



CALCULATED Conjecture

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Have you ever thought about how long you will live? Of course you have. At one time or another, we all ponder how much time we have left on this earth. For most of us, it is the death of a parent, sibling or friend when we are hit with the reality of our own mortality. While none of us can be certain when we will die, we can be absolutely sure that death is an eventuality for all of us.

Is It a Guessing Game?

When it comes to our long-term plans for the accumulation and distribution of our financial assets, knowing when we are likely to die can help us make more informed decisions. Today there are numerous software programs that identify the habits and factors which impact our longevity and provide us with an estimated life expectancy.

The two primary sources of mortality experience come from: 1) the general population; and 2) life insurance companies. Data from the general population is gathered from public records such as birth certificates and death certificates. Data from insurance companies, however, is far more thorough and accurate. Life insurance companies use mortality tables (which show the probability of death within a defined period of time for members of a certain population) and are based on the experience of insured lives. The most recent basic mortality table used by the industry is the 2001 Valuation Basic Table (2001 VBT).

A more accurate calculation of your estimated life expectancy might be obtained by asking your life insurance agent the next time you purchase a policy. Life insurance companies have a strong profit motive to accurately assess when your demise is likely to occur. In making their assessment, they will require you to take an insurance physical, in addition to providing complete copies of your past medical records. Numerous other factors will be considered, the more obvious of those being your age, gender and heredity (i.e., Did either of your parents die before the age of 60 from cancer or heart disease?). Other less obvious (but still important) factors include:

- Lifestyle choices (such as use of tobacco, alcohol or drugs)
- Avocations (mountain climbing, auto racing, sky diving, scuba diving)
- Motor vehicle report

- Credit rating and financial stability
- Marital relationship
- Place of residence
- Foreign travel
- Occupation

Life insurance actuaries regularly study death trends, paying particular attention to who dies, when their demise occurs and by what cause. They compare the applications of thousands of insureds and match them with their death claims over an extended number of years. They are constantly tweaking their assumptions and programs to more accurately reflect the most current research findings. As a result, insurance professionals are thoroughly equipped to make an educated prediction regarding an individual's longevity.

High Net Worth, High Life Expectancy

The amount of money you make could actually impact how long you live. Generally, individuals with a high net worth have access to better healthcare and, as a result, tend to live longer than people without means. It should not come as a surprise that high income earners tend to be the main consumers of large life insurance policies. The larger the policy death benefit, the more thorough the underwriting. For example, an individual purchasing a \$50,000 policy may need to only complete a health questionnaire. However, an individual purchasing a \$5 million policy will likely be required to take a full medical exam with specific blood tests, provide their income and net worth, release all medical records from the last 10 years and complete a detailed application.

M Financial Group, the nation's leading financial services design and distribution company, markets life insurance almost exclusively to high net worth individuals in the United States. Over the last 30 years, M Financial Group has compiled a unique database of

life expectancies for wealthy Americans. Select insurance carriers use this mortality experience in pricing their life insurance products for their affluent policyholders. Using this mortality table provides some surprising (but very practical) information. The figures assume that an individual just completed a thorough life insurance exam for a large policy. The chart further segments the results based on the individual's underwriting classification as either a "Standard," "Preferred" or "Super Preferred" risk. It looks at males and females individually and as couples.

For Example

Assume John and Jane are married. John is age 60, Jane is 59 and both are non-tobacco users. The chart below reflects the probability of John and Jane surviving to age 90 and 100 – as individuals and as a couple. As you can see, the probabilities differ based on whether the insurance company classified them as "Standard," "Preferred" or "Super Preferred." For a healthy ("Super Preferred") married couple who recently completed thorough life insurance underwriting, there is nearly a 50% chance one of them will still be alive at age 100!

Knowing this information can have a significant impact on numerous financial decisions, such as:

- Should I elect to take Social Security as soon as possible or defer?

- Should I elect to annuitize my pension plan or take a lump sum?
- Should I invest for a 10 to 20-year time frame or a 20 to 40-year time frame?
- How much retirement income will I need?
- Should I purchase long-term care insurance?
- How long should I work?
- When should I plan on taking distributions from my IRA?
- Should I elect a "Life Only" or "Joint & Survivor" annuity option?
- Should I purchase term insurance or permanent insurance?
- How long should I plan on funding my permanent life insurance policy?

Get the Facts

These are just a few of the questions that could be influenced by your anticipated life expectancy. There are many more that need to be asked to properly allocate your finances for the future, whether or not you are of a high net worth. The next time you purchase life insurance, ask your agent to provide you with your life expectancy based on your recent insurance examination. While sobering, it can help you make more educated decisions about your personal financial planning.

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ODDS OF DYING John – 60 & Jane – 59						
	PROBABILITY OF JOHN SURVIVING		PROBABILITY OF JANE SURVIVING		PROBABILITY OF AT LEAST ONE SURVIVING	
	Age 90	Age 100	Age 90	Age 100	Age 90	Age 100
No Recent Underwriting	52.1%	19.4%	66.7%	31.3%	84.0%	44.7%
Recent "Standard"	48.3%	13.8%	63.0%	24.3%	80.8%	34.7%
Recent "Preferred"	56.0%	20.9%	69.1%	32.5%	86.4%	46.6%
Recent "Super-Preferred"	58.5%	23.6%	71.1%	35.5%	88.0%	50.7%

