful frame. It's time we put it to use for good.

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A new window into financial well-being

Early iterations of retirement planning counseled the wisdom of “finding your number,” as though a single dollar threshold, once achieved, could assure financial independence. Today, it’s widely recognized that retirement is as complex as life itself. No blanket savings target will suffice.

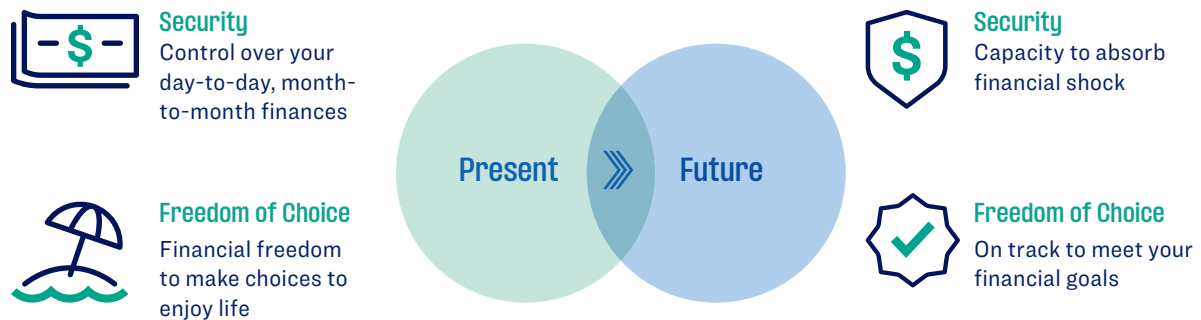
Instead, we need to reframe how we plan for retirement. We can’t focus only on building up our nest eggs. Yes, that is important, but then what? We can’t just make

withdrawals and hope we do not outlive our savings. We need to make sure we have streams of money to last as long as we live. In other words, we need income insurance, which is exactly what annuitization provides.

One way to look at the challenge of building wealth equity for retirement, as advanced by the Consumer Financial Protection Bureau, is to focus on the basic components of security and freedom of choice, looking at both through present-day and long-term lenses.³¹ This provides a simple but elegant way of looking at wealth equity. (See “Defining financial well-being,” below.)

DEFINING FINANCIAL WELL-BEING

The Consumer Financial Protection Bureau (CFPB) considers financial well-being to involve these four elements:



Source: Consumer Financial Protection Bureau. (2015, January). Financial well-being: *The goal of financial education*. https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf

Do I have control over my day-to-day expenses, or am I living paycheck to paycheck?

For present-day security, you might ask yourself, “Do I have control over my day-to-day expenses, or am I living paycheck to paycheck?” This concern applies to people of all ages, not just those in retirement. A 2023 TIAA study of young adults found 42% living paycheck to paycheck, and 41% feeling like finances control their lives.³² This portends challenges to freedom of choice and quality of life today and as those young adults move into their later years. Future security may depend on having an emergency fund for covering expenses during a time of loss of income, thus ensuring that saving for retirement can stay on track.



Early education

The process of learning about longevity, finances and building wealth capital should start as early as possible, GFLEC's Lusardi believes. That's something governments should be promoting by making financial and longevity literacy a regular part of the curriculum, starting in elementary school. The lessons Lusardi and others envision point to a personal finance course in school where children learn about basic principles.

Children need to be informed about their likely life expectancy and the financial habits they need to adopt and continue throughout their lives. That education should continue through college and beyond, with employers picking up where teachers leave off, Lusardi says. "Workers with concerns about their financial security tend to be less productive," she notes. While some companies offer workers access to financial education programs, the practice should be universal, according to Lusardi. "There is an interest for the employer to put in place programs that provide tools and information that can help employees make their plan for the future."

As governments and businesses grapple with this challenge, each person must determine what level of wealth capital they'll need to build. There's no one-size-fits-all definition of "adequate" savings. "Finances are specific to the individual, so one simple rule might not be enough. If we tell people 'save 10%,' that might actually fit a specific group of individuals only," Lusardi says. Planning for the future, she adds, "starts by considering what your financial situation is at the moment and what your objectives are for the future."

Planning for complexity

Joe Coughlin of MIT believes the idea of longevity fitness has been too closely tied to pure dollar numbers, as though meeting a certain savings level provides a guarantee of security. This may stem from a cherished misconception that life becomes simple and predictable as we age. If anything, a significant part of retirement is about "managing complexity," Coughlin says. Questions run the gamut from where to live to whether to continue working in retirement.

Then come health issues. "Perhaps you're providing care to a loved one," he says. "Maybe you're providing care for yourself. You could be managing two or three chronic conditions that require four or five medications, nutrition and maybe where you're living is not as supportive as you'd hoped for your physical and maybe even cognitive disability." As such, developing the wealth capital necessary for retirement may be best approached by thinking of individual needs and goals and what resources may be needed to fund them.

“Informing older people about objective survival probabilities greatly increases their regret about not having purchased lifetime income and long-term care insurance.”³³

—Olivia S. Mitchell, Executive Director, Pension Research Council, Director, Boettner Center for Pensions and Retirement Research and Professor at The Wharton School



Aging with confidence

Imagine a future in which most people achieve longevity literacy and head into retirement with clear-eyed optimism rather than fear and uncertainty—based on a careful financial plan that incorporates appropriate assumptions and risk factors. Imagine a future in which people use that literacy to plan and prepare for their own longevity fitness, saving and investing to support their needs for their full life expectancy and beyond. Imagine a future in which people take steps to extend healthy years in mind and body and to expand meaningful social connections. That future will come when we find more ways for people to make health and wealth two sides of the same coin.

Despite the sobering numbers that define the present, that better future doesn't have to be fanciful or even far off—assuming society recognizes the importance of education and support for millions of people heading toward a longevity unprecedented in human history. And assuming that individuals, made aware of the urgency of learning and preparing, answer the call in their own lives. If we can improve people's longevity literacy and longevity fitness, we look to the future together with confidence.

Surya Kolluri leads TIAA Institute and focuses his research efforts on retirement and healthy aging. The Institute, now celebrating its 25th Anniversary, conducts cutting-edge research in the areas of financial and longevity literacy, lifetime income, retirement plan design and behavioral finance for higher education and the broader nonprofit sector.

Surya sits on the board of the Wharton Pension Research Council, the advisory councils of Georgetown Center for Retirement Initiatives, the Retirement Research Center of the Defined Contribution Institutional Investment Association (DCIIA) and the U.S. Alzheimer's Association (MA/NH Chapter). In 2021, Surya received The President's Volunteer Service Award via AmeriCorps for his commitment to strengthen communities.

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