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Strategies to Manage Rising Healthcare Costs

For many Americans, healthcare costs are a major source of worry as they prepare for retirement. Many retirees and pre-retirees may overlook medical care in retirement—costs that can increase every year. Many Americans believe that they can rely on Medicare; however, the reality is that Medicare only covers a percentage of health-related expenses, and most retirees pay large out-of-pocket healthcare expenses.

We believe it is critical to include healthcare in your long-term retirement strategy. Major medical expenses can change the course of your overall retirement; however, there are many strategies that may help you be better prepared. With our assistance, you can make preparations to help ensure that your medical needs are taken care of without adversely impacting your retirement lifestyle or becoming a financial burden on your family.

While there are many ways to address health care costs, and any solution you choose should be personalized to meet your needs, here are a few choices you may wish to consider:

Purchase extended care insurance.

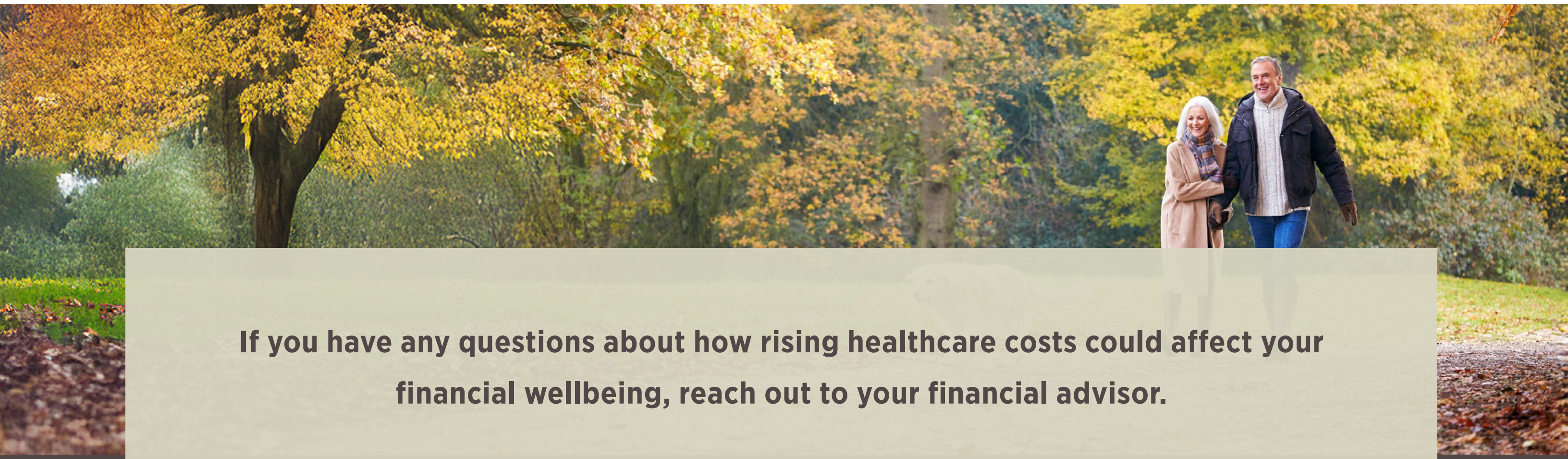
Extended care insurance is designed to cover costs like extended hospital stays and skilled nursing. The major benefit of a well-thought-out extended care policy is that it can transfer the financial burden of care to the insurance company while being incorporated into your overall retirement strategy.

Extensive fine print on extended care policies can exclude benefits that you thought were due. For example, many policies contain exclusions for certain health conditions and may not cover all types of extended care services and facilities. Some purchasers of extended care insurance never need extended care, meaning that they end up paying years of premiums for little or no benefit. Extended care insurance can offer protection but it is critical to consult with a financial professional to choose the policy that best fits your current situation and expected future needs.

Set up a dedicated investment account only for extended care expenses.

Investors with the means to do so can “self-insure” by setting aside a portion of their investment savings for medical expenses. The major benefit to this choice is that investors won’t be reliant on an insurance policy to cover expenses and will be able to use any remaining balance for other purposes. The obvious downside to this strategy is that all normal investment risks apply, and it is entirely possible that your investment savings may not be enough to cover all healthcare expenses.

Forecasting what your actual healthcare needs and medical costs may be is difficult. If you haven’t begun to plan for your future needs, it is time to start now. By beginning the process early, you can take advantage of lower premiums and may be able to forecast your retirement spending needs. Early preparation is especially important for those with existing illnesses or a family history of health problems. We believe that it is vital to have the advice of a financial professional who can look at your whole picture and help you choose an extended care strategy that’s right for your needs.



If you have any questions about how rising healthcare costs could affect your financial wellbeing, reach out to your financial advisor.

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DISCLOSURES