Affluent fret over, but do little about, future health expenses: Merrill

By Editor Test *Tue, Feb 28, 2012*

The latest Merrill Lynch Affluent Insights Survey showed that 73% of the affluent not yet retired viewed retirement as "a second act" during which they would work at least part-time.

Three out of four Americans with at least $250,000 in investable assets would manage their money differently if they knew they would live to age 100, according to the latest *Merrill Lynch Affluent Insights Survey*. Specifically:

- 39% would continue to work at least part-time during retirement.
- 37% would work with their financial advisor to reevaluate their savings and investment strategies.
- 32% would invest in a lifetime income product, such as an annuity.
- 32% would contribute more to a 401(k), IRA or other retirement savings vehicle.
- 29% would purchase long-term care insurance.
- 25% would retire closer to age 85 than 65.

In light of longer life expectancies, 59% of respondents also believed in raising the age of eligibility for claiming Social Security.

Braun Research conducted the survey of 1,000 affluent (investable assets > $250,000) Americans over age 18 by phone in December 2011 on behalf of Merrill Lynch Global Wealth Management.

Two factors most likely to lead Americans over age 50 to retire include "feeling confident that their assets will grant them the lifestyle they want throughout their remaining years" (25%), and "a possible health condition" (18%) of their own or within their family. More than half (55%) were concerned about affording their desired lifestyle in retirement.

Affluent prefer delayed retirement to austerity

If given the choice, 51% of affluent Americans not yet retired would rather retire later than accept a more austere lifestyle. However, 81% would, if necessary:

- Trim day-to-day expenses (38%).
- Purchase fewer personal luxuries (35%).
- Limit budgets for vacations (32%).
- Keep the same car longer (27%).
- Leave less of an inheritance (25%).
- Downsize their home (24%).

Among those preparing to retire in the next five years, 39% are saving more, 36% are developing a plan for monthly expenses and other financial needs once retired, 20% are consolidating assets with fewer financial institutions, 19% are clipping more coupons, and 15% are providing less financial support to adult-age children.

Only 24% defined retirement as never working again, while 73% of those not yet retired viewed retirement as “a second act” during which they would work at least part-time.

Health costs are top concern

For the third year in a row, rising health care costs was the top financial concern (79%) expressed by those surveyed. One-third of respondents said they are more concerned about the financial strain associated with a chronic illness or disability than its effect on their quality of life. Despite these concerns, 62% of respondents over age 50 have not yet estimated what their health care costs will be in retirement.

Survey respondents believe that future health care costs (26%) and life expectancy (25%) are the most difficult unknowns in retirement planning.

Women out-worry men

Perhaps because they live longer than men, 66% of affluent women (but only 54% of men) worry about outliving their savings. Women are more concerned (76%) about the future of Social Security benefits than men (59%), and about the cost of caring for an aging parent (37% of women, 25% of men).

Client to Financial Advisor: How do I live well longer?

Nearly half (47%) of affluent Americans said that conversations with their advisor now include retirement as well as general investing. Topics clients would like to discuss more often with their financial advisor include:

- Planning for the possibility of reaching age 100 (30%).
- Managing cash flow and liquidity in retirement (29%).
- Balancing near- and long-term financial demands (26%).
- How they hope to live during retirement (25%).
- The impact of rising health care costs (25%).
- Making lifestyle choices today that will improve their long-term financial security (21%).