Retiring Early? Know Your Health Care Choices

Life doesn't always go as planned. For example, you might think you'll retire at 65 or later, when you'll be eligible for Medicare. But if you retire before then, how will you pay for your health care?

Without insurance, you risk incurring thousands of dollars of expenses if you are injured or become seriously ill. And if you must pay for these costs out of pocket, you might have to dip into your IRA, 401(k) or other retirement accounts earlier than you had planned – which could result in a less desirable retirement lifestyle than you had envisioned.

What, then, are your options? It depends on your situation, but here are four possibilities:

• *Employer retiree health benefits* – If your former employer offers health coverage to retirees, it could well be your best choice, especially if the employer continues to pay a share of the premiums. However, fewer employers are offering continuing health coverage to former employees, and among those who do, they may use certain criteria – such as length of service and position within the company – to limit eligibility.

• *Spouse's plan* – If you're married and your spouse still has employer-provided insurance, you may be able to get coverage under this plan or continue this coverage if you have it already. If the employer subsidizes premiums for spouses, this plan could be an affordable choice – if not, though, it might be more expensive than other options.

• *COBRA* – The Consolidated Omnibus Budget Reconciliation Act (COBRA) allows you to maintain your existing coverage with the same benefits and provider network. However, COBRA is typically only available for a specific time – usually 18 months – after you leave your employer, and coverage can be expensive. Your previous employer subsidized a portion of the premium as a benefit, but once you've retired, you'll likely have to pay the entire premium, plus an additional charge.

• *ACA Marketplace plan* – Through the Affordable Care Act Marketplace, you can find a variety of plans from which to choose, possibly including ones that include your existing network. If you qualify for subsidies, the premiums for your coverage may be similar to employer-sponsored coverage; if not, though, they can be more expensive. For information on ACA Marketplace plans, visit www.healthcare.gov.

If you have options for health insurance, you'll want to take into account differences in coverage and cost. Check whether your desired health care providers are in-network and try to determine if your current medications and the benefits you rely on are covered. You may also want to consider a plan that allows you to open a health savings account (HSA), which offers potential tax benefits. To contribute to an HSA, you must be covered by a high deductible health plan (HDHP), so there's that cost to consider, but if you're in generally good health and you don't expect to depend heavily on your health insurance until you're eligible for Medicare, you might want to consider an HDHP.

One final note: Even when you do enroll in Medicare, you will still incur expenses for premiums, deductibles and co-pays, so you'll want to budget for these costs in your overall financial strategy.

In the meantime, explore your health insurance options. The future is not ours to see – so you'll want to be prepared for anything.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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