Health Care
— Plan for costs in retirement —

4 out of 5 people cannot accurately estimate how much they expect to pay for health care in retirement.¹
Plan for your health care costs

Health care costs are one of the largest expenses in retirement. Many people don’t understand the risks these costs pose to their retirement plan, so they aren’t preparing for them.

Medicare and retiree health insurance benefits may cover a portion of these expenses, but many people will pay a significant amount of their retirement health care costs out of their own pocket.

Add to this challenge the rising cost of health care and the likelihood of needing long-term care and it becomes clear that planning for health care costs is important for achieving financial security in retirement.
Nationwide® is committed to helping people prepare for and live in retirement with guidance from financial advisors. As part of this commitment, we’re talking about important topics related to financial well-being in retirement, such as the cost of health care.

With this guide, we break down many complex issues around paying for health care in retirement. You and your advisor can use this guide as you assess your retirement health care needs and design a financial plan to help you prepare for the costs you’ll face.

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Out-of-pocket health care estimates for a 65-year-old couple can reach $265,000 – $349,000 during retirement.²

² “Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as $350,000” at age 65 in 2016, assuming 90% chance of having enough savings, EBRI, January 31, 2017.
Health care challenges

Retirement can be a rewarding time, but it does have challenges. Among the biggest challenges you face is the cost of health care.

During the years when you’re planning and saving for retirement, you’re constantly managing the risks to your financial plan such as inflation and potential market declines.

But once you retire, these risks don’t vanish. Inflation and market risk are amplified and new risks are introduced — outliving your savings and leaving less money for your spouse or other family members.

Among these new risks you face in retirement is the cost of health care.

Health care is a big-ticket expense for most retirees, especially with rising costs and the likelihood of needing long-term care. If you’re not prepared for these expenses, they can put pressure on other aspects of your retirement financial plan and limit the choices you can make later in life.
Medicare and long-term care

Today’s Medicare Program

Signing up for Medicare is one of the first major decisions you’ll make as you reach retirement, and many people are surprised to learn there are costs associated with the program. Even after paying into Medicare throughout your career, once you’re enrolled, you’ll face monthly premiums and cost sharing provisions.

Long-term care comes at a cost

Long-term care is a progression of care options ranging from informal assistance provided by friends and family members to full-time professional care provided in a residential facility. Today, more than half of all long-term care services are being provided in the home.\(^3\)

With proper planning, you can ensure that you and your family members retain the power of choice in a long-term care scenario.

\[ \text{A PERSON AT AGE 65} \]

\[ \text{has a 70\% chance} \]

of needing some type of long-term care during retirement.\(^4\)

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\(^1\) American Association for Long-term Care Insurance Sourcebook 2015-2016.
\(^2\) Centers for Medicare and Medicaid Services, “Medicare & You 2016.”
Medicaid planning

While state-run Medicaid programs cover long-term care expenses for some people, Medicaid is not a realistic long-term care solution for most individuals.

As designed, Medicaid is meant to assist impoverished individuals with medical expenses. For an individual to meet the Medicaid requirements to pay long-term care costs, there cannot be more than $2,000 in countable assets and one’s annual income has to be near or below federal poverty guidelines. If married, requirements and asset values can vary.

Trying to qualify for Medicaid coverage for long-term care expenses would require difficult choices that can have an adverse financial impact on you, your spouse and your family. A more realistic solution is to consider long-term care costs in your overall financial plan. Having a plan for long-term care in place can help protect you and your family from potential impoverishment, give you flexibility in choice should you need long-term care services and preserve assets you hope to leave to loved ones.

To qualify for Medicaid you must have:

1) Income below or near the federal poverty level
2) Assets less than $2,000 for an individual (spousal amounts can vary)
3) A five-year look-back on assets

(Varies by state guidelines)

Working with an eldercare attorney is key to successful Medicaid planning for a client. An attorney can work with an advisor to help a client interested in investment options.

Please note that neither Nationwide nor its representatives give legal or tax advice. A client should consult with their attorney for any specific needs.
Starting to plan

The first step in planning for retirement health care costs is knowing what to expect. That’s where your financial advisor can help.

75% of affluent baby boomers who have discussed retirement with an advisor say they plan to also discuss potential health care costs.\(^5\)

\(^5\)“Health Care and Long-Term Care Study,” a consumer study of U.S. adults ages 50 and up, Nationwide/Harris Poll Survey (November 2016).
Personalize your plan

When you consider all of the decisions you face and the costs you may pay, planning for retirement health care costs can seem daunting.

When it does, remember you’re not on your own.

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<td>• Refine your retirement financial plan around this estimate</td>
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The Nationwide® Health Care/Long-term Care Cost Assessment takes information you provide about your health history and family background and compares it with current trends in health care utilization. The report you receive shows you a personalized view of your anticipated health care costs, including long-term care, throughout retirement.

Your personalized assessment can help you and your advisor better understand how expected health care costs can affect your retirement, and enable you to develop a plan around your and your family’s specific needs.
Clients
Talk with your financial advisor about your health care decisions and how they fit within the scope of your overall retirement plan.

Financial professionals
For more information, call your wholesaler or the Retirement Institute Income Planning Team at 1-877-245-0763.
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. For more information, visit nationwidefinancial.com/healthcare.

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.

The content of this brochure is provided for informational purposes only and should not be construed as investment, tax or legal advice. The information provided is based on current laws, which are subject to change at any time, and has not been endorsed by any government agency.

The information collected on the Personalized Health Care Cost 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 this may affect their future costs. Please keep in mind that the estimates within the assessment are for hypothetical purposes only and are not guaranteed.

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NFM-9902AO.5 (01/18)