

Home	Dictionary	Articles	Tutorials	Exam Prep	Ask Us	Stock Simulator	Stock Community	Stock Ide:
------	------------	----------	-----------	-----------	--------	-----------------	-----------------	------------



[Sign In](#)
[Register](#)
[FREE Investing Newsletters](#)



**TOP SEARCHES** ▶

1. Stock Picking
2. Forex
3. Options Trading
4. ETFs

**Dictionary**

- Acronyms
- Bonds
- Buzzwords
- FOREX
- Mutual Funds
- Options & Futures
- Retirement
- Stocks
- Taxes
- Tech Analysis
- Trading

**Articles**

**Exam Prep**

**Tutorials**

**Ask Us**

**Stock Simulator**

**Stock Community**

**Calculators**

**Free Reports**

**FREE Newsletters**

**FREE Tools**

## Longevity Risk



The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policy holders and pensioners can result in payout levels that are higher than what a company or fund originally accounts for. The types of plans exposed to the greatest levels of longevity risk are defined-benefit pension plans and annuities, which guarantee lifetime benefits for policy or plan holders.



Average life expectancy figures are on the rise, but even a very small change in life expectancies can create severe solvency issues for pension plans and insurance companies. Precise measurements of longevity risk are still unattainable because the limits of medicine and its impact on life expectancies has not been quantified.

### RELATED TERMS

- [Annuity](#)
- [Deferred Annuity](#)
- [Defined-Benefit Plan](#)
- [Life Expectancy](#)
- [Longevity Derivatives](#)
- [Mortality And Expense Risk Charge](#)
- [Pension Plan](#)
- [Pension Shortfall](#)
- [Post-Retirement Risk](#)
- [Shortfall](#)

### RELATED LINKS

- [Demographic Trends And The Implications For Investment](#) - See how people's movements, ages, deaths and buying patterns affect portfolios worldwide.
- [Unexpected Bumps That Can Derail Retirement](#) - These common risks can sideline your post-work plans and prevent you from riding out your assets.
- [The Risk Of Ruin For Retirees](#) - Your golden years are meant to be stress free. Keep them that way by protecting your assets.
- [Life After Retirement](#) - Here are some personal finance tips for those who want to live well after work ends.
- [The Demise Of The Defined-Benefit Plan](#) - Experts are making bleak predictions for your post-work years. Be prepared and plan for your future.
- [Retirement Planning: Why Plan For Retirement?](#) - Make an accurate goal for retirement - many people need to rethink their savings to live comfortably later.
- [Immediate Annuities: Guaranteed Payout At A Price?](#) - This vehicle can have very low, or even negative, rates. Find out when it pays to invest.
- [Five Retirement Questions Everyone Must Answer](#) - Find out what information you need to guide your planning and achieve your goals.
- [Watch Your Back In The Annuity Game](#) - Find out how to get the upper hand when dealing with this payout challenge.

Sponsored Links

**Financial Terms (Listed Alphabetically):** <#> | [A](#) | [B](#) | [C](#) | [D](#) | [E](#) | [F](#) | [G](#) | [H](#) | [I](#) | [J](#) | [K](#) | [L](#) | [M](#) | [N](#) | [O](#) | [P](#) | [Q](#) | [R](#) | [S](#) | [T](#) | [U](#) | [V](#) | [W](#) | [X](#) | [Y](#)

[Home](#) | [Dictionary](#) | [Articles](#) | [Tutorials](#) | [Exam Prep](#) | [Ask Us](#) | [Stock Simulator](#) | [Stock Community](#) | [Stock Ideas](#) | [Free Tools](#) | [Contact Us](#)

Copyright © 2008 Investopedia ULC. [All Rights Reserved](#) | [Terms of Use](#) | [Privacy Policy](#) | [Advertise on Investopedia](#)

**Investopedia Partners:** [AOL Money & Finance](#)

Inv