

DON'T LET
HEALTH
CARE
EXPENSES
DERAIL
YOUR
RETIREMENT



MAINTAINING HEALTH COULD COST MORE THAN
YOU EXPECT; HERE'S WHAT YOU NEED TO KNOW.





When you first envisioned retirement, how did you imagine it would go? Maybe you saw yourself spending time with family or enjoying hobbies. Or maybe you thought you'd use your financial resources to travel the world, experiencing new places and people.

Most of us plan for the things we enjoy when we're thinking about retirement. However, we may not stop to consider the one thing that can make or break all of our retirement plans: our health.

Health care costs are a major expenditure for most retirees. Our bodies become more high maintenance during the natural aging process. Adding insult to injury is that health care costs are rising more rapidly than anything else we pay for.

A confident retirement rests in keeping our health at its best for as long as we can and being prepared to cover the costs as our bodies begin to show their age. Yet how can you predict how much money you will need to cover health care expenses later?

While you may not have a crystal ball to tell you where your health is headed, you can take steps to prepare for future health care expenses. Read on to find out how you can prepare now to put the most life in your later years.

“ The greatest wealth is health.
~Virgil ”

THE PICTURE OF HEALTH



Americans are living longer — but they’re not necessarily living healthier. The Centers for Disease Control and Prevention reports that six in 10 adults are living with one chronic disease, while four in 10 have been diagnosed with two or more chronic ailments. The list of chronic conditions affecting the majority of those diagnosed includes heart disease, cancer, stroke, Alzheimer’s and diabetes, among others.¹

Living with a chronic disease can be a drain on financial resources. In a 2021 study conducted by Fidelity, it was estimated that a 65-year-old couple who retired in 2021 would need \$300,000 to cover health care costs during their remaining years.² Those projections include insurance premiums, cost-sharing provisions such as copays and out-of-pocket costs for Medicare. That number doesn’t account for items such as over-the-counter medications, dental services or long-term care, and it also doesn’t consider any health care coverage provided by employers.

Inflation also plays a critical role when planning for health care costs in retirement. Estimates show that health care-related inflation will increase at an average annual rate of 5.9% for the next few years.³ That’s about three times the rate of overall inflation in the U.S. from 2016 to 2020, which showed average annual inflation rates of 1.96%.⁴

Average Life Expectancies Since 1960⁵

YEAR*	MALE	FEMALE
2018	83.1	85.7
2010	82.7	85.3
2000	81.0	84.0
1990	80.1	83.9
1980	79.1	83.3
1970	78.1	82.0
1960	77.8	80.8



*Average expectancy for individuals who have reached age 65 in the indicated year. Life expectancy ages were figured by adding the expected number of remaining years from the source to age 65.

A BITTER PILL TO SWALLOW



Medicare – the federal health insurance program for Americans age 65 and older and younger people with certain disabilities – covered health benefits for 62 million people in 2020.⁶ As baby boomers continue to retire, the number of individuals receiving Medicare benefits will continue to grow. In fact, it's estimated that by 2030 the U.S. will pay \$1.7 trillion annually in Medicare benefits for retirees.⁷

Some retirees are surprised to learn that they'll still pay insurance premiums for access to Medicare. Medicare Part A is premium-free for those who qualify, but beneficiaries pay premiums for Part B, Part C and Part D. Premiums are also subject to annual increases. For example, the standard monthly premium (applicable to most Medicare beneficiaries) for Medicare Part B increased from \$144.60 in 2020 to \$148.50 in 2021.⁸ The annual deductible also increased from \$198 to \$203 between 2020 and 2021.⁹

While having access to Medicare benefits helps many retirees, Original Medicare (Parts A and B) does not include coverage for dental, vision or hearing services. It also doesn't cover long-term care costs, such as an extended stay in a skilled care facility.¹⁰ As a result, many Medicare beneficiaries report high out-of-pocket costs for health care. Medicare beneficiaries spent an average of \$5,801 on medical services and insurance premiums in 2017, with one in 10 enrollees spending at least \$10,268.¹¹

If you'll soon turn age 65 and become Medicare-eligible, your financial professional can provide guidance on the parts of Medicare and what you'll need to know. If you're already receiving Medicare benefits, you may benefit from having an experienced financial professional review your enrollment to ensure you're receiving all the benefits to which you are entitled and possibly identify ways to decrease your out-of-pocket expenses.

The Four Parts of Medicare

Part A

Hospital costs, including skilled nursing home care or hospice

Part B

Outpatient care, such as doctor visits, preventive care and some medical supplies

Part C

Supplemental insurance covering items not included in Part B

Part D

Prescription costs

STANDARDS OF CARE



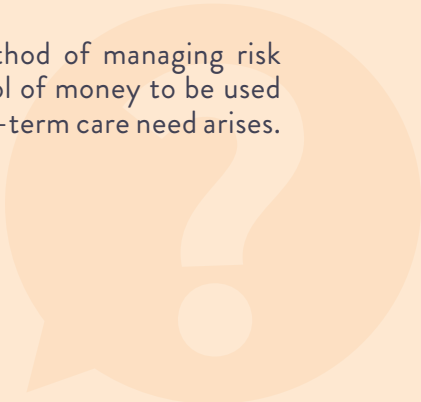
A longer life means an increased possibility that an individual will need long-term care of some sort. As life expectancies have increased, so has the amount spent on long-term care in the U.S.; individuals who turn 65 between 2020-'24 are projected to spend \$80,600 on those needs for the remainder of their lives.¹²

The chance of needing long-term care is higher for women, who have higher life expectancies; it's estimated that 61.1% of women turning age 65 will have a need, as compared to 50.9% of men.¹³

In a 2020 Cost of Care survey conducted by Genworth, annual median costs for long-term care can range from \$51,600 to \$105,850.¹⁴ Because Medicare doesn't provide coverage for long-term care, individual retirees must cover the costs out of pocket or with benefits provided by a long-term care insurance policy or other type of insurance coverage.

Some of the options for long-term care coverage include:

- + Long-term care insurance:** Reimburses policyholders for expenses associated with services to assist them with daily living. The cost of a long-term care insurance policy is based on many factors, including your age when you buy the policy, benefits provided by the policy, any optional benefits you choose to include and more.
- + Asset-based long-term care insurance:** Combines a life insurance contract with a long-term care policy providing benefits for a long-term care need, and if not needed, then a death benefit will be paid out upon the insured's death.
- + Long-term care rider:** A rider that can be added to a life insurance policy allowing the death benefit to be used to help cover long-term care expenses that may arise.
- + Chronic illness rider:** Purchased as an optional protection on a life insurance contract, chronic illness riders allow the death benefit to be used to help provide additional coverage should a chronic/nonrecoverable illness occur.
- + Annuity with long-term care rider:** Purchased as an optional protection on an annuity contract, expenses will be paid from the annuity's value, up to the specified maximum monthly amount until the annuity and rider's value has been depleted. In some cases, extended benefits may be available for an additional cost.
- + Annuity confinement rider, aka "doublers":** An option available on many fixed index annuity contracts, this rider is accessed once an insured meets the contract's qualifications for being confined to a nursing home or diagnosed with a terminal illness, and it allows a regularly scheduled annuity payment to be doubled either for a specified amount of time or until the rider account value is depleted.
- + Self-insuring:** A method of managing risk by setting aside a pool of money to be used if an unexpected long-term care need arises.





Medicaid: A jointly funded, federal-state health insurance program for low-income and needy people. It covers children, the aged, blind and/or disabled and other people who are eligible to receive federally assisted income maintenance payments.

Your financial professional can discuss the options with you and help create a strategy that provides for your possible long-term care needs. He or she can also help you explore potential long-term care coverage options and how they might fit into your strategy. Planning ahead can provide direction when it comes time for you (or a family member) to make decisions about care for you or a spouse. A solid long-term care plan can give you and your loved ones confidence that you will have quality care when you need it.

Long-Term Care by the Numbers¹⁵

70% — Chance of needing long-term care in your remaining years if you're currently age 65 or older

3.7 years — Number of years women need care (on average)

2.2 years — Number of years men need care (on average)

20% — Percentage of today's 65-year-olds who will need care for longer than 5 years

AN OUNCE OF PREVENTION



Whether you're just starting to think about retirement, nearing your retirement date or already enjoying your retirement years, a financial professional can work with you to create a strategy for covering your health care costs during your later years. There are also things you can do to prepare for future needs or even reduce future expenses, including:

Take charge of your health. Even if you've already been diagnosed with a chronic condition, you can still take steps to improve your health. Eat well, get plenty of sleep and be sure to exercise. It's also a good idea to seek out preventive services such as annual vaccinations for illnesses like flu, pneumonia or shingles.

Know your policies. Understanding your Medicare benefits and what is covered can prevent surprises when your bill is due. If you own a long-term care policy or other type of care coverage, it's important to know what services are covered and when the benefits kick in. Your financial professional can review this information with you and help you navigate how to receive benefits when you need them.

Communicate with those closest to you. Let those who will be responsible for your care know what your wishes are and what strategies you've put in place to cover costs related to your health. This is a good time to establish a power of attorney if you haven't already done so, in the event you are incapacitated and need someone else to make decisions on your behalf.

Review your expenses regularly. Tracking how much you pay for health care costs can help you identify where you're paying more and give you an idea of what percentage of your income is currently going toward health care costs.

When it comes to your health, it's impossible to predict the future. It is, however, possible to be prepared for a variety of scenarios. The key lies in understanding the variety of available options and creating a strategy that fits your unique circumstances.

An experienced financial professional can help build a plan that addresses all your questions and prepares for the "what-ifs" related to not only health issues but also to your retirement as a whole. To get started with your plan for retirement, call now to schedule a meeting. You must get started today, because you never know what your health might bring tomorrow.

“ Take care of your body. It's the only place you have to live. ”
~ Jim Rohn

¹ Centers for Disease Control and Prevention. "Chronic Diseases in America." Jan. 12, 2021. <https://www.cdc.gov/chronicdisease/resources/infographic/chronic-diseases.htm>. Accessed July 27, 2021.

² Fidelity. "How to plan for rising health care costs." May 6, 2021. <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>. Accessed July 27, 2021.

³ HealthView Services. "2021 Retirement Healthcare Costs Data Report." <https://hvsfinancial.com/wp-content/uploads/2020/12/2021-Retirement-HC-Costs-Report-op-final.pdf>. Accessed July 27, 2021.

⁴ US Inflation Calculator. "Current US Inflation Rates: 2000-2021." <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>. Accessed July 27, 2021.

⁵ Centers for Disease Control and Prevention. National Center for Health Statistics. March 2, 2021. "Health, United States, 2019 – Data Finder: Table 004." <https://www.cdc.gov/nchs/hus/contents2019.htm>. Accessed July 27, 2021.

⁶ Meredith Freed et al. Henry J. Kaiser Family Foundation. Jan. 13, 2021. "A Dozen Facts About Medicare Advantage in 2020." <https://www.kff.org/medicare/issue-brief/a-dozen-facts-about-medicare-advantage-in-2020/>. Accessed July 27, 2021.

⁷ Congressional Budget Office. September 2020. "The Outlook for Major Federal Trust Funds: 2020 to 2030." <https://www.cbo.gov/publication/56541>. Accessed July 27, 2021.

⁸ Centers for Medicare & Medicaid Services. Nov. 6, 2020. "2021 Medicare Parts A & B Premiums and Deductibles." <https://www.cms.gov/newsroom/fact-sheets/2021-medicare-parts-b-premiums-and-deductibles>. Accessed July 27, 2021.

⁹ Centers for Medicare & Medicaid Services. Nov. 6, 2020. "2021 Medicare Parts A & B Premiums and Deductibles." <https://www.cms.gov/newsroom/fact-sheets/2021-medicare-parts-b-premiums-and-deductibles>. Accessed July 27, 2021.

¹⁰ Medicare.gov. "What's not covered by Part A & Part B?" <https://www.medicare.gov/what-medicare-covers/whats-not-covered-by-part-a-part-b>. Accessed July 27, 2021.

¹¹ Claire Noel-Miller. AARP Public Policy Institute. June 2020. "Medicare Beneficiaries' Out-of-Pocket Spending For Health Care." <https://www.aarp.org/content/dam/aarp/ppi/2020/06/medicare-beneficiaries-out-of-pocket-spending.doi.10.26419-2Fppi.00105.001.pdf>. Accessed July 27, 2021.

¹² Office of the Assistant Secretary for Planning and Evaluation. Jan. 31, 2021. "Long-Term Care Services and Supports for Older Americans: Risks and Financing, 2020 ASPE RESEARCH BRIEF." <https://aspe.hhs.gov/reports/long-term-services-supports-older-americans-risks-financing-2020-research-brief-0>. Accessed July 27, 2021.

¹³ Office of the Assistant Secretary for Planning and Evaluation. Jan. 31, 2021. "Long-Term Care Services and Supports for Older Americans: Risks and Financing, 2020 ASPE RESEARCH BRIEF." <https://aspe.hhs.gov/reports/long-term-services-supports-older-americans-risks-financing-2020-research-brief-0>. Accessed July 27, 2021.

¹⁴ Genworth. "Cost of Care Survey." Feb. 12, 2021. <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>. Accessed July 27, 2021.

¹⁵ LongTermCare.gov. Feb. 18, 2020. "How Much Care Will You Need?" <https://acl.gov/ltc/basic-needs/how-much-care-will-you-need>. Accessed July 27, 2021.

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