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Three Ways to Reduce the Retirement Health-Care Burden

By Maddy Dychtwald | October 13, 2014



MADDY DYCHTWALD: When I was a little girl, my grandmother used to smile, pat my hand gently and tell me, “If you’ve got your health, you’ve got everything.” As it turns out, my grandmother instinctively understood more than I could have imagined. According to a recent Age Wave/Merrill Lynch study titled [“Health and](#)

[Retirement: Planning for the Great Unknown,”](#) Americans told us that, overwhelmingly, the No.1 key to a happy retirement is, in fact, good health.

At the same time, they told us that their biggest financial worry in retirement is health-care expenses. Surprisingly, health and health-care expenses worry retirees even more than outliving their money.

And for good reasons. First, both life expectancy and health-care costs in retirement are on the rise. Average life expectancy at 65 is nearly 20 more years, while health-care expenses for retirees have gone up at double the rate of inflation over the past decade. And the fact is we are more responsible for footing those health-care bills than ever before. Twenty-five years ago, two-thirds of large companies offered health benefits to retirees. Now, just one-third of those companies do.

Second, health is truly the *retirement wild card*. The financial fallout from an unexpected health event can be both unpredictable and costly. Think about it: Who wants to consider, while they still feel healthy and vital, that there may be a chance you or a loved one will have to cope with heart disease or cancer during your retirement? Most of us enthusiastically anticipate and plan for a new career, a new home, or a fantastic vacation, but planning for an unexpected health event just isn’t something we want to entertain, let alone calculate the financial cost of. In fact, seven out of 10 couples age 50 and older haven’t discussed how much they may need to save to pay for health care during retirement.

Third, there is a lack of clear information and resources to turn to for help in effectively planning our retirement health-care costs. In our study, we saw that most pre-retirees say the information available to them is overwhelming, confusing and frustrating. And when it comes to Medicare, few of us know exactly what is or isn’t covered. For instance, a common assumption is that long-term care is covered. It isn’t.

Planning for health and health-care expenses is the missing link in holistic retirement planning. To avoid surprises, start by taking these steps:

—Learn the basics of Medicare. No matter how overwhelming it may seem, do this now and stay current with changes to the program.

—Begin talking with your spouse/partner, family and friends about retirement health issues. You will be surprised what you can learn from one another.

—Create “what if” contingency plans for unexpected health problems and health-care expenses for yourself and your loved ones.

These clear steps can get you moving in the right direction to avoid the financial surprise of unexpected health-care costs in retirement.

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