

Steve Dodge asks, "How long are you going to live"?

It's a question I ask on my retirement courses, because if we knew how long we had to live, life would be a lot simpler, you can spend all your money before you go!

It can lead to a long discussion as to whether or not you would want to know: - "Your time's up 10.00 am next Wednesday Steve" well I for one don't want to know! I must however tell you it's probably longer than you think.

In 1900 the average life expectancy of a man in Essex was 45 years. In 1947 it had increased to 68 and today is 78. But the longer one lives the longer one is likely to live, so much so that today the average life expectancy of a 50-year-old male is 87.

Non-smokers live on average seven years longer than smokers, and it was recently announced that older folk who keep physically active live on average twelve years longer than non-active ones, so if you want the odds of a long retirement on your side you know what to do.

I quote from the Government Actuary "By 2030 over half the UK population will be over 50 with an average life expectancy of potentially another 40 years."

This does cause problems when looking at income in retirement. We all know just how much food prices and energy costs are rising at present and they are a large part of a pensioner's budget.

As Brazil, Russia, India and China get richer their people want to spend their money on food and no matter what any government does that will increase prices, thanks to the inevitable laws of supply and demand.

Retired people need a rising income for longer than ever before and with interest rates set to fall leaving cash in a bank or building society simply will not work, especially over such a long time.

One type of investment I have used for over twenty years now is designed to produce a rising income and rising capital values by investing in index-link gilts and Blue Chip company shares. This combination has been so successful that a £10,000 investment in 1979 is now producing £1,800 p.a. net income and is worth over £36,000.

Compare that to a building society where the income today would be at best £500 net and you would still only have £10,000.

Called Insurance Distribution Bonds, they could be an invaluable part of your long-term plans even if you do not need the income at present. This could be left in the plan to accelerate capital growth until required.

Like most investments Distribution bonds rise and fall in value, so see your IFA for details and whether or not such an investment fits in with your plans, after all the chances are you will be around to spend the income for a very long time!