# Live Long and Prosper!
## Invest in Your Happiness, Health and Wealth for Retirement and Beyond

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**New Book Recommends Different Way of Thinking About Retirement for the 21st Century**

WASHINGTON, D.C., December, 2004 — Retiring full time in our fifties or early sixties isn't the only way to achieve happiness in our later years, and it may not be the best way according to a new book. In *Live Long and Prosper! Invest in Your Happiness, Health and Wealth for Retirement and Beyond*, author Steve Vernon defines a new model for retirement and provides simple, effective strategies for living a prosperous, fulfilling *"rest-of-life."*

"The baby boom generation has an outdated, 20th century model of retirement in our minds," explains Vernon, a consulting actuary who has spent nearly 30 years helping employers design and deliver retirement programs. "That is, work hard at a job you may not like very much, then retire full-time, preferably in your late fifties or early sixties."

Vernon argues that it is much more realistic and healthy to move beyond the traditional view of retirement, especially given longer life expectancies, low savings rates among baby boomers, rising health care costs, potential cutbacks in Social Security and various other trends. "Most Americans do not have the resources to retire in their early sixties and then live comfortably for an additional 20 to 30 years," says Vernon. "But that doesn't have to be a threat to our happiness."

Vernon's new model for *rest-of-life* calls for working part-time into our late sixties, seventies, or even beyond, but with work that is interesting and fulfilling. It also includes taking care of our health and adopting financial strategies that ensure we don't outlive our retirement savings.

Based on the latest research and sophisticated analyses that are typically reserved for large corporations, it helps readers answer these important questions:

- Do you have enough money to retire when you want? If not, when?
- How can you manage your income and expenses such that you don't outlive your 401(k) balances?
- How can you invest now in your health, so that you won't be wiped out by large medical expenses? What can you do now to live a long, productive and meaningful life?

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**New Book Recommends Different Way of Thinking About Retirement for the 21st Century (continued)**

- What can you expect from Social Security and Medicare?
- What's the best work/life balance for prosperity and fulfillment?

*Live Long and Prosper!* advocates that you think beyond the traditional view of retirement, and begin planning for the rest of your life. "Action steps that we take in our forties, fifties and sixties will have a profound influence on our happiness, health and financial well-being in our seventies, eighties, nineties and beyond," says Vernon. "In 30 years, we'll see that the haves and have nots will correlate well with the dids and the did nots – those that did prepare for their rest-of-life will have a prosperous, fulfilling life. "

*Live Long and Prosper!* is highly enjoyable and easy to read, and describes Steve's quest to figure out how to address our challenges and live long, purposeful lives. It gives boomers hope and a plan for a fulfilling and prosperous future.

**About the Author**

Steve Vernon is a Vice President and Consulting Actuary with Watson Wyatt Worldwide. For 30 years, he has helped large corporations design, administer, communicate and fund their retirement, benefits, and rewards programs. He has published two prior books with John Wiley & Sons, titled:

- *Employee Benefits: Valuation, Analysis and Strategies*
- *Don't Work Forever!, Simple Steps Baby Boomers Must Take To Ever Retire*

*Live Long and Prosper! Invest in Your Happiness, Health and Wealth for Retirement and Beyond*
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For more information, see www.restoflife.com or www.watsonwyatt.com.

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### Fact Sheet on Retirement Trends

A number of trends point to delayed retirement – to our late sixties or seventies. *Live Long and Prosper!* details how to effectively manage these trends to ensure a secure and happy *rest-of-life*.

- **The decline of pension and retiree medical plans.** Employers are eliminating or reducing defined benefit and retiree medical plans, increasing the need for employees to build their own financial resources that will last the rest of their lives. From 1983 to 1998, the number of traditional defined benefit plans in the United States dropped by two-thirds. Looking ahead to 2031, according to a recent Watson Wyatt study, employer-sponsored retiree medical plans will be paying for only about 10% of retirees' health costs.

- **Low savings rates.** Rather than increasing our savings rates to make up for the projected shortfalls in retirement plans, Americans are saving, on average, about half as much as prior generations. The average 401(k) account balance for people in their fifties and sixties is around $100,000. This will generate a lifetime income of around $5,000, accounting for future inflation. Not enough to live on, even with Social Security!

- **Recent stock market volatility.** The volatility of the stock market in the last few years have pointed to the uncertainty involved with relying on 401(k) plans for most of our retirement income security.

- **Potential cutbacks in Social Security.** Current Social Security benefits provide a modest level of lifetime income – a good start, but not enough for a comfortable living. Unfortunately, this level is jeopardized by the financing policy of the federal government. For the last several years, Social Security has run a surplus of taxes over benefits paid. However, this money isn't being invested to pay for the benefits of baby boomers. Instead, it's being used for all the expenditures of the federal government – military, foreign aid, research, government services, and so on. By 2040, Social Security actuaries project that the annual deficit of benefits paid over Social Security taxes collected will reach nearly $1 trillion – in today's dollars. It's inevitable that some combination of benefit cutbacks or tax increases will need to make up this deficit.

### Fact Sheet on Retirement Trends (continued)

- **The aging of the workforce.** Employers will need older workers to continue producing the goods and services that our nation needs. Currently, there are about 3.8 workers for every person age 60 and older. Recent forecasts project this number to decrease to 2.1 by 2040. If these trends continue, there will be a worker shortage. It's more likely that this shortage will be partially prevented by baby boomers working later in life than prior generations.

### Questions and Answers with the Author

**What are the implications for human resource managers? How they can improve the productivity of their older employees?**

If employees follow the advice in the book, their medical expenses will plummet, both now and later when they retire. The book and its associated web site are much more directive than most employer-sponsored communications pieces on health promotion. It provides specific action items, described in everyday language, that most people can follow. These action items are based on extensive and emerging research on the interaction of health and lifestyle. The book makes the link between money and health, showing how current 'investments' in health will pay off financially over the long run for both employers and employees.

The book demonstrates that the existence of a defined benefit plan can make the difference between retiring comfortably or not. Knowledgeable older workers will be attracted to employers with DB plans. Sophisticated employers will come to appreciate DB plans as an important tool for attracting and retaining skilled workers over age 45.

It describes the economic and psychological reasons for phased retirement, and shows practically how this can work. Many readers will be interested in phased retirement as a lifestyle in their fifties, sixties and seventies, and cutting edge employers will lead this trend to attract and retain skilled workers at an affordable cost.

**Questions and Answers with the Author (continued)**

**What are the key ingredients for successful aging? How can we find happiness and fulfillment for our rest-of-life?**

Not having enough money to meet basic living needs can cause unhappiness, but once these needs are met, having additional money does not result in significantly increased happiness.

Sources of long-lasting happiness include identifying and applying personal strengths and talents to our family and loved ones, work, and society. These don't require huge amounts of money – just enough to meet our basic living needs.

Satisfaction with work includes applying skills and experience in a way consistent with our values and interests, opportunities for continued growth, and being treated with respect.

Various longitudinal studies show that successful agers continue to be engaged with life and society well into their eighties and nineties. An important aspect is making a contribution, whether through volunteering or paid work (if we need the income). Continued work need not be a harsh life sentence, and may actually improve our overall well-being if it is the right kind of work under the right circumstances.

What people really want is to live the rest of their lives with health, happiness, and fulfillment. Retirement is not necessary for these goals, and in fact may not be the best way to meet these goals. The book proposes phased retirement as an alternative to full-time retirement as a practical means to stay engaged with life, make a contribution to society, and earn necessary income and medical insurance.

Research exists which implies that people who work in their sixties, seventies and eighties are happier, healthier, and live longer than those who don't work.

**Questions and Answers with the Author (continued)**

**How can we manage the threat of high medical bills in our later years?**

The best way to deal with high medical bills in our later years is to take care of ourselves; the book and its associated web site provide practical steps, based on the latest health research. If we do this right, most likely we will live a long time, which increases the challenge of outliving our 401(k) balances. The book advocates that investments in your health are as important as investments in stocks and bonds.

Over half of Americans spend only a few hundred dollars per year on medical expenses. A small proportion of the population incurs the largest amount of medical bills (an example of the 80/20 rule). Most of this small proportion is not selected randomly through bad luck; instead they incur these high expenses as a predictable outcome of 'lifestyle disorder.'

The most expensive diseases to treat are largely preventable through lifestyle, primarily diet, exercise, and not abusing substances. Thus, the best way to minimize future medical bills is to adopt a healthy lifestyle. The book describes 15 lifestyle practices that will help individuals keep healthy and minimize the chances of ruinous medical expenses.

Research shows that these same lifestyle practices will most likely enable a vigorous, healthy life well into our eighties, nineties or perhaps even to 100. They will also minimize the chances of needing expensive nursing homes.

The most effective way to obtain medical insurance is through an employer-sponsored medical plan. If this is not available, then the next-best solution is usually purchasing a high-deductible PPO policy in combination with a Health Spending Account (HSA).

The book contains strategies for purchasing individual medical coverage, using the protection afforded by COBRA and HIPAA, and filling in the holes with Medicare. It also discusses protecting against the high costs of nursing homes (purchasing a long-term care policy is usually not the best solution).

**Questions and Answers with the Author (continued)**

**How can we manage our financial assets to last the rest of our lives?**

Given the decline of traditional defined benefit plans and the popularity of 401(k) plans, the biggest challenge we face is outliving our financial resources. The book provides strategies for investing our 401(k) balances and withdrawal strategies.

The 'magic formula' is to make $I>E$, and sustain this relationship for the rest of our lives. $I$ is our annual income from all sources, and $E$ is our annual expenses.

The book explores various strategies for maximizing and securing lifetime $I$ through investing in mutual funds, purchasing immediate annuities, and utilizing other financial assets such as our home. Half the battle is avoiding big mistakes or getting overly complicated. If we do just 'pretty good' with our investments, we'll have enough money to support the life we want.

The book advocates maximizing guaranteed lifetime income from Social Security and defined benefit plans. Usually this means delaying benefits until they are no longer reduced for early retirement, and not electing lump sum benefits from defined benefit plans.

The book shows average expenditures for Americans on various life expenses, and contains strategies for minimizing our $E$.

The book provides methods and examples to determine if our financial resources are adequate for retirement, and if not, how much we should save to eventually retire. It also shows how to integrate income from investments with wages from part-time work to provide the total $I$ that we need.

The book concludes with ideas and strategies for making important changes in our lifestyles to overcome ingrained habits, such that we can be healthy, happy and financially fit for the rest of our lives.