

RETIREMENT PLANNING: INVESTING IN YOUR HEALTH



Retirement Planning: Investing in Your Health

Do you have \$400,000 ready for health care costs?

When people plan for retirement, most think about the stock market, potential returns, and occasionally what their future retirement expenses might look like. And while it's pretty easy to calculate future expenses for most retirement items – like housing and food – the largest expense in retirement – healthcare – can be the most challenging one to forecast. And it's the one that everyone should worry most about.

According to a recent estimate from Fidelity, a 65-year-old couple retiring in 2016 will need an estimated \$260,000 to cover health care costs in retirement. This is a 6% increase over last year's estimate of \$245,000. That's the good news.

Because that \$260,000 estimate only applies to retirees with traditional Medicare insurance coverage, and does not include costs associated with nursing home care. Fidelity estimates that a 65-year-old couple would need an additional \$130,000 to insure against long-term care expenses.

That's almost \$400,000 on health care in retirement!

Traditional Insurance and Medicare

While our parents may have relied on the same health insurance in their retirement as they did when they were working, you probably don't have the same option. In fact, only about 25% of companies with more than 200 employees offer health insurance to retirees. Is yours one of them?

And depending on how old you are when you plan to retire, Medicare might not be an option either. You'll only be eligible for emergency hospital coverage (Medicare Part A) when you turn 65 years old.

And what many don't realize is that Medicare Part B (Medicare's health insurance program) is not a free government handout – it requires a monthly premium. And unlike traditional health care plans, Medicare Part B does not cap your out-of-pocket expenses.

Medicare Advantage (Medicare Part C), on the other hand, tries to combine the two and attempts to replicate a traditional health insurance plan at lower premiums, but it limits your choice of providers significantly.

So, how viable is relying on Medicare to cover your health care costs in retirement? Not very.

Planning is Key

I'm not trying to scare you but I am trying to warn you. And planning for this expense is critical. Here are some options to consider:

- Consider buying your own health insurance on the open market. Granted, this option is not inexpensive at all and will likely cost you more than \$500 per month.
- If you can get on a group plan, the cost can drop by half after age 65, due to the Medicare supplement.

- If those two options do not work for you, you might have to enroll in Medicare Part B or C, or get a Medigap insurance plan that covers what Medicare won't cover. However, remember that Medigap plans will not cover anything if you have Medicare Advantage.

There is No Clear Answer

There really is not a one-size fits all answer because there are just too many variables to consider. But make sure you account for all health care expenses in your retirement because not doing so can be disastrous. And sadly, health care expenses are only increasing, not decreasing.

Give me a call so that we can list all your variables, create some hypotheticals and then build an informed – and personalized – financial plan that includes rising health care costs. I look forward to helping you plan for your retirement.