

# Prepare for Health Care Costs in Retirement

It's unfortunate but true: As we age, we encounter more health-related issues – and they carry a price tag that can get pretty high in retirement. Will you be ready for these costs?

Perhaps your first step in preparing yourself is knowing what you may be facing. Consider this: 80% of Americans 65 and older have a chronic condition and 42% live with a disability, according to the National Coalition on Aging and the Centers for Disease Control and Prevention, as reported in a recent Edward Jones/ Age Wave survey titled *Four Pillars of the New Retirement: What a Difference a Year Makes*. The study also found that retirees' greatest financial worry is the cost of health care and long-term care – concerns that have increased during the COVID-19 pandemic.

And health care is likely going to be one of the largest expenses in retirement – the average couple might spend \$10,000 to \$12,000 per year on health care costs. Nonetheless, you can boost your confidence about meeting these costs by making the right moves.

Here are a few suggestions:

- **Take advantage of your health savings account.** If you're still working, consider contributing to a health savings account (HSA) if it's offered by your employer. This account allows you to save pretax dollars (and possibly earn employee matching contributions), which can potentially grow, and be withdrawn, tax-free to help you pay for qualified medical expenses in retirement.

- **Incorporate health care expenses into your overall financial strategy.** As you estimate your expenses in retirement, designate a certain percentage for health care, with the exact amount depending on your age, health status, income and other factors. You'll certainly want to include

these costs as a significant part of your planned retirement budget.

- **Learn what to expect from Medicare.** You can enroll in Medicare three months before you turn 65. Before you sign up, you'll find it helpful to do some research on what Medicare covers, or perhaps even attend a seminar or webinar. On the most basic level, you'll need to choose either the original Medicare program, possibly supplemented with a Medigap policy, or Medicare Advantage, also known as Medicare Part C. Given all the variables involved – deductibles, copayments, coinsurance, areas of coverage and availability of your personal doctors – you'll want to choose your plan carefully.

- **Protect yourself from long-term care costs.** No matter which Medicare plan you choose, it won't cover much, if any, of the costs of long-term care, such as an extended stay in a nursing home. You may want to consult with a financial advisor, who can suggest options to protect you and your family from long-term care costs, which can be considerable.

And of course, do whatever you can to stay healthy, before and during your retirement. It's been shown that exercise and a balanced diet can help you feel better, maintain your weight and even reduce the likelihood of developing some serious illnesses.

By making the right financial moves and taking care of yourself, you can go a long way toward managing your health care costs in retirement – and enjoying many happy and rewarding years.

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

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