



Boomer Clients' Biggest Fear

By: Kenneth Corbin | September 12, 2014

When Americans consider how much they will need to save to retire comfortably, medical expenses loom large.

Americans 50 and older worry more about the potential costs of health care than any other financial issue, and yet, when it comes to retirement planning, 15% -- fewer than one in six -- of workers in that age group have tried to calculate how much they might need to cover medical bills or long-term care expenses, according to a new survey conducted by Merrill Lynch and Age Wave.

'UNCOMFORTABLE CONVERSATIONS'

The survey suggests that financial planners, when discussing retirement issues with their clients, could do more to broach the admittedly difficult subject of health care expenses that arise in later years.

"First off, it's very important for everybody to state the obvious: these are very uncomfortable conversations," David Tyrie, head of retirement and personal wealth solutions at Bank of America Merrill Lynch, told reporters on a conference call.

And indeed, the survey indicates that those conversations are not happening. For instance, Merrill's poll finds that seven out of 10 couples in the 50-plus age range have not talked about what they need to save to cover medical costs over their retirement. Yet, across all wealth levels, respondents cite health care costs as their largest source of anxiety about retirement, outranking the fear of outliving their money.

That's where the advisor needs to play a role, Tyrie argues.

"The advisor is the one who has to be proactive to introduce the topic and start the conversation," he says.

"They have to become educated on the topic, and they have to take it upon their shoulders to take as their responsibility to raise these topics and conversations with their clients," Tyrie adds.

"They have to make sure their clients are informed and their clients have greater confidence when thinking about this process."

HEALTH CARE UNCERTAINTIES

The health care uncertainties are exacerbated when a worker retires early -- as more than half of the survey respondents over 50 did, citing health problems as the No. 1 reason -- amounting to what Tyrie calls "a double threat to retirement financial security."

Clients' confusion is particularly acute when they consider how much of their health expenses they can expect to be covered by Medicare. Just 19% of current Medicare recipients surveyed say that they have a good sense of what the program will cover. Among all respondents between the ages of 55 and 64, that figure drops to 7%.

The report concludes that retirement planning is not a "do-it-yourself project." Large portions of respondents described the task of discerning information about health care costs as "overwhelming," "confusing" or "frustrating."

Substantial majorities -- more than 85% -- of respondents say that they don't have a trusted resource to help them navigate their options relating to Medicare, long-term care insurance and general health care costs in retirement.

"It's all overwhelming," one focus group participant says. "No one is telling you what the right information is. There is no Library of Congress for medical information."

The report cites the absence of communication between spouses about health care planning, outlining several topics that couples should -- but generally don't -- discuss, including how much to save for health care, the costs of long-term care insurance and Medicare options.

Original URL: http://www.onwallstreet.com/news/retirement_planning/pre-retiree-clients-worried-about-healthcare-costs-2690428-1.html