

RAISING ANNUITY AWARENESS STARTS WITH LONGEVITY LITERACY

BY SURYA KOLLURI AND PAUL YAKOBOSKI

Retirement readiness means financial preparation for a post-work life that could last three decades or more. Unfortunately, most Americans don't understand how long people tend to live in retirement—a sensibility known as *longevity literacy* that matters for successfully managing a retirement portfolio during both accumulation and decumulation.

In a survey of U.S. adults by the TIAA Institute and the Global Financial Literacy Excellence Center, only 37% demonstrated “strong longevity literacy” by correctly identifying life expectancy at age 60.¹ 10% of respondents overestimated life expectancy at 60, while 25% underestimated it. 28% responded “don't know” and are considered to have “poor longevity literacy.” All told, more than one-half of adults (53%) demonstrate a lack of longevity literacy which can jeopardize their retirement readiness.

In fact, the same data show that longevity literacy is associated with better retirement readiness. Retirees with strong longevity literacy were more likely to plan and save for retirement while still working. Among those with strong longevity literacy, 81% saved regularly for retirement and 54% tried to determine how much they needed to save. The analogous figures among retirees with poor longevity literacy were 57% and 30%, respectively.

In addition, among retirees who saved for retirement, those with strong longevity literacy tended to know more about ways to draw income from savings during retirement: 42% re-

ported having a lot of decumulation knowledge compared with 27% of those with poor longevity literacy.²

Not surprisingly then, retirees with strong longevity literacy more often experience better financial outcomes. 83 percent enjoy a lifestyle that meets or exceeds pre-retirement expectations, 40% typically find it very easy to make ends meet, and 40% are very confident that they have enough money to live comfortably throughout retirement.³ The analogous figures among their peers with poor longevity literacy are 63%, 23%, and 25%, respectively.

IMPLICATIONS

Financial professionals should prioritize cultivating longevity literacy among their clients, especially when discussing adequate accumulation and appropriate decumulation. Longevity literacy enables investors to successfully manage longevity risk in a retirement portfolio. For example, an investor with strong longevity literacy will inevitably place greater value on what annuitization provides – a consistent stream of

1. There were analogous versions of the question for men and women.
2. All three behaviors were equally common among those overestimating life expectancy and those demonstrating strong longevity literacy. This is not surprising since the former have a frame of reference based on a view of a relatively long retirement.
3. Again, outcomes among those overestimating 60-year-old life expectancy are close to the outcomes among those with strong longevity literacy.

Retirees with strong longevity knowledge tend to experience better retirement outcomes.

TYPICALLY FIND IT VERY EASY
TO MAKE ENDS MEET

40% of those with strong
longevity knowledge

23% of those with weak
longevity knowledge



LIFESTYLE MEETS
OR EXCEEDS PRE-RETIREMENT
EXPECTATIONS

83% of those with strong
longevity knowledge

63% of those with weak
longevity knowledge



VERY CONFIDENT ABOUT HAVING
ENOUGH MONEY TO LIVE COMFORTABLY
THROUGHOUT RETIREMENT

40% of those with strong
longevity knowledge

25% of those with weak
longevity knowledge



Source: TIAA Institute-GFLEC Personal Finance Index (2022).

Longevity Literacy and Retirement Outcomes

income for as long as you live, no matter how long you live – than someone with poor longevity literacy. Those with strong longevity literacy are far more likely to be retirement ready.

This Institute Note is based on “Financial literacy, longevity literacy, and retirement readiness: The 2022 TIAA Institute-GFLEC Personal Finance Index,” available here: www.tiaa.org/content/dam/tiaa/institute/pdf/insights-report/2023-01/longevity_literacy_financial_literacy_and_retirement_readiness.pdf

AUTHORS

Surya Kolluri is Head of the TIAA Institute, overseeing research on enhancing lifelong financial security and organizational effectiveness in higher education and the broader nonprofit sector. Surya has presented at the World Economic Forum, Tokyo G20 Summit on Aging and Financial Inclusion, White House Conference on Aging, National Governors Association, Dementia Forum X in Stockholm, World Health Organization Convening on Healthy Aging in Geneva, and the OECD roundtable at Oxford University. Surya holds an MBA from The Wharton School at the University of Pennsylvania and a master’s in mechanical engineering from Drexel University.

Paul Yakoboski is a senior economist with the TIAA Institute. His research agenda focuses on financial literacy and wellness, retirement saving and investing, the retirement decision and asset management during retirement. Prior to joining the TIAA Institute, Yakoboski held positions as Director, Policy Research for the American Council of Life Insurers, Senior Research Associate with the Employee Benefit Research Institute and Senior Economist with the U.S. Government Accountability Office. Yakoboski earned his Ph.D. and M.A. in economics from the University of Rochester and his B.S. in economics from Virginia Tech.