



The trouble with averages

Knowing what the average is may not be as helpful as you think.

One of the facts which often appears in personal finance surveys is that people tend to underestimate how long they will live. At a time when retirement provision is increasingly becoming a personal rather than state responsibility, that could mean running out of money before running out of life.

If you want an idea of what the average life expectancy for your age is, there are plenty of websites to help you. One of the simplest – and arguably most independent – comes from the Office for National Statistics (<http://visual.ons.gov.uk/how-long-will-my-pension-need-to-last/>), using the basis underlying UK population projections. For example, if you are a 55 year-old man, the site will tell you that your average life expectancy is 86 years. If you are a woman of the same age, you can add another three years to that figure.

All well and good, but these are *averages* and that means there is roughly a 50% chance you will live longer. Just how much longer could be a significant period. The ONS number crunchers say that a 55 year-old man has a 1 in 4 chance of reaching age 95 and again a woman can add another three years, bringing her to 98. There is 17.2% chance – roughly 1 in 6 – that the longer-living sex will survive until 100: for men the odds are 10.9% – still about 1 in 11.

Today's 55 year-old will reach state pension age in about 11 years' time, so even on the average numbers they will spend 20 or 23 years in retirement. Adding another nine years – the 1 in 4 chance – means an increase of nearly half for men.

Would your current pension provision last that long..? We are here to help with your pension planning.

The value of investments can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.