



## NATIONWIDE RETIREMENT INSTITUTE®

The Nationwide Retirement Institute® provides practical thought leadership through timely insights and education, client-ready tools and consultative support. Our comprehensive approach helps financial advisors, plan sponsors and clients break down and simplify the most complex retirement challenges.

# Discussing the Challenge of Health Care Costs in Retirement

Health care costs are a critical element of retirement planning. Unfortunately, many Americans aren't thinking about — much less planning for — their health care costs in retirement. Too many assume their employers will continue to pay their premiums during retirement or believe erroneously that Medicare will cover their health care expenses. The fact is that fewer companies are offering health care to retirees. Over the past 25 years, the number of large firms offering retiree health care coverage has dropped to 28%, a decline from 66%.<sup>1</sup> Health care costs continue to rise, which means that paying for health care should now be taken into even greater consideration when planning for retirement. Primary to that consideration is an understanding of Medicare and what benefits it provides.

## Understanding Medicare

Medicare provides health coverage to 56 million Americans, but there are several common misconceptions about what it covers and doesn't cover.<sup>2</sup> While it covers preventive care, you will still have to pay premiums, co-pays, deductibles and co-insurance in Medicare parts B and D. If you

are single and earn more than \$85,000, or if you're a couple earning more than \$170,000, you can expect to pay higher premiums as well.

Americans also need to know that Medicare doesn't cover routine dental care, eyeglasses or hearing aids. It also may not cover some medical services you might need while traveling outside the United States. In fact, Medicare covers only about 62% of the expenses associated with health care services.<sup>3</sup>

For example — according to the official U.S. government site for Medicare — patients with Medicare Part A needing an in-hospital stay in 2019 ranging from a day to two months have to pay a \$1,364 deductible.<sup>4</sup> After 60 days, they have to pay \$341 per day in co-payments.<sup>4</sup> After 90 days, it jumps to \$682 per day in co-payments.<sup>4</sup>

Another common misconception is that Medicare covers long-term care. It does not.

## How much is enough?

Health care is likely to be among your greatest expenses in retirement — second only to housing — and among your greatest concerns. In fact, 71%

<sup>1</sup> Kaiser Family Foundation (2017).

<sup>2</sup> Medicare.gov/about-us, accessed November, 2018.

<sup>3</sup> MedicareSolutions.com, May 23, 2017.

<sup>4</sup> Medicare.gov, October 2018.

of pre-retirees now say they are “terrified” of what health care costs may do to their retirement plans.<sup>5</sup>

Consumers want help, but unfortunately some financial advisors are reluctant to have these difficult conversations on planning for health care costs in retirement because they don’t know how to address the issue. According to a 2016 study, fewer than 1 in 5 advisors say they are well equipped to discuss health care issues with their clients.<sup>6</sup>

Often advisors will use a broad-based approach to address health care costs in retirement. They might encourage you to set aside an amount of funds to cover these expenses based on anticipated costs of an average retired couple. But a cookie-cutter approach doesn’t work for everyone and can sometimes lead to sticker shock and a lack of required action.

### **Personalized assessment**

To better assist advisors in helping clients plan for future health care expenses, Nationwide® offers the Health Care Cost Assessment, which can provide meaningful, personalized client cost estimates.

Developed by leading physicians and experienced actuaries, the Health Care Cost Assessment uses proprietary health risk analysis and up-to-date actuarial cost data, such as personal health and lifestyle information, health care costs and medical coverage.

The assessment starts with a brief questionnaire on your health history, lifestyle and family history of medical conditions. The data are analyzed to predict

a meaningful personalized estimate of out-of-pocket health care costs based on those risks and your estimated life expectancy. You then get a report that helps you and your financial advisor plan for future medical expenses.

The program also utilizes tools that allow for “what-if” scenarios. For example, how will changing the year you retire affect your out-of-pocket health care costs?

### **Education before and after retirement**

Retirees must plan for many decisions, most of them guided by law, between the ages of 55 and 70½. These decisions may largely influence retirement behaviors as well as long-term financial adequacy – how and when you withdraw, and how to get the most from your retirement benefits such as Social Security and Medicare. This means that you need to develop a strong professional and personal relationship with your financial advisor so you can be educated before and after retirement to make decisions at these key ages.

While discussing how to manage the cost of health care in retirement can be difficult, a financial advisor can play a major role in educating and guiding you now and in retirement to help achieve your goals and desired lifestyle. Getting your Personal Health Care Assessment is an important first step and a great way to start building this important relationship.

Advisors can work with a Nationwide Retirement Institute consultant today to get a custom Health Care Cost Assessment by calling their wholesalers or the Retirement Institute Income Planning Team at 1-877-245-0763.

<sup>5</sup> “Health Care and Long-Term Care Study,” a Nationwide/Harris Poll consumer study of 801 adults 50 and older (November 2016).

<sup>6</sup> “Retirement Income Insights 2016,” GDC Research and Practical Perspectives.



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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which product(s)/investment(s) may be appropriate for you, consult your financial advisor prior to purchasing/investing.

The information collected on the Health Care Assessment will be kept confidential and used to provide an estimate of a client’s potential health care costs in retirement. The estimate is based on a client’s specific financial situation and goals, as well as their current overall health condition. The client’s financial situation and health conditions may change over time, and that may affect his or her future changes. Please keep in mind that the estimates resulting from this fact finder are for hypothetical purposes only and are not guaranteed.

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

This material should be regarded as educational information on health care only and is not intended to provide specific health care advice. If you have questions regarding your particular situation, you should contact your health care, legal or tax advisor. While Financial Advisors may discuss health care costs as part of a client’s retirement plan, Financial Advisors may not provide specific advice on health care coverage options.

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NFM-12522AO.4 (01/19)