

Living to 100: Retirement Implications to Consider

As MFS® celebrated its 100th year, we reflected on what effect living to 100 years of age may have on retirement planning and potential outcomes. With longer life expectancies, there is an increased chance of living to 100, or beyond. Over the past 100 years, the concept of retirement has evolved: The average time in retirement has increased and the type of retirement benefit we rely on has shifted responsibility more to the member.

	Average retirement age		Life expectancy at retirement		Type of retirement benefit	
	MALE	FEMALE	MALE	FEMALE	DEFINED BENEFIT	DEFINED CONTRIBUTION
Today¹	66.3	64.4	▲ 18.6	▲ 23.0	▼ 54%	▲ 46%
50 Years ago	65.3	63.9	14.6	19.7	Virtually none	
100 years ago	70.0	70.0	8.0	8.5	Virtually none	

50 years ago, the average retirement age was lower, reflecting the widespread use of defined benefit plans, which often provided early retirement incentives. At the end of 2024, the average retirement age was around 65, with an average life expectancy at retirement of approximately 19 to 23 years for men and women respectively. We have also seen a meaningful shift from defined benefit to defined contribution plans. As we contemplate what it may mean to live to 100, here are ten key retirement implications for both plan sponsors and members to consider:

MFS® Global Retirement Survey²

Only **26%** of pre-retirees and **32%** of retirees in the MFS 2024 Global Retirement Survey are planning for their retirement to last more than **30** years.

Extended Retirement Savings: With retirement potentially lasting decades, individuals may need to save more to ensure they don't outlive their resources. This may mean saving earlier in life, saving at a higher rate or investing more aggressively while they have a long-time horizon.

- **Plan sponsor considerations:** The role of automatic enrollment, automatic escalation and encouraging strong deferral rates to help set members up towards success.
- **Member considerations:** The importance of saving early, with a strong deferral rate and in an age-appropriate asset allocation.

50+% of pre-retirees think less than **25%** of their retirement income will come from the Canadian Pension Plan, but retirees tell us over **25%** of their monthly income comes from CPP today.

Canadian Pension Plan Benefits: Individuals should evaluate their CPP benefits, especially as one option of delaying claiming CPP can lead to a meaningful increase in the benefits received.

- **Plan sponsor considerations:** Offer CPP planning tools.
- **Member considerations:** Understand the role CPP and other programs may play in retirement.

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When asked about their biggest expenditures in retirement, **62%** of members say it will be health care costs, while **44%** of retirees say it is one of their top three expenditures.

Health Care Costs: Individuals may face substantial medical expenses in retirement, especially in the later years of life. This means planning for long-term care and considering insurance options such as supplemental insurance.

- **Plan sponsor considerations:** Integrate health care options, such as HSAs, into the retirement planning framework.
- **Member considerations:** Understand and prepare for health care costs and insurance options in retirement.

66% of members believe they will have a more gradual transition rather than a hard stop when it comes to retirement. However, **71%** of retirees say they had a hard stop, and **46%** said they retired earlier than expected.

Working Longer: Some individuals may choose or need to work beyond a “traditional” retirement age to continue earning income and maintain their standard of living.

- **Plan sponsor considerations:** Understand the workforce demographics, current retirement age and if the company could support later retirement dates.
- **Member considerations:** Is working longer possible? Would it be at your current employer, in your current profession or might it look different?

When asked about the elements of a retirement portfolio, members (**78%**) and retirees (**90%**) stress the importance of receiving a predictable stream of income payments in retirement.

Retirement Income Strategies: Strategies for generating income in retirement, such as annuities or systematic withdrawal plans, may need to be adjusted to ensure they can provide for a longer lifespan.

- **Plan sponsor considerations:** From a plan design perspective, determine if the goal is for members to stay in plan or exit the plan, then build appropriate strategies to help facilitate that plan design.
- **Member considerations:** Have a comprehensive financial plan around how to drawdown assets in retirement.

Inflation and Cost of Living: Over a long retirement, the cost of living can increase significantly due to inflation. Retirement income should aim to keep pace with rising costs to maintain purchasing power.

- **Plan sponsor considerations:** The importance of having diversified investment options available to members to help offer and build inflation strategies for client’s needs.
- **Member considerations:** Do you plan to spend more, less or the same in retirement? Having a plan that will work in an inflationary or non-inflationary environment.

Housing: Decisions about where to live in retirement become more critical, with considerations such as accessibility and proximity to health care or family members who may be involved with caregiving.

- **Plan sponsor considerations:** If members need to consider housing changes, do you operate in an area or cost of living environment where retirees will stay?
- **Member considerations:** Do you plan to move when you are retired (from your home or from your current location)?

47% of members think they will need to spend less in retirement. **61%** of retirees say they do in fact spend less in retirement.

Lifestyle Changes: Retirees may need to consider changes in their lifestyle to stretch their savings, such as downsizing their home, relocating to areas with a lower cost of living, or cutting discretionary spending.

- **Plan sponsor considerations:** If members need to consider lifestyle changes, will those changes result in them working longer?
- **Member considerations:** You may need to consider lifestyle changes (such as downsizing, relocating or cutting discretionary spending) in retirement.

Cognitive Decline: Members may need to plan for the possibility of diminished capacity to manage one's own finances, including setting up trusts, power of attorney or guardianship arrangements.

- **Plan sponsor considerations:** The importance of advice and potentially providing access to an advisor.
- **Member considerations:** The importance of advice and potentially engaging with an investment professional or financial advisor.

Estate Planning, Legacy and Gifting: A longer life means more time to think about how to pass on assets to heirs or charities. Estate planning strategies may need to be more flexible to account for changing circumstances over a longer period.

- **Plan sponsor considerations:** Do you offer any tools to help members with these broader concerns?
- **Member considerations:** Thinking holistically about your retirement planning often involves these considerations as well.

The retirement industry's focus on developing retirement income strategies in a defined contribution world must also wrestle with what it means to potentially live longer. However, retirement income strategies are only one of a long list of considerations. Planning for a long retirement may require a comprehensive approach that considers financial, health care, social and legal factors to work towards a secure and fulfilling retirement.

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¹Source: Average retirement age: 100 years ago = Assumed to be default age for Old Age Survivor Pension in 1927. 50 years ago and today = Statistics Canada: Retirement age by class of worker, annual for 1976 (oldest date available) and 2024 (latest date available). Life expectancy: 100 years ago = Statistics Canada: Life Expectancy 1920-1922 to 2009-2011. 50 years ago and today = Statistics Canada: Life expectancy and other elements of the complete life table, three year estimates, Canada, all provinces except Prince Edward Island (2024-12-04).

²Source: 2024 MFS Global Retirement Survey.

Canadian results methodology: Dynata, an independent third-party research provider, conducted a study among 703 Defined Contribution (DC) plan members and 303 retirees in Canada on behalf of MFS. MFS was not identified as the sponsor of the study.

To qualify, DC plan members had to be ages 18+, employed at least part-time, actively contributing to a DC Pension Plan, Group Registered Retirement Savings Plan, Deferred Profit Sharing Plan, Non-Registered Group Savings Plan, or Simplified Employee Pension Plan. Retirees had to be fully or partially retired and must have had DC Pension Plan, Group Registered Retirement Savings Plan, Deferred Profit Sharing Plan, Non-Registered Group Savings Plan, Simplified Employee Pension Plan or DB Plan. Data weighted to mirror the age/gender distribution of the workforce. The survey was fielded between March 28 –April 13, 2024.

Issued in Canada by MFS Investment Management Canada Limited.