

# Retirement 2030: Navigating Demographic, Economic, and Political Trends in the United States

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## Introduction

The retirement landscape in the United States is undergoing significant changes, driven by demographic shifts, economic pressures, and an evolving political environment. Baby Boomers have been turning 65 at a pace of 10,000 people every day for the last fifteen years and on January 1, 2025, the first of this generation starts turning 80. This massive aging of the U.S. population creates both challenges and opportunities for healthcare, long-term care, and financial planning. Financial professionals must adapt to help retirees prepare for a future with longer life spans, rising healthcare costs, and economic uncertainty. This paper analyzes key trends and offers insights for insurance and financial professionals aiming to guide clients effectively through retirement in 2030.

## Demographic Trends

The U.S. population is aging at an unprecedented rate. By 2030, 1 in 5 Americans—more than 70 million individuals—will be over 65, reshaping the workforce, increasing demand for healthcare, and transforming retirement living.

- **Extended Work Life:** Economic factors, such as rising healthcare costs and insufficient retirement savings, are encouraging older Americans to remain in the workforce longer. The Georgetown Center for Retirement Initiatives notes that adults aged 65 and older are expected to represent 29% of the workforce by 2030. Many older adults turn to part-time or gig work to supplement their income, creating a need for flexible retirement plans.
- **Longevity and Health:** With Americans living longer, more are expected to reach their 80s and 90s, necessitating additional resources to cover healthcare and long-term care costs. Understanding changes in longevity overlaid with extended morbidity will be critical to manufacture and distribute financial and health related products/service. Chronic conditions like Alzheimer's are on the rise, increasing demand for specialized services. Financial products such as life insurance and annuities, long-term care insurance, and alternative financial options designed to meet the unique financial challenges of aging and declining health will play crucial roles in meeting these expenses.

## Economic Pressures

Economic uncertainty, inflation, and a growing retirement savings gap are major concerns for future retirees. The 2024 Retirement Confidence Survey by the Employee Benefit Research Institute

reports that inflation and recent economic downturns have left many retirees unsure of their financial security.

- **Retirement Savings Gap:** Millions of Americans face a “retirement savings crisis,” as highlighted by the National Council on Aging. Pew Charitable Trusts found that roughly 45% of U.S. households are at risk of not having enough savings to maintain their standard of living in retirement. Financial professionals must emphasize stronger retirement savings programs, such as automatic enrollment in employer-sponsored plans, and lifetime income products like insurance and annuities.
- **Annuities and Financial Products:** Annuities are increasingly valuable for those seeking stable income in retirement. Despite their benefits, the J.D. Power study reveals that many Americans are uninformed about annuities, and only a small percentage use them to manage longevity risk. Financial professionals will need to educate clients on annuities and alternative financial options, such as reverse mortgages and life settlements, to help them establish secure retirement income.

## Living and Aging in Retirement

Longer lifespans and higher rates of chronic illness make planning for health in retirement more complex. The National Institutes of Health (NIH) projects that by 2030, more than half of Americans over 65 will have at least one chronic condition. Comprehensive strategies that integrate health savings, insurance, and advanced care planning will be essential. A growing number of seniors prefer to “age in place” rather than move to retirement communities. This choice, however, requires significant financial planning to cover home modifications, in-home care, and caregiver support.

- **Housing and Care Solutions:** Private pay resources to cover these costs such as long-term care insurance, annuities, life settlements, reverse mortgages, home equity loans, and caregiver support programs will be increasingly important financial tools for those who choose to age in place. The demand for senior housing, including assisted living facilities, is also expected to grow, requiring careful financial planning to cover these rising costs.
- **Technology and Aging:** Rapid advances in Artificial Intelligence (AI), telemedicine, wearable devices, and personalized healthcare are expected to improve health outcomes for retirees. These technologies involve out-of-pocket expenses, and financial professionals will need to incorporate these advancements into retirement plans to ensure clients have access to necessary resources without compromising financial security.

## Political and Policy Considerations

The politics surrounding retirement in the U.S. are evolving, with ongoing debates on Social Security and Medicare reforms and long-term care funding. These social safety nets are crucial to retirees' financial well-being, but their future is uncertain.

- **Social Security:** Social Security remains vital for many retirees, yet the Peter G. Peterson Foundation warns that, without reform, the program may face insolvency by the early 2030s. This could result in a 25% reduction in benefits. Financial professionals must prepare clients for potential reductions and emphasize saving independently to supplement Social Security and not rely on this as the majority of their monthly retirement income.
- **Healthcare and Long-Term Care:** Rising long-term care costs present a serious concern. Genworth's Cost of Care report predicts that by 2030, the average annual cost for a private room in a nursing home will exceed \$140,000. Hybrid insurance policies that combine life and long-term care benefits, as well as other funding mechanisms, will be essential for managing these expenses.

## The Retirement Landscape in 2030

By 2030, the retirement landscape will be shaped by demographic shifts, economic challenges, and political uncertainties. Financial professionals must adapt by offering innovative, personalized solutions to help retirees manage their income, healthcare, and long-term care needs. Key strategies will include providing comprehensive guidance on diversified income streams, preparing for changes in longevity patterns along with extended periods of morbidity in late stages of life, and staying informed about potential changes to Social Security and Medicare. With careful planning and informed decision-making, retirees can better navigate these challenges and enjoy a secure, fulfilling retirement.

## CHAPTER 1

### *The Retirement Crisis for an Aging Population*

The retirement crisis in the United States continues to loom large as demographic shifts, economic uncertainties, and under-preparation collide. As the population ages, the challenges of retirement security are becoming more urgent, impacting individuals, families, and society at large. Resources from the National Council on Aging (NCOA) and BlackRock's 2024 Read on Retirement survey emphasize the growing complexity of this crisis and the need for innovative solutions to ensure that future retirees can maintain financial security and quality of life. This section explores key findings from these sources, examining the root causes and potential remedies for the retirement crisis facing an aging population.

### The Scope of the Retirement Crisis

According to the National Council on Aging (NCOA), a significant

portion of the U.S. population is financially unprepared for retirement. The report highlights that millions of older adults are entering retirement with insufficient savings, forcing them to rely heavily on Social Security, which was never intended to be the sole source of income in retirement. This financial strain is particularly pronounced for low-income workers, women, and people of color, who are disproportionately affected by wage gaps and inconsistent access to employer-sponsored retirement plans.

NCOA reports that about 25% of Americans over the age of 65 rely almost entirely on Social Security for their income. Given that the average Social Security benefit in 2023 was just over \$1,800 per month, this reliance leaves many retirees living at or near the poverty line, especially as the cost of living continues to rise. The retirement crisis is further exacerbated by healthcare and long-term care costs, which can deplete even well-planned savings as retirees age and require more expensive medical services.

The 2024 Read on Retirement survey conducted by BlackRock paints a similarly concerning picture. The survey found that 41% of respondents feel they are "significantly behind" on their retirement savings goals, and many expressed uncertainty about how much they need to save to maintain their standard of living in retirement. This uncertainty is driven by a combination of rising inflation, increasing healthcare costs, and the unpredictability of Social Security's future. While some workers are optimistic about their ability to catch up on savings, others feel overwhelmed by the magnitude of the task ahead. In fact, 55% of those surveyed reported that they had delayed or reduced their retirement contributions due to financial pressures from inflation and other economic challenges.

### Inadequate Savings and the Retirement Income Gap

One of the most significant contributors to the retirement crisis is the inadequate savings rate among American workers. BlackRock's 2024 Read on Retirement survey reveals that many workers are not saving enough for retirement and are unaware of how much they will need. A common issue is the gap between retirement income expectations and the reality of what savings can provide. Many workers assume they will be able to maintain their pre-retirement lifestyle with far less than the recommended savings, leading to potential shortfalls once they stop working.

The survey also highlights disparities in savings behaviors. Higher-income earners tend to have more substantial retirement savings and are more likely to participate in employer-sponsored plans, while lower-income workers face greater challenges in contributing regularly to retirement accounts. Only 30% of lower-income workers surveyed reported feeling confident in their retirement savings, compared to 67% of higher-income workers. The absence of universal access to retirement savings plans also contributes to this inequality, leaving millions of workers without an easy way to save for their future.

### **The Impact of Longevity and Healthcare Costs**

As life expectancy continues to rise, the risk of outliving retirement savings becomes a more pressing concern. According to the NCOA, today's retirees can expect to live 20-30 years beyond their working years, meaning they need substantial savings to cover not only basic living expenses but also healthcare and long-term care costs. Unfortunately, many older adults have not adequately planned for these expenses, which are expected to increase as the population ages.

Healthcare is one of the largest expenses for retirees, with costs for medical care, prescription drugs, and long-term care services steadily rising. NCOA's report underscores the fact that Medicare does not cover many of the expenses associated with aging, such as dental care, vision care, and most long-term care services. As a result, retirees often face substantial out-of-pocket costs that can quickly deplete their savings. Long-term care costs, in particular, represent a significant financial burden, with the average annual cost of a private room in a nursing home exceeding \$100,000 in many states.

The 2024 Read on Retirement survey from BlackRock echoes these concerns. Survey respondents expressed high levels of anxiety about healthcare costs, with 68% indicating that they were unsure how they would cover long-term care expenses in retirement. Many are looking to financial products like annuities or hybrid life insurance policies with long-term care riders as potential solutions, but awareness and adoption of these products remain relatively low. This suggests that the financial services industry has an opportunity to better educate workers and retirees on available options for mitigating healthcare costs in retirement.

### **The Role of Policy and Employers**

Addressing the retirement crisis will require a coordinated effort between policymakers, employers, and the financial services industry. The NCOA advocates for expanding access to retirement savings plans, particularly for workers who are not currently covered by employer-sponsored plans. Several states have already implemented auto-enrollment programs that require employers to offer retirement savings plans to their workers, with positive results in terms of increased savings participation. NCOA suggests that expanding these programs nationwide could significantly improve retirement readiness for millions of Americans.

The 2024 Read on Retirement survey also highlights the role employers play in shaping retirement outcomes. While many employers offer 401(k) or similar retirement plans, not all workers take full advantage of them, either because they are unaware of their benefits or because they face financial pressures that prevent them from contributing. BlackRock's survey indicates that employers can play a key role in encouraging better savings behaviors by offering financial education and planning tools to their employees, as well as providing more personalized investment options that align with individual savings goals and risk tolerance.

Finally, policy changes at the federal level will be crucial to addressing the long-term sustainability of Social Security and Medicare. The growing gap between contributions and benefits in these programs threatens their viability, and without reform, future retirees could face reduced benefits. Policymakers will need to consider a range of options, from raising payroll taxes to adjusting benefit formulas, in order to ensure that Social Security and Medicare remain solvent for future generations.

### **Looking Ahead: Solutions to the Retirement Crisis**

To mitigate the retirement crisis, individuals, employers, and policymakers must take proactive steps. For individuals, increasing savings rates, making use of available retirement plans, and seeking financial advice to better plan for healthcare costs are essential strategies. Employers can facilitate retirement savings by offering more robust financial planning tools and by encouraging employees to take full advantage of employer-sponsored plans. Meanwhile, policymakers need to prioritize reforms that expand access to retirement savings vehicles and ensure the sustainability of entitlement programs like Social Security and Medicare.

The retirement crisis is not insurmountable, but it will require significant efforts to ensure that future retirees can achieve financial security. The findings from the National Council on Aging and BlackRock underscore the urgency of these challenges and the need for immediate action to prevent millions of Americans from facing financial hardship in retirement.

## **CHAPTER 2**

### ***Aging Demographics and Trends: The Impact of an Older Population on Retirement in 2030***

One of the most profound demographic shifts shaping the retirement landscape is the aging of the U.S. population. By 2030, all baby boomers—those born between 1946 and 1964—will be age 65 or older. This “silver tsunami” will significantly increase the number of older Americans, dramatically altering the demands on social services, healthcare, and retirement planning. The U.S. Census Bureau and the Urban Institute highlight several important trends that will impact retirement planning and policy in the coming years, underscoring the need for new strategies to support an aging population.

### **Demographic Shifts: A Growing Older Population**

According to the U.S. Census Bureau, by 2030, every member of the baby boomer generation will be at least 65 years old, resulting in a substantial increase in the elderly population. The Census projects that by 2034, there will be more adults over the age of 65 than children under 18 for the first time in U.S. history,

fundamentally altering the country's demographic makeup. This shift means that retirees will make up a larger share of the population than ever before, placing new pressures on public programs like Social Security, Medicare, and Medicaid, as well as on the private insurance and financial services industries.

As the number of older adults grows, so too will their life expectancy. Advances in healthcare and technology have extended life spans, which means many individuals could spend 20 to 30 years or more in retirement. The Urban Institute highlights this trend, noting that the aging of the population will challenge existing systems of retirement support and care, as retirees will not only live longer but will also require more resources for healthcare and long-term care. This longevity, while a positive sign of improved health outcomes, will place additional financial strain on retirees, particularly if they outlive their savings or face rising healthcare costs.

### **Workforce Participation and Retirement Trends**

In response to increased life expectancy and changing economic conditions, more Americans are choosing to work later into life, either out of necessity or desire. The Urban Institute points out that a growing percentage of older adults are remaining in the workforce beyond traditional retirement ages, a trend that is expected to continue as the baby boomer generation ages. Some of this is driven by financial need—many retirees have inadequate savings and must continue earning income to support themselves. For others, it is a lifestyle choice, as work provides purpose, social engagement, and cognitive stimulation, factors that have been shown to support healthy aging.

The Census Bureau also notes that by 2030, the retirement landscape will be more diverse, as different demographic groups experience varying rates of aging and workforce participation. For example, Hispanic and Asian populations in the U.S. are aging more slowly than non-Hispanic whites, meaning that certain minority groups may represent a larger share of the workforce compared to others. This has implications for retirement policy, particularly in addressing disparities in wealth accumulation, access to retirement savings plans, and healthcare for different demographic groups.

### **Healthcare and Long-Term Care Needs**

As the population ages, healthcare and long-term care needs will rise dramatically. Both the Urban Institute and the U.S. Census Bureau emphasize that the growth in the elderly population will lead to increased demand for healthcare services, particularly for chronic conditions that disproportionately affect older adults, such as diabetes, heart disease, and Alzheimer's. The number of Americans requiring long-term care, whether in-home or in facilities such as nursing homes, will grow significantly. This will place enormous strain on both public healthcare programs like Medicare and Medicaid, as well as on families who provide informal care for aging relatives.

This trend also has important implications for retirement planning. Long-term care is often one of the largest expenses retirees face, and many are unprepared for the high costs associated with it. As discussed earlier in this paper, innovative life insurance and annuities products, such as those with long-term care riders, are becoming essential tools in helping retirees manage these costs. However, the demand for such products will only increase as the aging population grows.

### **Social Security and Public Program Pressures**

The growth of the elderly population will place unprecedented strain on Social Security and Medicare. The Social Security Administration is already facing financial challenges, with projections indicating that by 2034, the program's trust fund reserves may be depleted, leading to reduced benefits unless reforms are enacted. The U.S. Census Bureau's findings underscore the urgency of this issue, noting that as the number of retirees increases, fewer working-age adults will be available to contribute to the Social Security system, creating an unsustainable burden on current payroll taxes.

Similarly, Medicare, which provides health coverage to Americans aged 65 and older, will see rising enrollment and healthcare costs as the population ages. The Urban Institute highlights that without significant policy changes, Medicare could also face financial shortfalls in the coming years. Policymakers will need to explore options such as increasing the retirement age, modifying benefits, or increasing taxes to sustain these programs.

### **Planning for an Aging Population**

The demographic shifts projected for 2030 will have far-reaching effects on retirement planning, healthcare, and public policy. Retirees, financial planners, insurers, and policymakers must prepare for a future where a larger proportion of the population is over the age of 65, living longer, and requiring more healthcare and long-term care services. As the baby boomer generation ages, there will be an increasing need for innovative financial products, including hybrid life insurance policies, long-term care annuities, and alternative funding solutions, to help retirees manage both longevity and healthcare risks.

Furthermore, addressing these challenges will require a multi-faceted approach that involves not only private industry innovation but also public policy reforms to sustain Social Security, Medicare, and Medicaid. As the aging population reshapes the retirement landscape, the financial services and insurance industries will play a critical role in helping individuals navigate the complexities of extended retirement years.



## CHAPTER 3

### *Attitudes About Retirement: Confidence, Expectations, and Changing Perspectives*

As the U.S. approaches 2030, the attitudes of workers and retirees toward retirement are shaped by a complex combination of economic, social, and personal factors. Despite recent economic challenges, many Americans remain cautiously optimistic about their retirement prospects, although there are significant concerns related to financial security, healthcare costs, and long-term planning. The 2024 Retirement Confidence Survey conducted by the Employee Benefit Research Institute (EBRI) and findings from the Georgetown Center for Retirement Initiatives provide valuable insights into these evolving attitudes. Together, these resources highlight both the anxieties and aspirations that define the current retirement landscape.

#### **Retirement Confidence and Financial Concerns**

The 2024 Retirement Confidence Survey from EBRI indicates that while a majority of workers and retirees maintain optimism about their retirement prospects, confidence has not fully rebounded from the significant drop seen in 2023. According to the survey, this decline in confidence is largely attributed to persistent economic uncertainties, rising inflation, and concerns about outliving savings. In fact, only 64% of workers report feeling somewhat confident about their ability to retire comfortably, down from 72% in previous years. For retirees, confidence levels are somewhat higher, with 71% reporting optimism about maintaining their current standard of living, but these numbers have also decreased compared to pre-2023 levels.

The survey also reveals stark differences in confidence levels based on income and access to employer-sponsored retirement plans. Workers with access to 401(k) plans or other employer-sponsored retirement benefits report higher levels of confidence compared to those who lack such options. Additionally, those with higher incomes express greater optimism about their retirement security, while lower-income workers are significantly more likely to worry about whether they will have enough money to cover basic expenses in retirement.

One major concern highlighted in the EBRI survey is healthcare and long-term care costs. Many respondents fear that escalating medical expenses, coupled with potential reductions in Medicare and Social Security benefits, will strain their retirement savings. These concerns are particularly pronounced among older workers and retirees, who are more likely to face significant healthcare costs as they age.

#### **The Changing Nature of Work and Retirement**

The Georgetown Center for Retirement Initiatives points to broader societal changes that are altering the way Americans view work and retirement. Historically, retirement was seen as

a clear-cut transition from full-time work to a period of leisure. However, the increasing prevalence of longer life expectancies, financial uncertainties, and changing workforce dynamics have led to more fluid and individualized retirement paths. The traditional retirement model is evolving, with many Americans choosing or needing to work longer, either for financial reasons or for personal fulfillment.

According to Georgetown's findings, a growing number of Americans are adopting what is often called "phased retirement." In this model, older workers gradually reduce their work hours or shift to part-time roles as they approach retirement age, instead of making an abrupt exit from the workforce. This trend reflects both financial necessity—many workers find that their savings are insufficient to support a full retirement—and personal preference. Some individuals enjoy their work and prefer to maintain an active, engaged lifestyle, using work as a way to stay mentally sharp and socially connected.

Furthermore, many retirees are returning to the workforce after retirement, driven by factors such as increased healthcare costs, boredom, or a desire for continued income. Georgetown's report also emphasizes that older adults who remain in the workforce often bring valuable skills and experience, which can benefit both employers and the broader economy. However, as more Americans work later into life, they also face challenges related to age discrimination, healthcare costs, and the need for workplace accommodations.

#### **Shifting Expectations for Retirement**

In light of these trends, expectations for what retirement looks like are shifting. The EBRI survey shows that a growing number of workers expect to continue working beyond the traditional retirement age of 65. Among survey respondents, 43% anticipate working at least part-time in retirement, primarily to cover living expenses and healthcare costs. This represents a significant shift from previous generations, where retirement was typically seen as a time to fully disengage from work. Many respondents cite the desire for additional income as the primary reason for staying in the workforce, but personal fulfillment and a sense of purpose also play a role.

Moreover, both EBRI and Georgetown report that workers are increasingly uncertain about how much money they will need in retirement. The rise of healthcare and long-term care expenses, coupled with longer life expectancies, has led to greater ambiguity around retirement planning. According to the EBRI survey, nearly half of workers are unsure whether their savings will be sufficient to last through their retirement years, and many express concerns about how to accurately estimate healthcare costs and inflation.

The uncertainty surrounding Social Security also affects retirement attitudes. Both workers and retirees worry that Social Security benefits may be reduced or altered in the coming years,

making it difficult to plan for future income. While Social Security remains a crucial source of retirement income for millions of Americans, its long-term financial stability remains in question, contributing to a sense of financial insecurity among many survey respondents.

### **Optimism for the Future, Despite Challenges**

Despite these concerns, many Americans remain optimistic about their ability to navigate retirement. The EBRI survey found that retirees, in particular, tend to be more satisfied with their financial situation than workers. For many retirees, careful planning, combined with Social Security benefits and employer-sponsored retirement plans, has provided a stable financial foundation. Additionally, retirees report greater peace of mind once they are no longer dealing with the day-to-day stresses of work, which allows them to enjoy leisure activities, travel, and time with family.

The Georgetown report echoes this sense of optimism, emphasizing that retirement is increasingly being viewed as a more dynamic phase of life, where individuals can pursue new passions, engage in part-time work, or volunteer in their communities. As the nature of work and retirement evolves, many retirees are finding ways to maintain both financial security and personal fulfillment, even in the face of economic challenges.

### **Implications for Retirement Planning**

These shifting attitudes toward retirement have important implications for financial planners, policymakers, and the insurance industry. The growing demand for phased retirement options, more flexible work arrangements, and greater access to healthcare and long-term care coverage will require new strategies to support a diverse and aging workforce. Additionally, the need for personalized financial products that address both income security and healthcare costs will continue to grow as more Americans plan for longer, more active retirements.

As retirement attitudes evolve, it will be essential for individuals to take a proactive approach to planning, ensuring they have adequate savings, healthcare coverage, and income strategies in place. For the financial services industry, this means developing innovative solutions, such as hybrid life insurance policies, annuities with long-term care riders, and other products designed to provide retirees with both flexibility and security in an uncertain economic environment.

## **CHAPTER 4**

### ***The Future of Life Insurance and Annuities in Retirement Planning by 2030***

As we approach 2030, the landscape of life insurance and annuities is undergoing significant transformation, driven by demographic shifts, technological advancements, and evolving consumer needs. These products, which have traditionally provided financial

protection for families and retirees, are now evolving to address broader concerns, such as long-term care (LTC), income security, and healthcare costs in retirement. According to McKinsey's report, *Redefining the Future of Life Insurance and Annuities Distribution*, the role of these financial products is expanding, with innovations designed to meet the changing retirement needs of an aging population.

### **Adapting to Changing Demographics**

The aging of the U.S. population is one of the most important factors shaping the future of life insurance and annuities. By 2030, all baby boomers will be aged 65 or older, contributing to a significant increase in the number of retirees who will need income security and healthcare coverage for longer periods of time. McKinsey notes that this demographic trend is pushing insurers to reimagine their products to provide more flexibility and long-term value, as the traditional model of life insurance as a simple death benefit no longer meets the needs of many consumers.

Many retirees are living longer, requiring more robust financial products that can help manage the risks of outliving their savings or facing significant healthcare costs. This has led to a growing demand for life insurance products that not only provide a death benefit but also offer riders or benefits related to long-term care or income replacement. McKinsey's research shows that insurers are increasingly focusing on products that cater to these dual needs, positioning life insurance and annuities as comprehensive retirement planning tools rather than solely for legacy purposes.

### **Innovations in Annuities for Retirement Security**

Annuities have traditionally provided retirees with a predictable income stream in retirement, but the future of annuities lies in more flexible and customizable options. McKinsey highlights that the future of annuities will involve more integration of features like long-term care riders and inflation protection, offering retirees added peace of mind in the face of rising healthcare and living expenses. Annuities with LTC riders are particularly relevant as long-term care costs continue to escalate, providing retirees with additional income to cover these expenses without eroding their retirement savings.

Moreover, the shift toward personalization in financial products is becoming more pronounced. As retirees seek products that are tailored to their specific circumstances—whether it's their health, income needs, or risk tolerance—annuities are increasingly being customized to reflect these preferences. According to McKinsey, this personalization trend is being facilitated by the use of advanced analytics and technology, allowing insurers to offer more sophisticated, data-driven products that align closely with individual retiree profiles.

### **Technology and the Transformation of Distribution**

One of the most significant factors influencing the future of life

insurance and annuities is the shift in how these products are distributed. McKinsey's report highlights the rapid digitization of the insurance industry, which is transforming how life insurance and annuities are researched, purchased, and managed. Traditional distribution channels, which relied heavily on agents and brokers, are being supplemented or even replaced by digital platforms that provide consumers with easier access to information and more streamlined purchasing processes.

Digital distribution channels are not only more cost-efficient for insurers but also allow for a more seamless customer experience. According to McKinsey, many insurers are investing in digital ecosystems that leverage artificial intelligence (AI), machine learning, and predictive analytics to offer personalized product recommendations and more accurate pricing models. This technology-driven shift is helping insurers better meet the needs of tech-savvy retirees who prefer a more hands-on approach to managing their financial products online.

Moreover, digital platforms are enabling insurers to reach a broader audience, particularly younger consumers who may not have been traditional buyers of life insurance or annuities. By providing more direct access and transparency, these platforms are demystifying complex products like annuities and life insurance and encouraging earlier adoption as part of comprehensive retirement planning.

### **The Role of Data and Personalization in Product Innovation**

McKinsey's analysis points to the increasing use of data analytics as a game-changer in the insurance and annuities space. Insurers are utilizing data from a variety of sources, including health records, behavioral insights, and economic indicators, to better understand consumer needs and craft more responsive products. This data-driven approach is leading to more dynamic life insurance and annuities products that can adjust based on the policyholder's changing circumstances.

For example, dynamic annuities that can adjust payout structures based on health status or market conditions are emerging as a solution for retirees concerned about market volatility or unexpected healthcare costs. Additionally, life insurance policies are being designed with more flexible benefit structures that can adapt over time, ensuring that retirees have access to the financial support they need as their needs evolve.

McKinsey also notes that personalization is not limited to the product itself but extends to the customer experience. Insurers are increasingly using customer data to enhance communication and engagement, offering tailored advice and support throughout the life of the policy. This shift toward continuous, personalized engagement is helping insurers build stronger relationships with policyholders and improve satisfaction, which is critical in an industry where trust and loyalty are paramount.

### **Meeting the Challenges of Rising LTC Costs**

Long-term care is one of the biggest financial risks facing retirees today, and life insurance and annuities are increasingly being viewed as part of the solution. As LTC costs continue to rise—projected to increase significantly by 2030—products that integrate long-term care benefits are becoming a key focus for insurers. According to McKinsey, the future of life insurance and annuities will involve more hybrid products that offer both death benefits and LTC coverage, giving retirees more comprehensive financial protection.

Annuities with LTC riders, for instance, provide retirees with additional income to cover long-term care expenses, ensuring that their retirement savings are not depleted by these costs. Similarly, life insurance policies with LTC riders allow policyholders to use a portion of their death benefit for care if needed. These integrated products are growing in popularity as they provide flexibility and peace of mind for retirees who are increasingly concerned about the high costs of healthcare in later life.

### **The Strategic Role of Insurers in Retirement 2030**

As the retirement landscape evolves, insurers will play a critical role in helping retirees navigate the complexities of planning for income security, healthcare, and long-term care. McKinsey's report emphasizes the importance of insurers embracing innovation, particularly in the areas of product development, distribution, and customer engagement. Insurers that can successfully integrate technology, data analytics, and personalization into their offerings will be well-positioned to meet the needs of the growing retiree population.

The future of life insurance and annuities is not just about providing financial protection; it's about creating solutions that adapt to the diverse and changing needs of retirees. By 2030, the insurance industry will be a key player in addressing the retirement crisis, providing retirees with the tools they need to manage longevity risk, healthcare costs, and legacy planning.

## **CHAPTER 5**

### ***The Rising Costs of Long-Term Care in Retirement***

As we approach 2030, the financial burden of long-term care (LTC) will increasingly shape retirement planning strategies. For millions of Baby Boomers entering retirement, one of the most significant concerns is ensuring they can afford the care they may need in their later years, particularly as they age and encounter health challenges. According to Genworth's 2023 Cost of Care Report, long-term care expenses are rising steadily, with costs varying widely depending on the type of care and geographical location.

### **Projected Costs of Long-Term Care in 2030**

The Cost of Care Report from Genworth underscores the



growing financial strain that retirees and their families will face when planning for long-term care. In 2023, the national median cost for a private room in a nursing home was \$109,872 per year. By 2030, this cost is expected to rise significantly, potentially surpassing \$140,000 annually, depending on inflation and regional factors. Assisted living facilities, home health aides, and adult day care services will also experience similar cost increases, reflecting broader trends in healthcare and labor expenses.

To illustrate the stark geographic variations in LTC costs:

- **Nursing Home Care:** The annual median cost of a private room in 2023 ranged from \$75,336 in Missouri to \$172,200 in Alaska. This disparity highlights how location plays a crucial role in determining the affordability of long-term care.
- **Assisted Living Facilities:** In 2023, the median annual cost of an assisted living facility was \$57,624. By 2030, this figure could rise to over \$70,000 annually.
- **Home Health Aide Services:** For retirees wishing to “age in place,” home health care costs represent a critical consideration. In 2023, the median annual cost for a home health aide was \$65,208. Given the preference among many retirees to receive care in their own homes, this area is likely to see significant growth and increasing demand.

### Impact on Retirement Planning

The rapid escalation of LTC costs is expected to place tremendous financial pressure on retirees and their families, making it essential for financial and insurance professionals to proactively integrate these expenses into retirement planning strategies. A significant portion of older adults will require some form of long-term care during their lives, with women—who generally live longer—at particular risk of incurring higher costs.

Given these projections, many retirees could face the reality of outliving their retirement savings if they do not adequately plan for long-term care costs. While Medicare covers some health-related services for retirees, it does not cover most long-term care services, including nursing home care or in-home assistance with activities of daily living (ADLs). Medicaid can provide support, but it is generally available only after individuals have depleted most of their assets.

### Potential Solutions for Managing Long-Term Care Costs

#### Long-Term Care Insurance

One potential solution for managing long-term care costs is purchasing long-term care insurance (LTCI). These policies are designed to cover the costs of various long-term care services, including nursing home care, assisted living, and in-home care. However, according to the Cost of Care Report, the uptake of LTC insurance remains relatively low due to high premiums and the perception that the insurance is unnecessary until later in life.

LTC insurance, while valuable, is often prohibitively expensive for many retirees, particularly those with pre-existing conditions or those who wait too long to purchase a policy. A more cost-effective solution could be hybrid insurance products that combine life insurance with long-term care benefits, allowing policyholders to use their life insurance payout for care expenses if needed.

#### Alternative Funding Options

For those unable or unwilling to purchase LTC insurance, there are several alternative methods for funding long-term care:

- **Reverse Mortgages:** These allow retirees to access the equity in their homes to pay for care expenses, enabling them to age in place while using their property as a financial resource. However, reverse mortgages are complex and come with risks, making them an option best suited for individuals with significant home equity and no immediate heirs.
- **Health Savings Accounts (HSAs):** HSAs provide a tax-advantaged way to save for healthcare expenses, including long-term care. While contributions to HSAs are limited, they can be a helpful tool for individuals looking to supplement their retirement savings with tax-free funds for future care needs.
- **Family Caregiving and Medicaid:** For retirees with limited financial resources, Medicaid may cover long-term care expenses, but only after individuals have spent down their assets. Family caregiving is another common alternative, though it often places significant emotional and financial stress on loved ones.
- **Life Settlements:** Life settlements allow policyholders to sell their life insurance policies to a third party for a lump sum payment, often more than the cash surrender value but less than the death benefit. This can provide retirees with a substantial source of tax-advantaged funds to cover long-term care expenses.
- **VA Aid and Attendance Benefits:** Veterans and their spouses may be eligible for Aid and Attendance benefits through the Department of Veterans Affairs (VA). These benefits provide additional financial assistance to help cover long-term care, including in-home care, assisted living, or nursing home services. Eligibility is based on service history, financial need, and level of care required.
- **Senior Bridge Loans:** Senior bridge loans provide short-term financial support for retirees and families needing immediate care while awaiting long-term funding sources, such as home sales or Medicaid approvals. These loans allow families to secure care without delay and are repaid once primary funding becomes available.
- **Medicaid Compliant Annuities:** These annuities help individuals meet Medicaid’s asset eligibility requirements by converting assets into a stream of income, thereby allowing them to qualify for Medicaid assistance for long-term care. These products require careful planning to meet

strict Medicaid rules.

- **Hybrid Life/LTC Insurance Policies:** These products combine life insurance with long-term care coverage, allowing policyholders to access a portion of their death benefit to pay for long-term care expenses if needed. If the LTC benefit is not used, the full death benefit is paid to beneficiaries. Hybrid policies offer more flexibility and value by ensuring the policyholder's investment is utilized in some form, either for care or as a legacy for heirs.
- **Annuities with LTC Riders:** These annuities provide an income stream in retirement while also offering additional benefits if long-term care is needed. The LTC rider increases the annuity's payout if the policyholder requires long-term care services, helping cover the high costs of nursing homes, assisted living, or in-home care. These products offer retirees the dual advantage of retirement income and long-term care protection, reducing the need for separate LTC insurance policies.

By considering these funding options, retirees and their advisors can tailor financial strategies that address long-term care costs while protecting other retirement assets, ensuring access to care when needed.

### **Long-Term Care as a Critical Component of Financial Planning**

Given the rising costs of long-term care and the increasing likelihood that retirees will require some form of extended care, it is imperative that financial advisors and insurance professionals address this issue early in retirement planning discussions. Long-term care should be seen as a central component of comprehensive retirement plans, not an afterthought.

To provide clients with the most effective solutions, professionals in the financial services and insurance industries will need to:

- Educate clients on the likelihood of needing long-term care and the potential costs involved.
- Explore a range of insurance and alternative funding options that can mitigate the financial burden of long-term care.
- Encourage early planning, especially when it comes to purchasing long-term care insurance or setting aside funds in tax-advantaged accounts like HSAs.
- Stay updated on evolving policy changes regarding Medicaid, Medicare, and LTC financing, to provide the most accurate guidance.

By taking proactive steps to integrate long-term care planning into retirement strategies, financial professionals can help clients avoid the devastating financial impact of unexpected long-term care expenses, ensuring that they can maintain both their health and financial security in retirement.

## **CHAPTER 6**

### ***Politics and Entitlements for an Aging Population***

As the U.S. population continues to age, political debates surrounding retirement, entitlements, and social support programs are intensifying. The retirement landscape is influenced not only by demographic changes but also by the political and policy environments that govern key entitlement programs such as Social Security and Medicare. With more Americans living longer, the pressure on these programs is growing, and political leaders face difficult decisions about how to ensure their sustainability. Insights from the Public Policy & Aging Report by Oxford Academic, The Pew Charitable Trusts, and the Peter G. Peterson Foundation highlight key trends and challenges in the politics of aging, as well as potential policy solutions to address the nation's retirement crisis.

#### **The Politics of Aging: Rising Influence of Older Voters**

One of the defining trends shaping the politics of aging in America is the growing influence of older voters. According to the Public Policy & Aging Report, older adults, particularly those over the age of 65, are among the most politically active demographic groups in the U.S. They consistently have higher voter turnout rates than younger generations and are more likely to participate in political advocacy on issues that directly impact their lives, such as healthcare, Social Security, and retirement *benefits*. *By 2030, as baby boomers continue to age into retirement*, the political power of older Americans is expected to increase further.

This heightened political influence has significant implications for policymaking, particularly around entitlement programs. Older voters tend to be more resistant to cuts or changes to Social Security and Medicare, which many rely on for income and healthcare in retirement. Politicians are acutely aware of the risks of alienating older constituents, which makes reforming these programs a politically sensitive issue. As a result, debates around the sustainability of Social Security and Medicare are often highly polarized, with little consensus on how to address the long-term financial challenges these programs face.

#### **The Retirement Crisis: Inadequate Savings and Inequitable Access**

A second major political and policy issue related to retirement is the growing retirement savings crisis. The Pew Charitable Trusts notes that millions of Americans are not saving enough for retirement, and many lack access to employer-sponsored retirement plans. As traditional pensions have become less common, and defined contribution plans like 401(k)s have become the norm, the responsibility for retirement savings has shifted to individuals. However, many workers, particularly those in low-wage jobs or without consistent employment, are not participating in retirement savings plans, leaving them financially vulnerable in old age.

Pew highlights that approximately 55 million workers in the U.S. do not have access to a retirement savings plan through their employer, and those who do participate often struggle to contribute enough to build sufficient savings for retirement. The lack of access to retirement savings plans disproportionately affects women, people of color, and workers in part-time or gig-economy jobs, exacerbating existing economic inequalities. As a result, these populations are at a higher risk of experiencing financial insecurity in retirement.

This savings crisis has become a central issue in political debates about retirement policy. Pew advocates for policy solutions that would expand access to retirement savings plans, such as state-sponsored auto-enrollment retirement programs, which automatically enroll workers in a retirement plan unless they opt out. Such programs have been shown to significantly increase participation in retirement savings, particularly among low-income workers. Pew also calls for reforms that would make it easier for workers to save for retirement, such as increasing tax incentives for retirement contributions and providing better financial education to help workers plan for their future.

### **The Future of Social Security and Medicare: Challenges and Solutions**

The sustainability of Social Security and Medicare is one of the most pressing political issues for an aging America. The Peter G. Peterson Foundation (PGPF) highlights the financial challenges facing these programs, which are expected to come under increasing strain as the population ages and the ratio of workers to retirees declines. According to PGPF, the Social Security Trust Fund is projected to be depleted by 2034, at which point benefits will need to be reduced unless Congress takes action to shore up the program's finances.

The primary challenge facing Social Security is the demographic shift caused by the retirement of the baby boomers. As more Americans enter retirement, fewer workers will be available to contribute to the program through payroll taxes. In 1960, there were five workers for every Social Security beneficiary; by 2030, that ratio is expected to fall to just 2.4 workers per beneficiary. This imbalance will result in a funding shortfall, which will require policymakers to make difficult choices about how to sustain the program.

Medicare faces similar challenges due to rising healthcare costs and an aging population that requires more medical care. PGPF notes that Medicare spending is projected to increase dramatically in the coming decades, driven by both the growing number of beneficiaries and the rising cost of healthcare services. Without reforms, Medicare's Hospital Insurance Trust Fund is also expected to face insolvency by 2028.

To address these challenges, PGPF outlines several potential solutions that have been proposed by policymakers and experts.

These include raising the retirement age, increasing payroll taxes, adjusting the formula for calculating benefits, and introducing means-testing for high-income beneficiaries. However, each of these options comes with political trade-offs, as they would either reduce benefits or increase costs for certain segments of the population. Given the political sensitivity of Social Security and Medicare reforms, reaching a bipartisan consensus on these issues has proven difficult.

### **Policy Solutions and the Path Forward**

Despite the challenges facing the nation's retirement system, there are a number of policy solutions that could help address the retirement crisis and ensure the long-term sustainability of entitlement programs. The Pew Charitable Trusts, the Public Policy & Aging Report, and PGPF all emphasize the importance of expanding access to retirement savings, reforming Social Security and Medicare, and addressing the needs of vulnerable populations who are most at risk of financial insecurity in retirement.

Expanding access to retirement savings plans, particularly for low-income workers and those in non-traditional employment, is a critical first step. State-sponsored auto-enrollment retirement plans, which have already been implemented in several states, could be expanded nationally to help more workers build retirement savings. Additionally, increasing financial education and literacy programs could help workers better understand their retirement options and make informed decisions about saving and investing for the future.

On the entitlement side, reforming Social Security and Medicare will be essential to ensuring their long-term viability. While politically challenging, policymakers will need to find ways to balance the needs of current retirees with the financial realities of an aging population. This may involve a combination of benefit adjustments, revenue increases, and cost-saving measures to ensure that these programs can continue to provide support to future generations.

As the U.S. moves closer to 2030, the politics of aging and entitlements will remain central to the national conversation. The growing number of older Americans, coupled with the financial challenges facing Social Security and Medicare, will require innovative policy solutions and political leadership to navigate the complex issues at the heart of the retirement debate.

## **CONCLUSION**

Over the next five years, the retirement landscape will be defined by longer life spans, rising healthcare costs, and a shifting political and economic environment. Financial services and insurance professionals will play a crucial role in helping retirees navigate these challenges. Whether through innovative insurance products, new technological solutions, or alternative funding mechanisms--

the industry will continue to adapt to ensure that retirees are financially secure and can enjoy a dignified, healthy retirement.

Collaboration between sectors—insurance, technology, and financial services—will be essential in building comprehensive retirement plans that address the multifaceted needs of the next generation of retirees. By staying ahead of these trends and providing informed guidance, industry leaders can ensure a brighter future for retirement in America.

## AUTHOR

Chris Orestis, CSA, President of Retirement Genius, is a nationally recognized financial, health/LTC, and retirement issues expert. He has over 25 years' experience in the insurance and long-term care industries and is credited with pioneering the Long-Term Care Life Settlement and Life Settlement Annuities over a decade ago.

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Chris Orestis is author of the books *Help on the Way* and *A Survival Guide to Aging--* with a third book *Retire Like a Genius* in the works. In 2019, Chris was named one of the twenty most innovative people in the insurance industry by the National Association of Independent Brokerage Agencies (NAILBA).

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