



How to Save on Health Care When Planning Your Retirement

By: Jacob Passy | September 15, 2014

Survey says: You're probably worried about how to pay for health care during your retirement.

More people list having good health as their top priority for a happy retirement, over being financially secure and having loved ones around you, [according to a survey of 3,300 people over the age of 25 by Merrill Lynch and Age Wave, a leading researcher on aging](#). Despite this, few people—just 15 percent of retirees, the study said—have taken health care costs into account when planning their retirement.

"The unpredictability of one's health as we move through and particularly in the later years makes it a very difficult variable to plan for—perhaps the most difficult," said Andy Sieg, head of global wealth and retirement solutions at Merrill Lynch.

But fear not! Taking health care costs into account when planning your retirement is not that hard, according to Carolyn McClanahan, director of financial planning at Life Planning Partners. By following these tips, McClanahan said that you won't be caught off guard by mounting doctors' bills late in life.

And to start, you can take of your health, which McClanahan said is the No. 1 way to keep down their medical costs when heading into retirement.

"If you do a great job taking care of that, it's less likely you're going to incur expenses down the road," McClanahan said.

Chronic conditions, such as heart disease or diabetes, can be nipped in the bud by maintaining a healthy diet and exercise.

And while trying to stay healthy, McClanahan advises her clients to pay attention to their health care consumption habits. Figuring out what McClanahan calls your "health-care mindset" will help you budget for the medical care you need, which is critical for many of today's retirees on fixed incomes who don't have the luxury of a pension.

"People who go to the doctor for everything are going to have higher medical costs," said McClanahan. "So if you're seeing every doctor under the sun, you need to save more money."

Take especial care if you tend to rely on holistic medicine, McClanahan added, as that's not covered under most medical plans and can be quite expensive.

But even if you're not going for homeopathic remedies, it's important to understand your health insurance. Just 7 percent of people between the ages of 55 and 64 felt knowledgeable about Medicare coverage options, according to the Merrill Lynch study.

Knowing what your plan does and does not cover can help you decide whether it's worth signing up for supplemental insurance or paying into a long-term care insurance plan.

While thinking about what you'll need in the event of long-term care, you should also go ahead and have frank discussions with your loved ones, McClanahan said. That means figuring out what you'll want medically when the situation takes a turn for the worst. For instance, will you seek aggressive treatment or would you prefer hospice?

"It's really important to have good directives in life," McClanahan advised. "Make clear with your family what type of lifestyle is desirable."

Doing so will not only save your loved ones much agony but will also help protect them from over-spending and having to dip into their own pockets for what might be unnecessary treatment.

When discussing end-of-life options, though, the responsibility isn't just on who's retiring but on their loved ones as well. Siblings should have set agreements in writing regarding their parents' care, so that it is absolutely clear who takes charge in these situations.

And in the end, it's always better to prepare for the worst, especially when it comes to acute care in the event of an emergency. While your future health is "the great unknown," according to McClanahan, savvy financial planning can make your golden years even richer.

—By *Jacob Passy*, special to *CNBC.com*.

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