



of  
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# At the helm of healthcare planning

Work with your financial advisor to determine how healthcare costs fit into your overall retirement picture.

## THE EARLIER THE BETTER

It's never too early to start planning for retirement, especially when it comes to major expenses like healthcare. For many, retirement is not just the end of a long, fruitful career, but the start of the next stage of life. You may have a clear vision of your ideal retirement, but that dream could fade if unexpected healthcare costs start to eat away at your hard-earned retirement savings. The fact is, even with Medicare, healthcare coverage in retirement can carry a high price.

## TAKE CHARGE

Quantifying potential costs, evaluating your options and developing a comprehensive plan can help address various scenarios that may keep you up at night. You may wonder, for example, how you'll pay for healthcare if you live 20, 30 or even 40 years in retirement. Americans are living longer, and with increased longevity comes a greater risk of experiencing changes in health and more pressure on assets to provide income over the long run.

Planning for these essential expenses could mean the difference between a confident retirement and one fraught with concern. That's why it's so important to incorporate those costs – and how to pay for them – into your overall retirement income plan as soon as possible.

## KEY TAKEAWAYS

Even with supplemental insurance and Medicare, out-of-pocket healthcare costs in retirement can be expensive, with the potential to derail even the best-laid financial plans. (Learn more about how to manage these costs with supplemental plans on page 6.)

Being informed is the best way to avoid costly mistakes. Take time to learn about Medicare, and rely on your advisor as a resource to help clarify issues and keep you up to date on policy changes, the effects of new legislation and related tax strategies.

Your advisor can help you estimate what your healthcare needs and costs will be in retirement. Together, you can identify unique healthcare issues and adjust your plan accordingly.

## THE HEALTHCARE WILD CARD

### THE A, B, D AND C OF MEDICARE

Part A  
HOSPITAL INSURANCE



Part B  
MEDICAL INSURANCE



Medicare Part B monthly premiums range from \$148.50 to \$504.90, based on yearly income.



Part D  
PRESCRIPTION DRUG COVERAGE



or

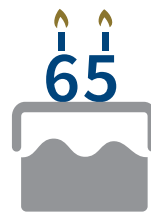
Part C  
MEDICARE ADVANTAGE PLANS



Medicare Part C plans offer the same coverage as Part A + Part B. MOST Part C plans also include Part D (prescription drug coverage), and SOME cover vision, hearing, dental and wellness programs (see page 6 for more information).



## WHEN TO ENROLL?



- ▶ **If you're already collecting SOCIAL SECURITY BENEFITS**  
You'll be automatically enrolled in Parts A and B at 65.
- ▶ **If you're not collecting SOCIAL SECURITY BENEFITS**  
You become eligible for Medicare Part A the first day of the month you turn 65 years old. You should apply for coverage three months before your 65th birthday.
- ▶ If you're still working past 65, see page 7 for more information on Special Enrollment Periods.

## MEDIGAP

OFFERED BY PRIVATE INSURANCE COMPANIES

- ▶ Helps to cover gaps in original Medicare coverage
- ▶ Minimizes out-of-pocket expenses
- ▶ Helps with things like deductibles, copays and co-insurance
- ▶ Does not cover Part D prescription deductibles or co-insurance amounts

## MEDICARE DOESN'T COVER



dental, vision, hearing or long-term care costs.

### CONSIDER THIS

**70%**

Studies suggest that 70% of Americans over 65 will need some type of long-term care at some point.<sup>1</sup>

**\$105,800**

The average cost of nursing home care was \$105,800 in 2020.<sup>2</sup>

**<2%**

Medicare pays less than 2% of all long-term care cases for a maximum of only 100 days.<sup>3</sup>

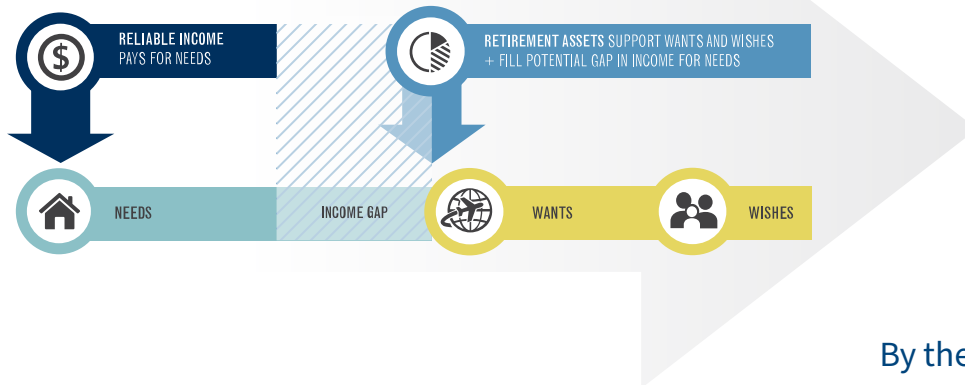
Sources:

<sup>1</sup> longtermcare.gov

<sup>2</sup> Genworth Cost of Care Survey, 2020

<sup>3</sup> The Health Insurance Association of America

## YOUR RETIREMENT INCOME PICTURE



Within your retirement income plan, healthcare coverage should be considered an essential need, paid for by your reliable income, such as Social Security or pension payouts. If your reliable income isn't enough to cover basic needs, you may have to tap your retirement assets. Your financial advisor can help you estimate your essential expenses, including healthcare costs, to determine whether your expected retirement income will be enough to cover them.

## THE TRUTH ABOUT MEDICARE

The majority of retired Americans expect Medicare to cover their healthcare costs, but in reality, Medicare only pays about 60% of current retirees' medical costs, according to the Employee Benefit Research Institute. For instance, you'll still have copays, premiums and deductibles, and Medicare doesn't cover hearing, dental, vision or long-term care costs. Some retirees are lucky enough to receive a retiree healthcare benefit from a former employer, but that has become increasingly rare. Many turn to supplemental insurance to cover the remaining costs.

## By the Numbers

**68** Average life expectancy in 1950

**74** Average life expectancy in 1980

**88** Average life expectancy in 2020

Source: Centers for Disease Control and Prevention, HealthView Services: 2020 Retirement Health Care Costs Data Report



## DEFINING OUT-OF-POCKET EXPENSES

Premiums are what you pay for health insurance coverage for a specific period of time. Deductibles are the amount you pay before your insurance coverage kicks in. After you meet the deductible, you may be responsible for co-insurance, a percentage of the cost of care. In addition to co-insurance, you'll pay copayments, a flat fee for services or drugs.

## MAKING SENSE OF MEDICARE

A number of pieces make up Medicare, each of which covers a different portion of your healthcare and comes with its own set of rules. Medicare consists of three main parts: hospital insurance (Part A), medical insurance (Part B) and prescription drug coverage (Part D). Additionally, there are also Medicare Advantage plans (Part C) and Medicare supplemental insurance plans (Medigap). The following is a brief overview of each, what they cover and their associated costs.



### PART A – Hospital Insurance

Medicare Part A provides hospital insurance and helps pay for a stay in a hospital or skilled nursing facility, home healthcare, hospice care and medicines administered to inpatients. Most people don't pay a premium because they paid Medicare taxes while working; however, you will have to pay deductibles and copayments based on length of stay in the hospital.

**For example, here's what you'd pay in 2021 for an in-hospital stay:**

**Days 1-60: \$1,484 deductible**

**Days 61-90: \$371 per day**

**Days 90+: All costs or lifetime reserve days\***

\* After the 90th day, you can choose to pay \$742 per day for as many as 60 non-renewable lifetime reserve days.

Source: Medicare.gov



### PART B – Medical Insurance

Medicare Part B provides medical insurance and helps pay for physician and outpatient services such as rehab therapy, lab tests, medical equipment and some home health and preventive services. It also covers doctors' services in the hospital and most medicines administered in a doctor's office.

A monthly premium for Medicare Part B ranging from \$148.50 to \$504.90 applies based on yearly income. Most will pay \$148.50 per month unless income exceeds \$176,000 for taxpayers who are married and filing jointly.

Deductibles and co-insurance are also charged for Medicare Part B. For 2021, participants will pay a \$203 deductible and 20% co-insurance on the Medicare-approved amount for home and medical services after the deductible.

**AVERAGE**  
**MONTHLY PREMIUM \$148.50 to \$504.90**  
**based on yearly income**

Source: Medicare.gov

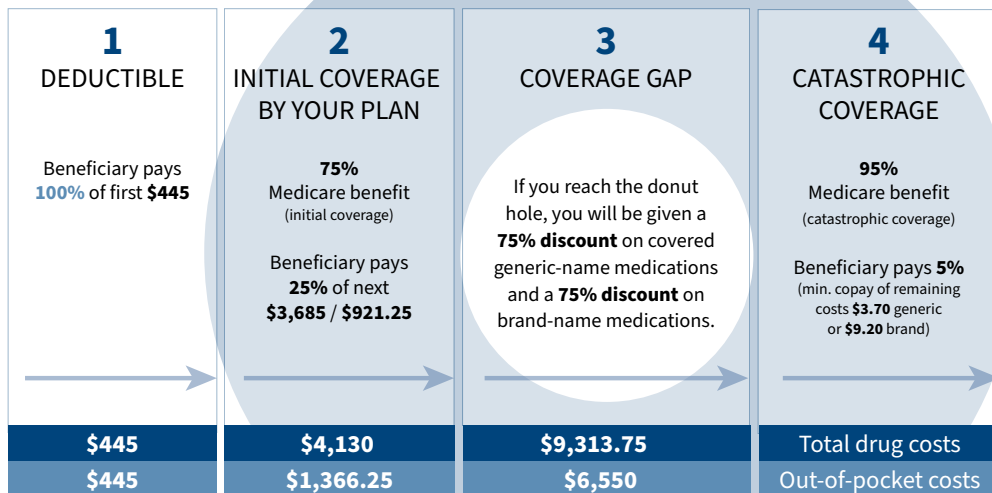


**PART D – Prescription Drug Coverage**

Medicare Part D provides prescription drug coverage and helps pay for prescription drugs that you use at home, plus insulin supplies and some vaccines. To get this coverage, you must enroll in a private Part D drug plan or in a Medicare Advantage plan that includes Part D coverage (see page 6). Enrollment in Part D is voluntary, but you must be enrolled in Part A or B to be eligible.

A monthly premium for Medicare Part D applies based on your income and plan. Costs vary depending on the plan, but most beneficiaries who enroll as soon as possible can expect to pay about \$32.74 a month and a maximum annual deductible of \$445 in 2021. Other costs include copays for medicine and an expensive “donut hole” in coverage (see below).

**THE MEDICARE DONUT HOLE**





**A B D C**

**PART C – Medicare Advantage Plans**

Medicare Advantage plans, or Medicare Part C, are provided by private HMOs/PPOs and cover all Part A and B services, except hospice (you maintain coverage for hospice under original Medicare). Most Medicare Part C plans include prescription drug coverage (Part D) and some cover vision, hearing, dental and wellness programs. A Medicare Advantage plan forms a contract with Medicare, and thus becomes your primary insurance. Most advantage plans will replace the 80/20% co-insurance structure with a fixed copayment structure, or fixed dollar amounts, when most services are rendered. Some Medicare Advantage plans offer additional items or services, such as extra hospital days or coverage when traveling overseas.

To qualify for a Medicare Advantage plan, you must already be enrolled in Parts A and B. Premiums and copays still apply, in addition to your Plan B premiums. Deductibles, copayments and co-insurance amounts vary by plan, and there are increased costs for going out of network. The 2021 max out-of-pocket costs for Medicare Advantage plans is \$7,550 and out of network is \$11,300.

**TAKE NOTE** You are only guaranteed the right to buy a Medigap policy during the six-month period in which you are eligible for Medicare and can sign up for part B (including during the Special Enrollment period, see page 7). Because of that timeline, it can be difficult to switch back from a Medicare Advantage plan to a Medigap policy in the case of a major health issue. This may come into play because traditional Medicare allows you to see any doctor that accepts Medicare, while Medicare Advantage limits you to their network of available doctors.

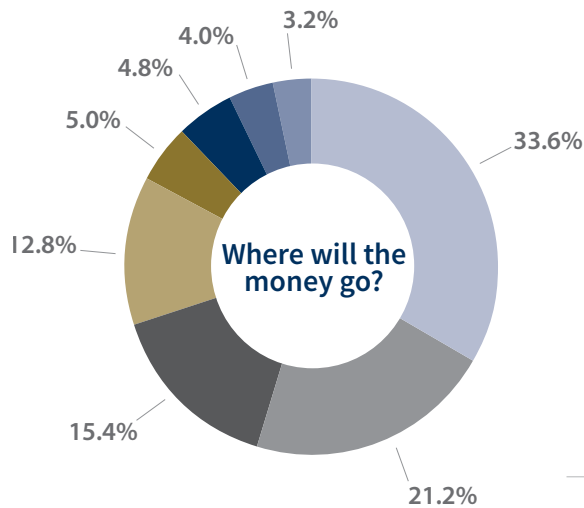
	TRADITIONAL MEDICARE	MEDICARE ADVANTAGE
<b>PROS</b> 	<ul style="list-style-type: none"> <li>▶ Flexibility to receive care from any doctors or hospital that accepts Medicare</li> <li>▶ No geographic restrictions (in U.S.)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Convenience of one plan</li> <li>▶ Out-of-pocket limit</li> <li>▶ May include dental, vision, hearing &amp; wellness</li> <li>▶ May be cheaper than Medicare</li> </ul>
<b>CONS</b> 	<ul style="list-style-type: none"> <li>▶ No out-of-pocket limit</li> <li>▶ Must purchase Part D &amp; Medigap to avoid gaps in coverage</li> <li>▶ No dental, vision or hearing</li> </ul>	<ul style="list-style-type: none"> <li>▶ Limited to a network of doctors &amp; hospitals</li> <li>▶ Increased costs for going out of network</li> <li>▶ Plan providers and benefits can change each year</li> </ul>

**MEDIGAP – Supplemental Insurance Plans**

Optional Medigap or Medicare supplemental insurance plans are offered by private insurance companies to help cover gaps in original Medicare coverage and minimize out-of-pocket expenses for things like deductibles, copays and co-insurance. Costs for these plans – including premiums and copays – vary by provider, so it is well-advised to shop around.

Generally, you need to be enrolled in Parts A and B before purchasing a Medigap policy, and you have a six-month window after enrolling in Part B when you are guaranteed the right to buy one. During this period, you can't be denied coverage or charged more for existing health conditions. However, if you do not enroll within those six months, you may not be able to enroll later or you could be charged more, depending on your health. Medigap plans are guaranteed renewable; as long as you continue to pay the premiums, you can't be dropped regardless of any new health conditions. These plans provide varying levels of coverage.

You won't need – nor can you use – a Medigap policy in conjunction with a Medicare Advantage plan. If you are already enrolled in a Medicare Advantage plan (Part C), it is illegal for anyone to sell you a Medigap policy unless you withdraw from your Medicare Advantage plan. If you drop a Medicare Advantage plan to enroll in a Medigap plan, you should consider purchasing a separate Part D drug plan, as your Medigap plan will not offer prescription coverage.



Here's a look at what the average American retiring today will spend (in future dollars) over the course of his or her retirement.

- Supplemental premiums
- Hospitals, doctors & test premiums
- Hearing & vision (out of pocket)
- Prescription drug premiums
- Dental premiums
- Prescription drugs (out of pocket)
- Hospitals, doctors & tests costs
- Dental (out of pocket)

Source: 2015 Retirement Health Care Costs Data Report, HealthView Services;  
Assumes average life expectancy of 88.

**If you are enrolled in Part A, you are no longer eligible to contribute to an HSA. If you are receiving Social Security, you are automatically enrolled in Part A and cannot disenroll in Part A.**

## WORKING PAST 65

Medicare usually starts at age 65, but if you work longer, you may be able to extend your eligibility for employer-subsidized health insurance, thus helping to further minimize your out-of-pocket expenses. Plus, the additional income could be saved toward future costs not covered by Medicare.

### EMPLOYER BENEFITS

Start by learning how your employee retirement benefits work, how much they will cost and how they interact with Medicare. Some employers provide coverage only until you turn 65, while all employers with over 20 employees are required to continue coverage under their plan after you each age 65.

If you're on the same plan as your spouse, try to get an idea of how spousal benefits will work when one or both of you are retired. For example, what happens if the employee dies? Will the surviving spouse still be entitled to benefits? The answers to these questions will allow you to make informed decisions for your personal strategy.

If you work for an employer with greater than 20 employees, Medicare benefits are secondary to employer plan benefits, so you may wish to enroll in Part A to pick up costs not covered by your plan but delay enrolling in Part B to save money. Late enrollment penalties usually don't apply if you sign up during a special enrollment period. Note: late enrollment penalties may

still apply if enrolling during special enrollment periods. The penalties don't apply when you can prove that you have had creditable coverage (most employer benefits are considered creditable if you work for an employer with more than 20 employees). If you have any questions as to whether or not your coverage at work is considered creditable, contact your benefits department.

### ENROLLING IN MEDICARE

Once you become eligible, either at age 65 or potentially earlier if you are disabled, if you're already receiving Social Security benefits, you don't need to apply; you will automatically be enrolled in Medicare Parts A and B and will be mailed your Medicare card. If you decide not to keep Part B, you will need to notify Medicare by the date printed on the front of your card.

If you are not already receiving Social Security benefits, you'll need to be proactive and contact the Social Security Administration during your initial enrollment period.

### INITIAL ENROLLMENT PERIOD

Your initial enrollment period is the seven-month period beginning three months before the month you turn 65 and ending three months after the month you turn 65. The date your coverage begins depends on your birthday, but it is best to enroll prior to your 65th birthday to avoid delays in coverage.

With Part B, the month you enroll during the initial enrollment period will affect when your coverage starts. For example, if you turn 65 and wait until your birth month or later to apply, you'll have a one- to three-month gap in coverage. Part A, on the other hand, can be retroactive for up to six months. See the chart below for an example of eligibility and when coverage becomes effective.

**Example: Sam's 65th birthday is in May. His initial enrollment period extends from February to August.**

If he enrolls during ...	his Part B coverage will begin ...
February to April	May 1
May	June 1
June	August 1
July	October 1
August	November 1



**GENERAL ENROLLMENT PERIOD (PARTS A AND B)**

If you did not sign up for Part A and/or Part B when you were first eligible, you can enroll between January 1 and March 31 of each year. During this time, you can sign up for Medicare Part A and/or B and your coverage will begin on July 1 of the year you enroll. Higher premiums may apply due to late enrollment.

For example, you'll incur a permanent 10% premium increase for each year that you could have been enrolled in Part B, but were not. Depending on your income level, you could pay an additional \$14 to \$50 in premiums each month.

**ENROLLING FOR MEDICARE ADVANTAGE PLANS (PART C) AND PRESCRIPTION DRUG COVERAGE (PART D)**

Enrollment in a Medicare Advantage plan (Part C) and Medicare prescription drug coverage (Part D) can take place during your initial enrollment period, certain open enrollment periods (see below) or during special enrollment periods. There is a 1% premium increase for Part D each month enrollment is delayed, unless enrolled in a creditable insurance plan.

**OPEN ENROLLMENT PERIOD (PARTS C AND D)**

Every year you have the option to make changes to your Medicare Advantage plan (Part C) and Medicare prescription drug coverage (Part D) for the following year during an open enrollment period that runs from October 15 to December 7.



From January 1 to March 31, you can still switch from a Medicare Advantage plan back to original Medicare and join a Medicare prescription drug plan (Part D).

You may also be eligible to make changes to your coverage due to certain events such as moving or loss of coverage.

#### SPECIAL ENROLLMENT PERIODS

If you didn't enroll in Part A and/or Part B when you were first eligible, a special enrollment period may be available to help avoid late enrollment penalties. You can sign up for Part A and/or B under a special enrollment period any time you or your spouse is still working and covered by a credible group health plan through your employer or union. The special enrollment period covers the eight-month span that begins the month after employment ends or the group health plan coverage ends, whichever happens first.

The special enrollment period also applies to your ability to purchase a Medigap plan with guaranteed insurability. After terminating from an employer under which you were covered by creditable insurance, you will have six months from the time you sign up for Part B to buy a Medigap plan with guaranteed insurability.

If you have COBRA coverage or are covered by a retiree health plan, you are not eligible for a special enrollment period when that coverage ends.

#### CREATING A COVERAGE PLAN

Once you realize how crucial budgeting for healthcare costs is to retirement planning, the next step is laying the groundwork for how you'll save toward those necessary expenses. One way is to allocate a lump sum of money to cover the average lifetime healthcare costs of \$300,000 or more; however, very few are in a position to do so.

A more practical approach is to produce an annual expense estimate that's specific to your unique health needs and history. For example, if you are healthier, your healthcare costs may be lower than for most of your peers. You and your financial advisor may start with the average cost for a healthy person your age and gender and adjust your estimated expenses up or down from there, depending on how conservative you wish to be.

A HealthView Services study found that as a 65-year-old couple ages, monthly premiums and out-of-pocket costs will increase dramatically due to the compounding effect of healthcare inflation. The once-manageable \$1,004 monthly outlay will almost double by age 75 and grow to \$3,153 per month – a 214% increase – at age 85. That figure includes cost projections for Medicare Parts B and D, supplemental insurance, dental insurance and out-of-pocket expenses. Plainly speaking, the longer you expect to live, the higher your total costs could be.

To be conservative, you might want to use a higher figure as you establish your retirement income plan. If you have a family history of chronic health conditions, you may want to plan to save even more as the associated costs can quickly deplete your retirement savings if a cash reserve isn't available. Unfortunately, statistics published by Johns Hopkins University show that the likelihood of developing one or more chronic illnesses increases with age. Among people 80 years of age or older, 92% have at least one chronic condition, while 73% have two or more.

#### ANNUAL MEDICARE REVIEW

Each year after your initial enrollment, take the time to review your coverage. Even if you're happy with what you have, benefits and premiums may have changed over the year.

- Review your options to see if another choice suits your needs better. Medicare.gov offers a Plan Finder function to help you compare different plans.
- Make any changes during the annual Medicare open enrollment windows.
- Visit your primary care physician to review your medications.

**The following table reviews future healthcare costs for a 65-year-old couple retiring in 2019. Calculations assume that a healthy male and female will have life expectancies of 87 and 89 respectively, and will have a combined future modified adjusted gross income of less than \$170,000.**

65-year-old couple:

Premiums	\$419,262
Out of pocket	\$187,075
Total lifetime cost	\$606,337

Source: HealthView Services

Once you and your advisor arrive at your annual expense estimate, you'll determine if your steady flow of reliable income will cover those essential expenses. If there is a gap in what your reliable income will cover, you will need to then tap into your retirement assets to fill that gap. Additionally, you may consider setting aside smaller amounts into a reserve fund for medical emergencies.

### LONG-TERM CARE

Another important factor to consider is the potential need for long-term care, which is not covered by Medicare. Nursing home care averaged \$105,850 a year in 2020, according to the Genworth Cost of Care Survey, though costs can vary widely by state. A home health aide is expensive as well; in fact, hiring one can cost more than \$150 a day.

If you're concerned about the rising cost of long-term care and the impact it could have on your savings, you should consider long-term care insurance, a form of risk management that can cover a range of nursing, social and rehabilitative services for people who need ongoing assistance. While you can't know for sure if you'll need long-term care or for how long, you and your advisor can plan for the unexpected. Some people choose a policy to help:

- Protect assets
- Add options for quality care
- Relieve family and friends from the stress of providing care
- Preserve their personal and financial independence

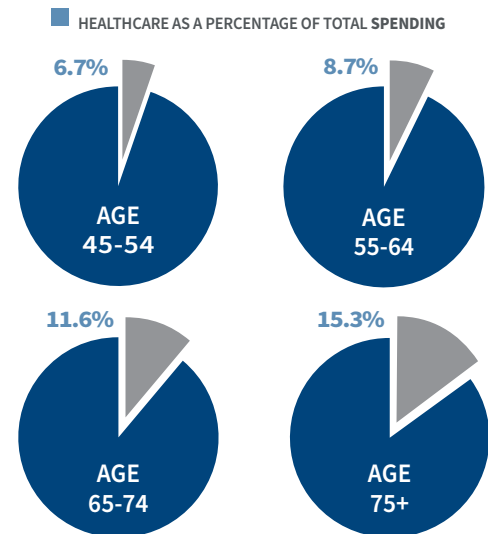
### WORK WITH YOUR FINANCIAL ADVISOR

Medicare is complicated, and this guide is just a start. We can work through your healthcare planning details, such as:

- Reviewing your options for covering healthcare costs in retirement, including Medicare Parts A, B and D, Medicare Advantage plans (Part C), Medigap insurance and long-term care insurance
- Estimating your healthcare costs in retirement, including Medicare premiums, copays and long-term care insurance expenses
- Assessing the impact of your estimated healthcare expenses on your retirement income, and determining how those costs will be met
- Updating your retirement income plan accordingly
- Working with our Raymond James Medicare partner, HealthPlanOne, to help determine the best plan for you

These policies have exclusions and/or limitations. The cost and availability of long term care insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of long term care insurance. Guarantees are based on the claims-paying ability of the insurance company.

### HEALTHCARE COSTS ARE AN INCREASING PIECE OF THE PIE



Source: Bureau of Labor Statistics 2016 consumer expenditure survey

### ADDITIONAL RESOURCES

For more information, review these resources:

[HPORETIREES.COM/](https://www.hporretirees.com/)

[RAYMONDJAMES](https://www.raymondjames.com/benefitscheckup)

[BENEFITSCHECKUP.ORG](https://www.benefitscheckup.org)

[ELDERCARE.GOV](https://www.eldercare.gov)

[MEDICARE.GOV](https://www.medicare.gov)

[SOCIALSECURITY.GOV](https://www.socialsecurity.gov)

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