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Health care is often the biggest expense in retirement — and the hardest to predict

By: Jonnelle Marte | September 15, 2014

As the youngest of the baby boomers celebrate their 50th birthdays this year, many will put renewed attention on what will likely be the biggest expense in retirement: their health.

Still the responsibility of caring for retirees — as well as the cost — often falls on family members. Almost half, or 46 percent, of caregivers spend more than \$5,000 a year on elderly family members, according to a study released Monday by [Caring.com](#), a Web site for people who look after aging parents. Seven percent of caregivers say they spend \$50,000 or more a year.

Expenses that pile up can include spending on medication, medical supplies and in-home care. People who have elderly parents move into their homes may also pay for renovations such as installing ramps, railings and lifts. Then there are the costs that are harder to quantify.

People caring for elderly parents often have to take time off of work for emergencies. The pressure can trigger their own health issues, says Andy Cohen, chief executive of Caring.com, sometimes leading to depression, high blood pressure and stress. “It’s sort of a double whammy,” he says.

Also many people are surprised to learn that most Medicare plans don’t cover the costs of assisted living or home health care. “They’re shocked and usually in a panic,” Cohen says.

The process of placing family members in assisted living or a nursing facility can be overwhelming. Family members may find themselves negotiating monthly or annual payment rates. And some people may struggle to find the right facility: While 43 percent of family caregivers were able to find senior housing in one month, 21 percent said the process took six months or more, according to Caring.com.

That’s not to say that boomers aren’t paying attention. Health-care expenses were the top [financial concern in retirement](#) for people over 50, according to a survey released Friday by Merrill Lynch and the research firm Age Wave. Respondents said they were more worried about health-care costs than they were about Social Security or the risk of running out of money.

But health-care expenses can also be the hardest to predict. While people are living longer, there is no way to know if those additional years will be spent in good health. “For many families, health is the ultimate wild card,” says Andy Sieg, head of Global Wealth and Retirement Solutions for Bank of America Merrill Lynch.

Thirty-seven percent of people said they retired early because of a personal health problem. And of course, people who retire early for health reasons may also find themselves with less money in savings to handle those unexpected health costs.

The diseases people face in retirement are usually longer lasting than the health problems people face in their youth, researchers noted. Eighty-six percent of people over age 65 have chronic conditions like heart disease, diabetes, cancer and arthritis. The illness seniors feared the most: Alzheimer's, which respondents said they worried would make them a burden on their family.

Family members can take steps to be proactive about caregiving expenses:

Start the conversation early. Seven in 10 caregivers haven't talked to their family about how to pay for health-care costs, according to Caring.com. Family members should talk to relatives about these plans before they enter retirement or fall ill, Cohen says. That involves asking about long-term care insurance and finding out what assets are set aside for housing and health-care costs, he says.

Work on the will. Family members should ask older relatives to outline their wishes for medical care in living wills and advance directives. Seniors should also designate a medical power of attorney who can make decisions when a person is unable to because of illness.

Compare housing options. Family members that need to move a relative into senior housing should visit at least four homes, Cohen says. Relatives should ask staff members about how long they've worked there to spot places that have high turnover. They should also check online reviews from people who have family members staying in those homes, he says.

Spend your parent's money first. Some adult children may feel guilty spending down their parent's assets when they fall ill, but dipping into their own savings may set them back for their retirements, Cohen says. Plus once a senior's assets are drawn down, they may qualify for additional assistance from programs like Medicaid, which may help cover the costs of home-health care.

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