Parmenion

CLUB VITA

An Introduction to Club Vita

Understanding likely lifespan with Parmenion's Income Manager Tool

At the heart of successful retirement planning lies a simple question that every adviser needs to answer with confidence: will my client's retirement income survive them?

That's why a deep understanding of longevity – not just average lifespan, but all the factors influencing an individual client's likely lifetime, is so valuable.

Parmenion's Income Manager Tool shows retirement income projections based on the largest longevity dataset available, thanks to our partnership with the UK's centre of excellence for improving understanding of human longevity – Club Vita.

Who are Club Vita?

Club Vita is an independent longevity data analytics company, which facilitates the pooling and statistical analysis of demographic data from defined benefit (DB) pension schemes to reveal insights that would not be evident to the schemes acting alone. Club Vita was founded in the UK in 2008 and have since established operations in Canada and the USA in 2015 and 2019 respectively. Today, Club Vita is used by over 235 leading UK pension schemes as well as advisors, asset managers and the insurance market to develop strategies that actively monitor and manage longevity risk. For further information, please see www.clubvita.co.uk.

The Club Vita UK dataset is the largest and richest of its kind, including records on over 3 million living UK pensioners – or 1 in 7 of the UK's retired population. Using mortality data, Club Vita examines how life expectancy varies across a range of factors including gender, retirement health status, and postcode, as well as affluence and former occupation.

When you use the IMT, you have direct access to Club Vita's full postcode modelling for insight into your clients' likely lifespans. You will immediately see differences between these projections and the commonly quoted data derived from ONS surveys - differences that can have profound impact on financial plans.

How are Club Vita life expectancies calculated?

Club Vita data pools returns on an anonymised basis from over 235 defined benefit pension schemes, accounting for around 1 in 4 of all DB pensioners. Projections are made based on this data set, combined with an allowance of future improvements in life expectancy, using a model from the Institute and Faculty of Actuaries.

These longevity projections identify groups of individuals with similar socio-demographic characteristics. They rely on researched variables such as location and lifestyle within postcodes - gold standard predictors of life expectancy in the pensions industry, because they reflect the lifestyle traits of an individual rather than just broad social class or occupation.

Both modelling and projections are refreshed annually to incorporate the latest evidence from over 3 million individual lives and reflect emerging trends in longevity and medical advances.

What gives Club Vita the edge over other life expectancy sources?

– It's one of the largest and most up-to-date datasets of its kind in the UK.

– It's more representative of people seeking financial advice, as opposed to the general public.

– It's more reliable than ONS data which uses estimated population numbers rather than regularly updated pension scheme figures.

– It factors future improvements into the projections to allow for how life expectancy might change as people reach older ages.

Club Vita longevity analytics provide a best estimate view of life expectancy, intended to be in the middle of the range of reasonable values for life expectancy.

5 key factors in analysing longevity in the IMT

Gender

Club Vita projections are separately calibrated for men and women, reflecting that women generally live longer than men. Life expectancies, and chances of living to 100, will differ in the IMT depending on gender, even when you use the same postcode and health.

Put an individual's details into most online annuity price comparisons and the annuity rate will be gender neutral. By providing a gender specific projection, IMT helps a better evaluation of annuity purchase alongside drawdown.

Health

Health is a crucial factor when assessing the outlook of any retirement strategy.

Within the IMT, you can choose between three different levels of health ("below average" / "average" / "above average"). By adjusting the level, a broad allowance for better or worse health is made, so you can see if and how it changes the viability of the retirement plan.

Specific health conditions may make it appropriate to consider life insurance and annuity quotations from specialist providers with full medical underwriting.

Location

Life expectancies are based on the characteristics of an individual's postcode. Club Vita group UK postcodes with similar characteristics of lifestyle and wealth and overlay data from individual pensioners. There is a strong correlation between affluence and lifestyle, as you'll see in the IMT's postcode-based life expectancies.

Wealth

Any given group of postcodes with similar lifestyle characteristics will have individual differences in wealth. For high net wealth individuals with no health concerns, but living in poorer postcodes, the "good health" option will support the extra life expectancy that better access to care and treatment brings for wealthier people.

Life expectancy for couples

Average life expectancies and chances of survival to specific older ages in the IMT are calculated for individuals, not couples. However, households need to plan for having enough money as long as either partner is likely to be alive. A reasonable idea of 'last survivor longevity' can be gained by summing the probabilities that either partner will be alive at a particular age.

For a more accurate calculation, for any particular age, the formula is:

100%-((100%-% Chances Partner A is living)x(100%-% Chances Partner B is living))

Want to know more about our Income Manager Tool?

If you would like to know more about the IMT and how it can support your retirement planning, please get in touch.

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