

Health Care Cost Greatest Concern for Older Americans

By: Cassandra Dowell | September 15, 2014

Americans age 50-plus cite health care costs in retirement as their greatest financial concern, regardless of their wealth level, according to a [new study](#) conducted by Merrill Lynch and Age Wave. Yet the vast majority of people have not factored health care costs into their retirement planning.

Health care expenses in retirement outranked the fear of outliving one's money as the top financial concern for respondents, at 41% and 29% respectively.

While younger populations will grow very little between 2010 and 2030, the age 65-plus population will increase by 80%.

“Health challenges can be a double threat to retirement financial security,” says David Tyrie, head of Retirement and Personal Wealth Solutions for Bank of America Merrill Lynch, in a written statement. “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.”

In fact, people age 50 and over are nearly twice as worried about the cost of retirement health care as they are about the actual quality of care they might receive, the study finds.

Married couples are often more worried about the financial impact of a spouse's serious illness than they are about their own illness, at 66% and 62% respectively.

While health care cost concern looms for the majority of Americans, fewer than one out of six pre-retirees age 50 and older has attempted to forecast how much they may need to cover health care of long-term expenses in retirement.

Lack of clear information remains a significant barrier to planning for retirement health care costs, data show.

Fifty-four percent of pre-retirees said the information available to them to guide in assessing those costs is overwhelming; 49% cited confusion as another deterrent while 36% said the process was frustrating.

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

And few retirees feel they have a trusted resource to help them prepare and plan for medical-related health expenses.

Just 14% say they feel they have a trusted resource to help them understand Medicare options, data show. Twelve percent feel they have a trusted resource or advisor for information regarding long-term care insurance, and only 11% feel they know where to turn to figure out how to cover health care costs in retirement.

But retirees say maintaining health and preparing for retirement health care expenses are most important for a “happy, fulfilling, and financially secure retirement,” the report finds, noting that 81% of retirees cite health as the key ingredient to a happy retirement.

“Health and Retirement: Planning for the Great Unknown” is based on a nationally representative survey of 3,300 respondents.

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