

**MetLife**

# Understanding Retirement Healthcare



## Today's Agenda

- The Cost of Healthcare
- Retirement Healthcare Planning: A 5 Step Process
- Next Steps

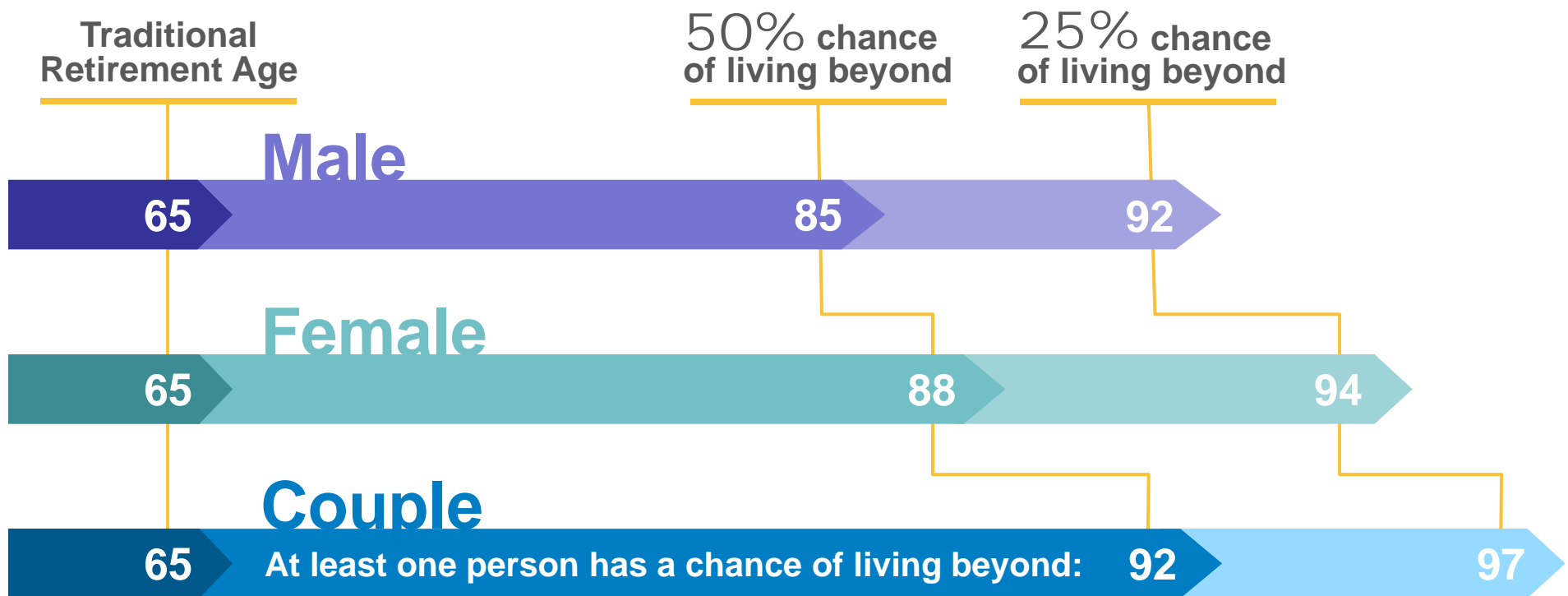
## A Staggering Statistic



Estimated healthcare costs in retirement  
rise to **\$245,000**  
for a **65** year old couple  
retiring this year\*

\* 2015 Fidelity analysis performed by its Benefits Consulting group. Estimate based on a hypothetical couple retiring in 2015, 65-years-old, with average life expectancies of 85 for a male and 87 for a female. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare




## Chances Are You May Live Longer Than You Think



Source: Society of Actuaries 2000 Annuity Male and Female Tables

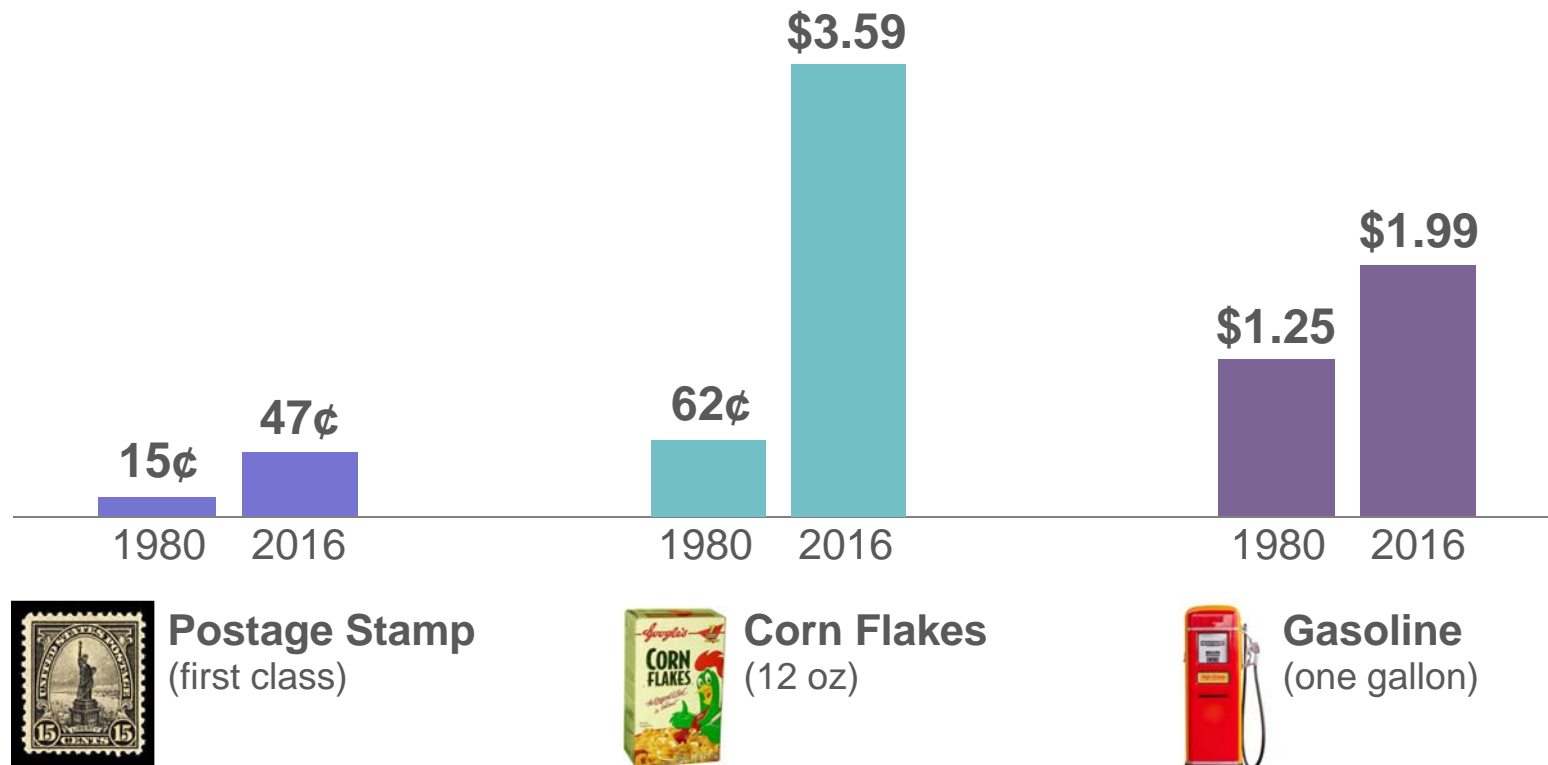
## As Your Life Expectancy Increases...

### ...so do your healthcare costs

-  Health problems increase with age, as does the time to recover from medical problems
-  Older individuals are hospitalized more frequently and for longer periods than younger persons
-  As people age they are more likely to have chronic conditions that require expensive and ongoing treatment

***Longevity can be wonderful, but is also a risk to your retirement income stream***

## Don't Underestimate Inflation



Source: USPS, Shoptsmart.com January, 2016, AAA Fuel Gauge, 1/5/2016

## Healthcare Costs Are Not Immune to Inflation



Healthcare spending is projected to grow

**6.2%**

each year through 2022 and represents a **large threat** to retirement savings

## The Retirement Healthcare Expenses Planning Process

**Step 1** Determine employer and other healthcare benefits

**Step 2** Understand your Medicare benefits

**Step 3** Understand your Medicare costs

**Step 4** Think about long term care

**Step 5** Get some help if you need it



## Step 1

### Determine Employer and Other Healthcare Benefits



Are employer-provided retiree healthcare available to you and your family?

.....



When will benefits begin and how long will they continue?

.....



How do those benefits compare with current coverage? (dental, vision, prescription drug, etc.)

.....



How much will benefits cost before, and after, you become Medicare-eligible at age 65?

## Step 1

### Determine Employer and Other Healthcare Benefits

How will this affect your retirement planning?



Will you have higher medical coverage costs?



Will additional assets be required? (deductibles, co-pays)

*While the future is uncertain...*

.....

careful **planning** allows you to confront these questions and create a **retirement income strategy** that makes the most of every dollar you have saved

## Step 1

### Determine Employer and Other Healthcare Benefits

#### What about the Consolidated Omnibus Budget Reconciliation Act (COBRA)?

- ➔ Offers you and your dependents the same coverage that was offered to you when you were an employee after a qualifying event
- ➔ Your cost may be greater since there is no employer contribution
- ➔ Typically expires in 18 months
- ➔ The 1996 Healthcare Portability and Accountability Act (HIPAA) provides most workers who had group health insurance the ability to purchase an individual policy immediately after leaving the work place
- ➔ Worker must meet certain minimum requirements, such as length of time in the group plan

## Step 1

# Determine Employer and Other Healthcare Benefits

### Affordable Care Act (ACA)

Passed in March 2010, **ACA requires** that all individuals must have access to affordable health coverage. The Health Insurance Marketplace (Healthcare.gov) **helps uninsured people** find health coverage

**Private Insurance Plans** with lower costs based on your household size and income





**Private Insurance Plans** at standard price

**Medicaid and Children's Health Insurance Program (CHIP)** provides coverage to families with limited income

## Step 1

# Determine Employer and Other Healthcare Benefits

## Affordable Care Act (ACA)


-  No matter where you live you can use the Marketplace- some states operate their own, and some are run by the Federal government
-  If you're eligible for employer-based insurance you won't qualify for lower costs based on your income unless the employer-based insurance is unaffordable or does not meet minimum requirements. You may also lose any contribution your employer may be making to your premiums
-  If you are considering COBRA coverage, you'll likely find lower cost options in the Marketplace
-  If you have Medicare, you're considered covered and don't have to make any changes

## Step 2

# Understand Your Medicare Benefits

# Medicare

.....  
The ABC's and D

<b>MEDICARE</b>			<b>HEALTH INSURANCE</b>
1-800-MEDICARE (1-800-633-4227)			
NAME OF BENEFICIARY		SEX	
<b>JOHN DOE</b>		<b>MALE</b>	
MEDICARE CLAIM NUMBER		EFFECTIVE DATE	
<b>000-00-0000-A</b>		<b>01-01-2007</b>	
IS ENTITLED TO		EFFECTIVE DATE	
<b>HOSPITAL (PART A)</b>		<b>01-01-2007</b>	
<b>MEDICAL (PART B)</b>		<b>01-01-2007</b>	
SIGN HERE →		_____	

## Step 2 Understand Your Medicare Benefits






### Medicare Basics

- ➔ Covers Americans (U.S. citizen or permanent resident) age 65 and older and qualified disabled under age 65
- ➔ You're automatically enrolled in original Medicare at age 65 if you receive Social Security benefits
- ➔ There are four main parts: A, B, C, and D
- ➔ The Social Security Administration is responsible for enrollment



## Step 2 Understand Your Medicare Benefits

### Medicare Advantage Plans – Part C

-  Preferred Provider Organization (PPO) Plans
-  Health Maintenance Organization (HMO) Plans
-  Private Fee-for-Service (PFFS) Plans
-  Special Needs Plans (SNP)
-  Medicare Medical Savings (MSA) Plans



## Step 2 Understand Your Medicare Benefits

### Original Medicare Plan – Parts A & B

#### Medicare Part A (Hospital Insurance)

- ➔ Eligible at age 65
- ➔ Funded through payroll taxes

#### Medicare Part B (Medical Insurance)<sup>1</sup>

- ➔ Voluntary but may incur a penalty if enrolling at a later date
- ➔ The standard monthly premium (dependent on income) for 2016 is \$104.90
- ➔ Out-of-pocket costs may include deductibles, 20% co-payments, and co-insurance

1. Part B premium is subject to increase each year. The increase cannot exceed the Cost of Living increase in Social Security benefits

## Step 2 Understand Your Medicare Benefits

### Medicare Prescription Drug Coverage – Part D

- ➔ First introduced in 2006 and may be combined with Parts A & B
- ➔ Voluntary benefit offered through private plans
- ➔ Standard Plan — requirements set by Medicare
- ➔ Plans may offer additional options
- ➔ Monthly premium may be higher depending on income deductible and co-pays
- ➔ Penalty for waiting to enroll unless individual has equivalent coverage

## Step 2 Understand Your Medicare Benefits

### Medicare Supplement Plans – Medigap

- ➔ 10 Standard plans
- ➔ Offered by private insurance companies
- ➔ Covers deductibles, co-payments and co-insurance depending upon plan selected
- ➔ Provides some additional benefits depending upon plan selected
- ➔ Does not cover prescription drugs

## Step 2 Understand Your Medicare Benefits

### Medicare and Medigap do not cover

- ➔ Routine dental care or dentures (with few exceptions)
- ➔ Routine eye care and most eye glasses
- ➔ Routine foot care (with few exceptions)
- ➔ Hearing Aids
- ➔ Physical exams except when first enrolled in program
- ➔ Long term care



Source: *Medicare and You 2011*, Centers for Medicare and Medicaid Services, accessed at [www.medicare.gov](http://www.medicare.gov)

## Step 3 Understand Your Medicare Costs

Unfortunately, many believe Medicare will cover the *majority* of their healthcare costs in retirement, when in reality, Medicare covers *only about half* of a typical retiree's medical expenses\*



\* Investmentnews.com "7 Things You Don't know About Medicare", 8/2014

## Step 3

### Understand Your Medicare Costs

Medicare beneficiaries paid

**\$60** a year for Part B coverage in 1965

Today, recipients pay between

**\$1,259 – \$4,878**

a year for Part B and D, per person

Not including out-of-pocket expenses

## Step 3 Understand Your Medicare Costs

Not all investments count as income by Medicare, including:



Distributions from  
health savings accounts  
and Roth IRAs and  
Roth 401(k)s



Proceeds from a  
reverse mortgage



Income and Loans  
from Cash Value  
Life Insurance



Certain distributions  
from annuities in  
non-qualified accounts

## Step 3 Understand Your Medicare Costs

### Create a Strategy to manage Medicare premiums:

Build a ***tax diversified portfolio*** by having assets that are taxed differently: taxable, tax-deferred, and tax-free. This allows for ***flexibility and control*** when taking distributions

Contribute to a ***Health Savings Account (HSA)*** to pay for current and future medical expenses-especially ***younger workers*** who have a longer time to save



## Step 4 Think About Long Term Care



**Long term care is the care you need when you are unable to independently care for yourself**

- ➔ The need for a caregiver to assist you with everyday activities like bathing and dressing
- ➔ Long term care costs can be very high and it is not typically covered by traditional health insurance plans, HMO plans or disability income insurance

## Step 4 Think About Long Term Care

### The Barriers to Planning

#### Denial

*“It won’t happen to me”*

#### Complexity of Options

*Too much information*

#### Costs of Care

*Financial, physical, emotional*

#### Misconceptions About Who will Pay

*“The government will take care of me”*

## Step 4 Think About Long Term Care



**Government Programs**  
Medicare/Medicaid\*



**Self-Insure**  
Savings



**“My family will take care of me”**



**Long Term Care Insurance**

\* Called Medi-Cal in California

## Step 5 Get Some Help If You Need It

Nearly **75% of couples** said being able to afford unexpected healthcare costs in retirement was their top concern, yet...

.....

**Only 22%** had factored it into their financial planning\*



\* Fidelity 2015 Couples Retirement Study

## Step 5 Get Some Help If You Need It



The retirement you want won't just happen by chance. It will take *careful planning*

## Your feedback is important to us.



Workshop: \_\_\_\_\_ Instructor's Name: \_\_\_\_\_

1. Please rate the following:

EXCELLENT					POOR					
Overall satisfaction with this workshop	5 □	4 □	3 □	2 □	1 □					
Value of information	5 □	4 □	3 □	2 □	1 □					

2. Was the content in the workshop appropriate for you?  Yes  Somewhat  No

3. What did you like best about this workshop? (Check all that apply)

- Handouts  Realistic examples  Opportunity to schedule a personal consultation  
 Instructor's expertise  Easy to understand  Getting my questions answered  Other \_\_\_\_\_

4. What would you like improved in this workshop?  
 \_\_\_\_\_

5. Thinking of the MetLife representative who delivered the majority of the presentation, please rate the following:

EXCELLENT					POOR					
Provided objective content	5 □	4 □	3 □	2 □	1 □					
Knowledgeable	5 □	4 □	3 □	2 □	1 □					
Easy to understand	5 □	4 □	3 □	2 □	1 □					
Professional	5 □	4 □	3 □	2 □	1 □					
Geared presentation towards my needs rather than self-promoting	5 □	4 □	3 □	2 □	1 □					
Delivery of information	5 □	4 □	3 □	2 □	1 □					

6. Would you recommend this workshop to a co-worker or friend?  Yes  No

PLEASE PRINT LEGIBLY.

Last Name	First Name	Emp/Guest	6/1/2015	Address	Phone	E-mail	Appt. Req.
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Questions



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