Retiring

Build health care expenses into your retirement planning

Determining how much money you'll need to live comfortably after you retire is not an exact science. In general, you may need between 70% and 80% of what you were earning during your last working years to maintain the same standard of living in retirement.

However, as you age, you may find that you have to spend more on health care. How expensive could health care costs be in retirement? Very expensive, according to recent data. Of course, an individual's personal health and the cost of medical care in the particular location where the individual resides can impact the amount that will be spent.

Average health care expenses for individuals in 2021*	
age 65-74	age 75+
$6,966	**$7,123**

What you can do

Planning for health care costs in retirement is critically important. Here are some steps that can help.

1 Get healthy and stay healthy

Your working years are a good time to do what you can to improve your overall health. If exercise has not been a regular part of your life, start small and gradually increase your activity level over time. Eat healthfully and avoid smoking and drinking alcohol to excess. You'll improve the likelihood of living a longer, healthier life.

2 Consider long-term care insurance

A long-term care insurance policy helps cover the costs of home health aides, nursing home care, and assisted living facilities. If you buy a policy when you are relatively young and healthy, it's likely the policy premiums will cost less than if you wait until you're close to retirement. The size of the daily benefit amount you select and the length of time you are willing to wait to receive benefits will also affect the cost of a policy. Long-term care policies can be complex, and different policies cover different benefits, so it can be helpful to work with a professional to find one that meets your needs.

3 Boost your savings rate

One way to blunt the impact of rising health care costs is to save more. It may be easier said than done, but you should try to maximize your savings, especially if you are at a high risk of chronic conditions because of your current health or because of your family's medical history.

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4 Consider a Health Savings Account (HSA)

An HSA is essentially a medical savings account available to those enrolled in a high-deductible health plan (HDHP). It can be used to pay for a variety of health care expenses. A big plus with an HSA is that it offers tax-saving features -- contributions are deductible, interest (or earnings) on contributions is tax deferred, and, as long as the medical expenses paid with HSA savings are "qualified" expenses for the individual, spouse, or dependents, HSA withdrawals are tax free.

If your employer offers an HSA, you can contribute to your account from your paycheck at an agreed-on amount. You can invest your HSA contributions in whatever option(s) the plan offers. Money that you do not spend during the year is rolled over for use in subsequent years. If you are in relatively good health, you may be able to accumulate a good-sized HSA balance over the years.

> Retirement planning can be complex, and the guidance of a financial professional can be invaluable in determining goals and setting priorities.

If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.

*Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September 2022.

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