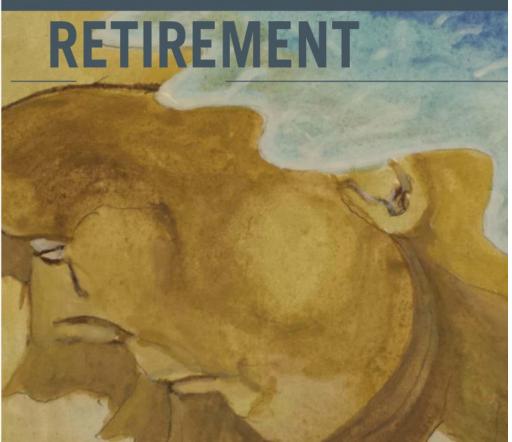
# THE WEALTH CHANNEL® FALL | 2014 magazine





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## Gender Differences in Longevity and Aging



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## How does women living longer affect a financial planner?

## By Peter Klein, CFA®

**Most articles on** the subject of longevity give only a superficial reference to gender differences, but the differences can be substantial. We often hear anecdotal stories of nursing home residents being mostly female. There are sound scientific biological reasons for why women live so much longer than men, and advisors need to be aware of those differences.

### **BIOLOGICAL AND SOCIAL DIFFERENCES IN GENDER**

Women typically live longer than men due to certain biological advantages, including enhanced immune systems and protection from the effects of atherosclerosis prior to menopause. Another important factor is that women are far more proactive than men in accessing healthcare. Women are also better at building and maintaining a support system of family, friends and acquaintances — although about 20 percent of American women have elected not to have children. Women also manifest different aging characteristics and, because of longevity, are more likely to develop dementia.

### THE FEMALE VVPREDICAMENT

While women tend to resist disease better in general, they're more vulnerable to diseases such as osteoporosis. Menopause can trigger a rapid reduction in bone mass, while men experience a more gradual loss of bone. Of the estimated 10 million with osteoporosis, about

## **RETIREMENT** how gender affects retirement

80 percent are women; and of those, one in two over age 50 will break a bone. Paradoxically, women's enhanced immune also systems make them more susceptible to autoimmune diseases (AD),



than men. Diabetes can have a more devas- passionately as we may deny the inevitabil- nition to seize the estate. tating effect on women's health, increasing ity of aging the risk of heart disease by six times more and claim that than those without. As women age they this only happens to other people, the realiexperience shrinking muscle mass, which ty is that if we live long enough, we will ex- CATEGORIZATION OF LONG-TERM CARE can correlate with declining cerebral blood perience all three stages as the aging pro- FACILITIES flow. What all these diseases have in com- cess inexorably takes its toll on the human From the perspective of the average client, mon is that they can lead to cognitive im- body. pairment. Osteoporosis bone loss has been shown to predict cognitive decline. Mild cognitive impairment (MCI) is a related con- Preparation while in possession of one's round-the-clock medical attention. Most tients will go on to develop Alzheimer's.

ous degrees of dementia. Up to 50 percent from it.

Retirement is typically the first act of a themselves. three-act play. As aging progresses, some

which strike women three times more often ed living, followed by nursing home care. As taking advantage of a client's reduced cog-

#### LONG-TERM CARE PLANNING

dition that often precedes the development mental faculties is essential. We take our prospective clients naively see the transition of Alzheimer's-type dementia. Some studies health for granted and assume our mental as rather abrupt. One day the person is mosuggest that up to 40 percent of seniors will faculties will remain unchanged, but that's bile, active and animated; then suddenly be affected by MCI, and many of these pa- clearly a fallacy. And for someone suffering they are feeble and ready to be placed in a from cognitive impairment, even moderate nursing home. In actuality, the aging pro-Refer to the graph illustrating the vari- tasks can be perceived as overwhelming. cess is gradual. Its progression can take

of Americans aged 80-85 will suffer from comfortable subjects such as aging, morbid- living (ADLs). some form of dementia. The Alzheimer's ity and their ultimate demise. According to Association estimates one in three will die Judith Johnson, a human values and social wide retirement community options availabehavior author whose work focuses on ble. Continuing care retirement communi-Dementia cases are expected to more human behavior and self-sabotaging atti- ties (CCRCs) offer part independent living, than double over the next several decades tudes, about 80 percent of Americans do part assisted living and part skilled nursing and outpace both heart disease and cancer not put their personal affairs in order before home. Effectively, CCRCs offer a tiered apin terms of cost. Statistically, most assisted they die or make proper arrangements for proach to the aging process by accommoliving medical claims are from the neck up. their care when they are unable to care for dating residents' changing needs. Upon en-

retirees will find the need to transition to a ing with the challenges associated with ag- ments or condominiums. They offer activicontinuing care retirement community and ing, including: how to plan for, fund and ties, physical fitness programs and socializa-— as the body loses its ability to care for implement retirement and beyond, and tion opportunities. When assistance with itself — long-term care in the form of assist- how to minimize the risk of an interloper every-

long-term care typically involves a senior nursing home facility whose occupants are physically compromised and in need of People tend to put off addressing un- years before impacting activities of daily

Clients need to be educated about the tering, healthy adults can reside inde-Advisors should aid their clients in deal- pendently in single-family homes, apart-

# **RETIREMENT** how gender affects retirement

day activities becomes necessary, adults can transition into assisted living or nursing care facilities. These communities give older adults the option to live in one location for the duration of their life, with much of their future care already planned. These facilities allow individuals to remain independent in an environment that maximizes their autonomy, dignity, privacy and safety while facilitating family and community involvement. Studies have shown that seniors who maintain an active social life can delay the onset of dementia.

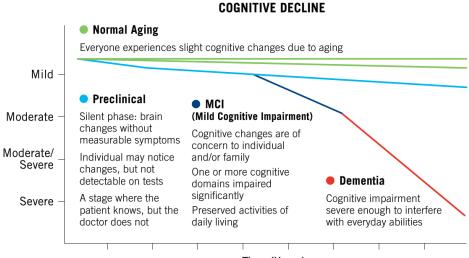
### COST OF ASSISTED LIVING OR NURSING HOME

\$100,000 to \$1 million and monthly charges term care riders have become increasingly their retirement savings. A 2006 law promay be incurred for other options including timely death, but also offer a long-term care free when certain requirements are met, and social activities.

Association of Insurance Commissioners powers the primary physician to determine interest earnings of the annuity. (NAIC) long-term care study, the national accessibility, and there is no elimination average for a private nursing home room is waiting period before payments can begin. in excess of \$200 a day or \$75,000 a year, be reminded that Medicare does not cover care.

### IN LIGHT OF THESE CHALLENGES

One option is to investigate special purpose



#### Time (Years)

riders, and thereby offload longevity risk, insurance, they offer benefits over other

years.

Annuities with long-term care riders are life insurance products with long-term care another possibility. Similar to hybrid life

Most advisors are aware of the expense of duration of long-term care (LTC) expense kinds of retirement products, especially for retirement communities. CCRCs typically and capital market risk on behalf of the cli- those who cannot deal with the risk of marrequire an entrance fee in the range of ent. Hybrid life insurance policies with long- ket volatility and the proportionate loss of ranging from \$3,000 to \$5,000, which may popular. These policies offer the flexibility vides that distributions from an annuity that increase as needs change. Additional fees of a death benefit in the event of an un- reimburse long-term care expenses are taxhousekeeping, meal service, transportation benefit that can be accessed without the but only these specialized annuities would usual hurdle of meeting two of the six daily typically meet the requirements. The annui-Alternatively, according to the National assisted living requirements. The policy em- ty still gualifies for the usual tax deferral of

Sophisticated retirement planning is challenging but can be a source of immeas-The policies are based on the reimburse- urable assurance in old age. There are many while the average assisted-living private ment model (insured or care facility submits variables such as longevity, interest rates, room is \$2,714 a month or \$32,572 a year. bill for payment) to reduce fraud, rather market volatility, healthcare costs and po-The average length of stay in a nursing than offering an indemnity payout (check tential changes in access to advanced medihome is 875 days (2.4 years). The average paid directly to the insured). Given the carri- cal care and cost. The key is for advisors to length of time from Alzheimer's diagnosis to er-imposed protocol to accessing funds, it's make the case to not postpone planning for death is eight to ten years as referenced by less likely that those payments can be di-retirement and to educate clients of the risk the Alzheimer Association. Clients need to verted to the disadvantage of the insured. of dementia in old age. Planning for retire-The payments are not subject to income ment is a challenge for those without cognithe cost of a nursing home when custodial tax. Several carriers offer these types of tive impairment. It's unlikely that a person care is the only care a person needs; rather products. For example, a 60-yearold wom- with even mild dementia would be able to it typically covers nursing home care as part an, non-smoker, who puts \$50,000 into a navigate by herself the decisions required of temporary rehabilitation post-hospital hybrid policy with an inflation rider can re- to properly plan and fund the transition to ceive monthly benefits at age 80 in the an assisted living facility. This only serves to range of \$4,600 a month for at least six underscore the important role of a financial advisor.