



## Jackson Study Finds Vast Majority of Investors Inaccurately Predict Life Expectancy, Increasing Risk in Their Retirement Income Plans

*Debut study on Longevity Risk kicks off Jackson Security in Retirement Series conducted in partnership with the Center for Retirement Research at Boston College*

**LANSING, Mich., November 13, 2023** – [Jackson National Life Insurance Company](#) (Jackson®), the main operating subsidiary of Jackson Financial Inc.<sup>1</sup> (NYSE: JXN), today released key findings from its comprehensive study on how retirees and financial professionals perceive retirement risk and the possibility of outliving income. The study is part one of Jackson’s *Security in Retirement Series* conducted in partnership with the Center for Retirement Research at Boston College. This multi-phase research effort explores the potential threats to financial security in retirement and how financial professionals and retirement investors can more effectively manage these threats.

Longevity risk is more significant than ever before: every day, an estimated 10,000 baby boomers reach the traditional retirement age of 65,<sup>2</sup> life expectancy has increased significantly over the past century,<sup>3</sup> and the use of employer-based pension plans has declined.<sup>4</sup> A key challenge facing retirees is how not to exhaust their assets when faced with the possibility they may live longer than expected.

Jackson’s work with the Center for Retirement Research aims to help retirement investors and financial professionals better navigate financial challenges in this unprecedented era. The study entails comprehensive, academic research focused on the dynamics of the annuity puzzle,<sup>5</sup> a phenomenon where retirees, despite sound reasons, do not create guaranteed retirement income streams. In addition to interviews with financial psychologists, financial professionals and retirement investors, the research included online surveys of more than 400 financial professionals and 1,000 retirement savers with investable assets over \$100,000. The goal of the research was to provide useful, actionable, research-based insights.

Select findings from the research include:

- **People don’t know how to estimate life expectancy.** The vast majority of those surveyed are either over- or

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<sup>1</sup> Jackson Financial Inc. is a U.S. holding company and the direct parent of Jackson Holdings LLC (JHLLC). The wholly-owned direct and indirect subsidiaries of JHLLC include Jackson National Life Insurance Company, Brooke Life Insurance Company, PPM America, Inc. and Jackson National Asset Management, LLC.

<sup>2</sup> Guillaume Vandenbroucke, Federal Reserve Bank of St. Louis, “How Many People Will Be Retiring in the Years to Come?” May 30, 2019.

<sup>3</sup> Aaron O’Neill, Statista, “Life expectancy (from birth) in the United States, 1860-2020,” June 21, 2022.

<sup>4</sup> Jeanne Sahadi, CNN Business, “Traditional pension plans are pretty rare. But here’s who still has them and how they work,” September 7, 2023.

<sup>5</sup> Popularized by Franco Modigliani in his 1985 Nobel Prize acceptance speech, the annuity puzzle refers to the fact that few people choose to create guaranteed income streams from their accumulated savings even though they may have sound reasons to do so.

under-predicting their potential longevity, while only 12% align with averages in Centers for Disease Control and Prevention (CDC) or Social Security Administration actuarial tables. Overall, more than a third of investors may be under-predicting their potential longevity, increasing the likelihood they will outlive their assets and potentially suffer a lifestyle decline.

- **Parent’s age of death is the most common method used to predict life expectancy.** More than 40% of the investors surveyed rely on the age of a parent at death to project their life expectancy. While useful, this data point is not considered a reliable predictor, particularly given that life expectancy has increased over time.
- **Young investors (between the ages of 55 and 59) are most likely to underpredict life expectancy by an average of nearly five years, posing a unique challenge for early pre-retirement planning.** Secondly, the lower an investor perceives their own physical health, the greater the underprediction of life expectancy.
- **Investors tend to display recency bias<sup>6</sup> when planning for retirement.** Investors tend to consider recent experiences more heavily when they engage in financial planning — indicating an overestimation of inflation and an underestimation of investment returns compared to historical averages.
- **Financial professionals predict longer lives than their clients.** One-third of financial professionals surveyed report at least 25% of their clients are at risk of outliving their assets if they live to age 90. Most investors surveyed predict an average lifespan of 87 years, while financial professionals surveyed recommend planning for income to last until 90-95 years of age.
- **Over half of investors expressed interest in an annuity that guarantees<sup>7</sup> lifetime income.** This interest far exceeds the current ownership rates of annuities.<sup>8</sup> Many economists believe using an annuity to insure against longevity risk is an optimal yet underused approach.
- **Financial decision-making may vary by gender.** The study suggested that there are marked differences in preparation for — and financial behavior in — retirement, based on the gender of the decision-maker.

“Our research shows that investors saving for retirement are heavily influenced by recency bias, misguided heuristics, or emotional factors, such as the health of their parent. As a result, the vast majority of investors inaccurately predict life expectancy, which significantly increases the risk that they will deplete their resources,” said Glen Franklin, Assistant Vice President of Research, RIA and Lead Generation Strategy for Jackson National Life Distributors LLC (JNLD), the marketing and distribution business of Jackson. “In fact, financial professionals surveyed indicate at least a quarter of their clients would be at risk of outliving their assets if they live to age 90, which is a real possibility for much of the population.”

Alicia Munnell, Peter F. Drucker Professor of Management Sciences at the Carroll School of Management and director of the Center for Retirement Research at Boston College, said, “Living longer is great, but it requires people to

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<sup>6</sup> Adam Hayes, Investopedia, “Recency (Availability) Bias: What it is, How it Works,” November 29, 2022.

<sup>7</sup> Guarantees are backed by the claims-paying ability of the issuing insurance company.

<sup>8</sup> In the recent “Psychographics of Successful Retirement Outcomes study,” fielded June 8 to 23, 2023 among 2,004 US adults aged 43 or older, we found that 28% reported owning an annuity.

understand the risks involved and how best to prepare for them. In today's 401(k) world, households need to know how they can convert part of their nest egg into a stream of guaranteed lifetime income. Our research, in partnership with Jackson, suggests that more people may actually want to buy annuities than previously thought. The challenge is to clear away the underbrush that creates the gap between wanting to buy an annuity and actually doing it so that people can get more secure retirement income."

Future studies within Jackson's *Security in Retirement Series* will explore and analyze a selection of critical risks impacting Americans' security in retirement, such as healthcare, market dynamics and policy risk related to government programs. The next study, focused on inflation risk, will publish in 2024.

To access details and up-to-date findings relative to this research as well as other proprietary research materials developed by Jackson on topics that affect the saving and spending habits of Americans, visit

[www.jackson.com/researchcenter](http://www.jackson.com/researchcenter).

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#### **ABOUT JACKSON**

Jackson® (NYSE: JXN) is committed to helping clarify the complexity of retirement planning—for financial professionals and their clients. Through our range of annuity products, financial know-how, history of award-winning service\* and streamlined experiences, we strive to reduce the confusion that complicates retirement planning. We take a balanced, long-term approach to responsibly serving all our stakeholders, including customers, shareholders, distribution partners, employees, regulators and community partners. We believe by providing clarity for all today, we can help drive better outcomes for tomorrow. For more information, visit [www.jackson.com](http://www.jackson.com).

*\*SQM (Service Quality Measurement Group) Contact Center Awards Program for 2004 and 2006-2022, for the financial services industry (To achieve world-class certification, 80% or more of call-center customers surveyed must have rated their experience as very satisfied, the highest rating possible).*

Annuities are long-term, tax-deferred vehicles designed for retirement and are insurance contracts. Variable annuities and registered index-linked annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met.

Annuities are issued by Jackson National Life Insurance Company and in New York by Jackson National Life Insurance Company of New York. Variable annuities and registered index-linked annuities are distributed by Jackson National Life Distributors LLC, member FINRA. May not be available in all states and state variations may apply. These products have limitations and restrictions. Contact Jackson for more information.

Jackson® is the marketing name for Jackson Financial Inc., Jackson National Life Insurance Company® (Home Office: Lansing, Michigan) and Jackson National Life Insurance Company of New York® (Home Office: Purchase, New York).

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