



## **Merrill Lynch Study Finds Health Is the Cornerstone of a Happy Retirement, and Greatest Financial Worry**

September 12, 2014

NEW YORK, Sep 12, 2014 (BUSINESS WIRE) -- New Merrill Lynch research, conducted in partnership with Age Wave, finds that 81 percent of retirees cite health as the most important ingredient to a happy retirement, followed by financial security (58 percent), loving family and friends (36 percent), and having purpose (20 percent).

The research explores three major forces that are redefining how individuals plan for later life, including an empowered baby boomer generation of health care consumers, the potential rise of chronic disease due to longer life spans, and how longevity is causing health and wealth to converge like never before. Based on a nationally representative survey of 3,300 respondents, this landmark study, "[Health and Retirement: Planning for the Great Unknown](#)," also examines the implications of health and health care costs on quality of life in retirement. Among the key findings:

- Americans age 50+ cite health care costs in retirement as their greatest financial concern, regardless of their wealth level. Yet the vast majority of people have not factored health care costs into their retirement planning.
- Seven out of 10 couples age 50+ have not discussed how much they may need to save to pay for health care during retirement.
- More than half of retirees retired earlier than they expected, and the number one reason for their early retirement was a health problem.
- People cite Alzheimer's as the scariest health condition of later life (54 percent), more than cancer, strokes, heart disease, diabetes and arthritis combined.
- Just 19 percent of current Medicare recipients feel they have a strong grasp of what health care costs their Medicare options cover.
- Compared to their parents, baby boomers are likely to dramatically reshape approaches to health care in the years ahead.
- There is considerable enthusiasm regarding the potential of scientific advancements. On average, people age 50+ believe future medical innovations and technologies could potentially add more than 10 years to their lives.

This study introduces the four "Boomer HealthStyles," showing certain types of people on a course for a healthy retirement and others who may face challenges with their health and health

care costs. The new report offers strategies for a healthier and more financially secure retirement, while also finding that lack of personal preparation and the need for enhancements to the health care system may present serious problems for America's aging population.

"As boomers move into their later years, health will be the ultimate retirement wildcard," said Andy Sieg, head of Global Wealth and Retirement Solutions for Bank of America Merrill Lynch. "For many, health can be the difference between a retirement of opportunity and independence or one of worry and financial challenges. This research makes clear that the convergence of health and wealth should be factored into planning for later life."

### **Boomers reshaping approach to health**

The study revealed that boomers are a whole new type of health care consumer – one who takes charge of their health and health care decisions. Compared to their parents' generation, boomers are 2 1/2 times more likely to say they are proactive about their health, including being four times more likely to actively research health information. They are also far more likely to say they view their doctors as partners who work with them to optimize their health, as opposed to an authority who gives them a plan to follow. Boomers are also highly optimistic about their health, with nearly 80 percent expecting their generation will be healthy and active at the age of 75.

"As demanding consumers, boomers have redefined nearly every life stage, and the way they approach health and health care will be no different," said Ken Dychtwald, Ph.D., founder and CEO of Age Wave. "Boomers would be wise to boost investments in their health, through healthy behaviors and lifestyle choices. At the same time, the health care system needs to ensure it is prepared for the aging of this generation – with the proper knowledge, skills, services and science."

### **Double threat of health challenges**

The study found that, regardless of wealth level, health care expenses rank as the most pressing financial concern in retirement (41 percent), exceeding even the fear of outliving one's money (29 percent). In fact, people age 50+ are nearly twice as worried about the cost of retirement health care as they are about the actual quality of care they might receive.

"Health challenges can be a double threat to retirement financial security," said David Tyrie, head of Retirement and Personal Wealth Solutions for Bank of America Merrill Lynch. "Between unpredictable and costly health care expenses and unexpected early retirement due to health problems, planning ahead can be confusing and overwhelming. People are increasingly seeking guidance to help them make informed decisions, for themselves and their families."

The majority of retirees surveyed (55 percent) retired earlier than they had expected, while 38 percent retired when they planned to, and just 7 percent later than they expected. Although early retirement has often been equated with financial success, today's retirees age 50+ cite health problems as the top reason (37 percent).

According to the study, people are more concerned about the financial impact of a spouse's serious illness (66 percent) than they are about their own illness (62 percent). Women, who are

likely to live longer and more apt to spend down savings on their spouse's health care, are even more concerned than men (70 percent vs. 62 percent) about the financial impact of their spouse developing a serious health problem. The study also finds that many people age 50+ anticipate they would help other family members facing health problems and health care costs. This may be one reason why people's concerns about how to plan for health care costs include potential health problems of their children (50 percent), parents (32 percent) and siblings (29 percent).

### **Alzheimer's: The most worrisome disease of later life**

Increasing life expectancy coupled with the aging of the large boomer generation will potentially give rise to growing numbers of older adults confronting chronic diseases, such as hypertension, heart disease, diabetes, cancer, Alzheimer's and arthritis.

While many chronic diseases can disrupt health and wealth in retirement, the study revealed that, across all generations, more people cite Alzheimer's as the disease about which they are most worried. The disease – for which there currently is no cure – can impact not just individuals but also their families, requiring years of caregiving and financial help. When asked what concerns them most about Alzheimer's, people cited becoming a burden on their family (78 percent) and loss of dignity (56 percent).

The vast majority of survey respondents across all generations expressed overwhelming interest and enthusiasm in a wide range of potential innovations and new medical technologies to help them age with greater health and vitality. At the top of the list is “therapies to slow down the aging of the brain.” Among several other potential innovations of great interest to people, as revealed through the study, are technologies that would allow them to grow and replace their own organs, wearable microsensors to help manage their health, and genetic analysis that can predict diseases for which they are at risk.

### **Confidence, knowledge and communication gaps**

Unfortunately, most retirement planning today does not factor in the cost of health care. Fewer than one out of six pre-retirees age 50+ has attempted to forecast how much they may need to cover health care or long-term care expenses in retirement. Many pre-retirees surveyed say the information available to them when trying to determine how much they might need – and how best to prepare for and insure against these costs – is overwhelming (54 percent), confusing (49 percent) or frustrating (36 percent).

Furthermore, the vast majority simply don't understand Medicare, with a mere 7 percent of people ages 55 to 64 citing a strong grasp of Medicare coverage options. Even among actual Medicare recipients, fewer than one out of five (19 percent) say they have ample knowledge about Medicare options.

A lack of communication about health care costs is perhaps the greatest barrier to effective planning. According to married pre-retirees age 50+, seven out of 10 have not had a discussion with their spouse about how much should be saved to pay for health care during retirement, or about how to pay for any long-term care that might be necessary. The report suggests five critical

conversations couples or families should have to help effectively prepare for retirement health care.

### **Four boomer HealthStyles**

The study also explores different approaches boomers take to managing their health and planning for health care costs, defining for the first time their four unique retirement HealthStyles, including:

1. **Healthy and Proactive** (29 percent) individuals who take charge of their health care and related finances. They are the most actively engaged in healthy behaviors such as exercise and eating well, have the most positive attitude about their health and also feel well-prepared for health care costs in retirement.
2. **Lucky but Lax** (10 percent) individuals who have been fortunate to be relatively healthy so far, but exhibit little interest in taking care of themselves or planning for future health care costs, leaving them vulnerable to future, unexpected health disruptions.
3. **Course-correcting and Motivated** (29 percent) individuals who have experienced a health “wake-up call,” such as an illness or diagnosis, and are now trying to improve their health by seeking out information and tools, as well as adopting healthier behaviors.
4. **Challenged and Concerned** (32 percent) individuals who are struggling with health difficulties, yet many are not actively taking good care of their health. They are the most worried about the impact of illness on their finances, and feel overwhelmed and confused.

To download “Health and Retirement: Planning for the Great Unknown,” visit [www.ml.com/retirementstudy](http://www.ml.com/retirementstudy). This report is the fourth in a series of in-depth studies focusing on seven life priorities, as defined through the new Merrill Lynch Clear program. Merrill Lynch Clear is a pioneering framework designed to connect people’s lives to their finances and help them live their best life in retirement. To explore additional content and resources related to these seven life priorities, visit [www.ml.com/retire](http://www.ml.com/retire).

Original URL: <http://www.marketwatch.com/story/merrill-lynch-study-finds-health-is-the-cornerstone-of-a-happy-retirement-and-greatest-financial-worry-2014-09-12>