

What You Don't Know About Medical Expenses in Retirement Will Hurt You!

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Medical Expenses in Retirement

76 Million Baby Boomers.

10,000 retiring each day.

Controlling close to \$19 Trillion in
assets.

Source: US Census

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Common Goal of Retirees:

- Retire as planned.
- Decrease in Expenses.
- Have enough assets to maintain lifestyle.



Source: Wall Street Journal

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Common Experiences of Retirees:

- Less than 50% retired a planned.
- Expenses either remained level or increased.
- 88% can't meet expenses.



Source: Wall Street Journal

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Why the difference?

“Prices for things, such as medical services, home healthcare, and nursing homes, have **experienced more inflation** than the official consumer price index.”

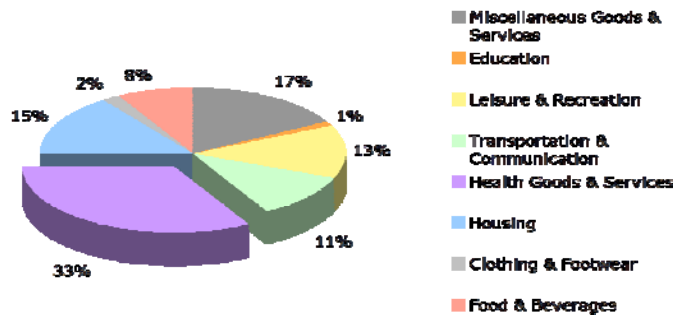
– Wall Street Journal

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Healthcare accounts for 33% of expenses for Americans 60 years old and older.



Source: Credit Suisse EuroMonitor

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Healthcare is the only expense that does NOT go down as you get older!

There is no cutting back on your health!

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92% of Americans lack a retirement plan that factors healthcare!

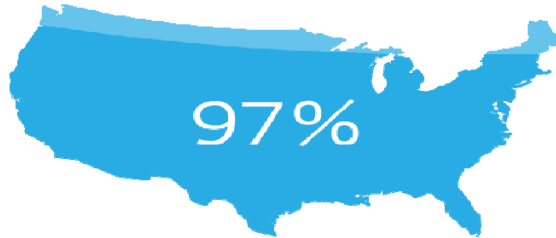
- SunLife "Flying Blind"



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Surprising Stat:

97% of Americans, 65 years old or older, who are retired are enrolled into Medicare!

Source: Nationwide

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Everyone has a *mandatory* expense in retirement.

Health Coverage

In order to collect Social Security you must enroll into Medicare when eligible.

Source: Social Security Program Operations Manual - 1993

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What are the costs in 2016?

Part A	Subsidized premium
Part B	\$121.80*
Part D	\$53.71
Part C	Determined by Provider
Supplemental	\$182.20 in TX
Avg. Annual	\$4,286.52 per person (2016)
Cost per couple	\$8,573.04 per couple (2016)

Source: Centers of Medicare Services (CMS), Weiss Ratings, Q1Medicare, Jester Financial Tech.

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Note:

Part B and D Premiums have a late enrollment penalty that is compounding and perpetual.

Part B – 10% penalty for every 12 months missed.

Part D – 1% penalty for every month missed.

Source: Centers of Medicare Services (CMS)

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Example of person delaying for 5 years:

Part B = Five 12 month cycles w/o coverage:
50% penalty.

Part D = 60 months w/o coverage:
60% penalty.

Penalty assessed at current rate for rest of life!

Source: Centers of Medicare Services (CMS)

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What are the costs?

Historic Medicare Part B – 7.86%
Projected Medicare Part B – 5.78% thru 2024
Medicare Part D – 7.62% projected through 2022
Gap Plan – 3% to 5% since 1993 (AARP)

Source: Medicare Board of Trustees

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What are the costs?

65 year old Texas couple retiring today and
planning to live until age 85:

\$315,506
Medicare Premiums alone!

Source: Jester Financial Scepter Software

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Medicare is means tested

Your health costs are no longer about
medical history!

The more you have in income the more you
pay for your health coverage .

Source: Medicare Modernization Act, Affordable Care Act

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Current Brackets (2015)

Income		Part B	Part D
Individuals	Couples		
\$85k<	\$170k<	Premium	Premium
\$85k - \$170k	\$170k - \$214k	\$170.50 (40%)	Premium + \$12.70
\$107k - \$160k	\$214k - \$320k	\$243.60 (100%)	Premium + \$32.80
\$160k - \$214k	\$320k - \$428k	\$316.70 (160%)	Premium + \$52.80
Over \$214k	Over \$428	\$389.80 (220%)	Premium + \$72.90

Source: Medicare.gov

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Same Texas couple:

Earning \$1 too much:

\$376,260

Earning Maximum:

\$651,221

Source: Jester Financial Scepter Software

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Proposed Brackets (2018)

Income		Part B	Part D
Individuals	Couples		
\$60<	\$90k<	Premium	Premium
\$60k - \$82k	90k - \$123k	Premium + 60%	Premium + \$14.10
\$82k - \$135k	\$123k - \$202.5k	Premium + 120%	Premium + \$36.40
\$135k - \$189k	\$202k - \$283.5k	Premium + 280%	Premium + \$58.60
Over \$189k	Over \$283.5	Premium + 360%	Premium + \$80.80

Source: Bi-Partisan Policy Center

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50 year old couple, retiring at age 65 and planning on living until age 85

Rates of inflation staying level

Standard	\$684,058
\$1 too much	\$813,612
Maximum Income	\$1,501,560

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Income is not what you think.

“Your adjusted gross income plus and tax exempt interest you may have or everything on lines 37 & 8b of the IRS form 1040.”

Source: Social Security Board of Trustees



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Examples of Income:

Social Security	Certain Annuities
Wage	401(k)
Pension Income	Traditional IRA's
Rental Income	403(b)
Capital Gain (including home*)	457
Dividends (including Muni's)	SEP IRA

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Bulk of health costs deducted directly from your Social Security benefit!

Automatic:

Part B premiums, late penalties, surcharges from income

Optional:

Part D premiums

Source: Centers of Medicare Services (CMS)

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According to Social Security

52% of all married couples and 74% unmarried persons rely on Social Security to be their only income

Cost of living adjustment (COLA):

2.8% maximum

for foreseeable future!

Social Security Board of Trustees (2014)

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Example:

- 60 year person who earned \$75,000 throughout career.
- Retires at age 66.
- Opts to take Social Security at age 66.

Social Security benefit of \$2,350 per month or \$28,200 annually

Source: Social Security Quick Calculator

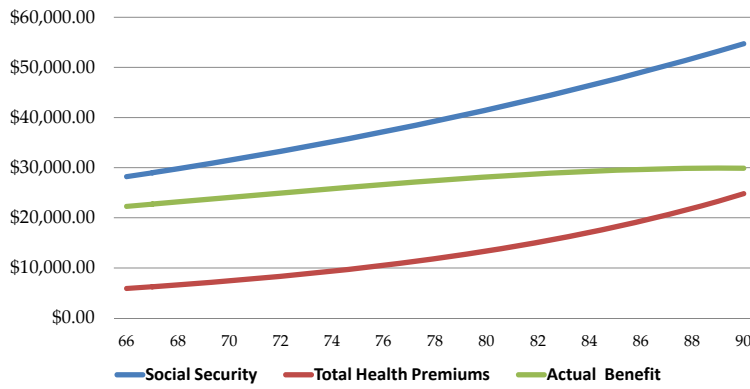
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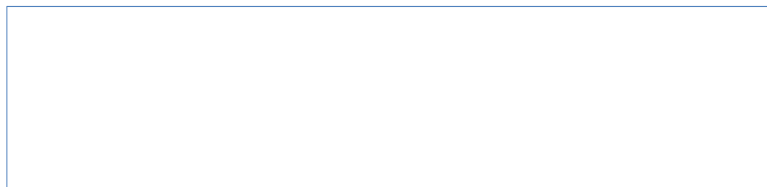
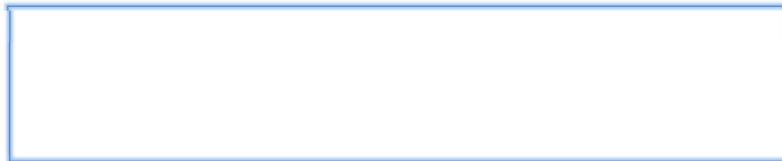
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Impact of Health Costs on Social Security

60 yr. old retiring at age 66



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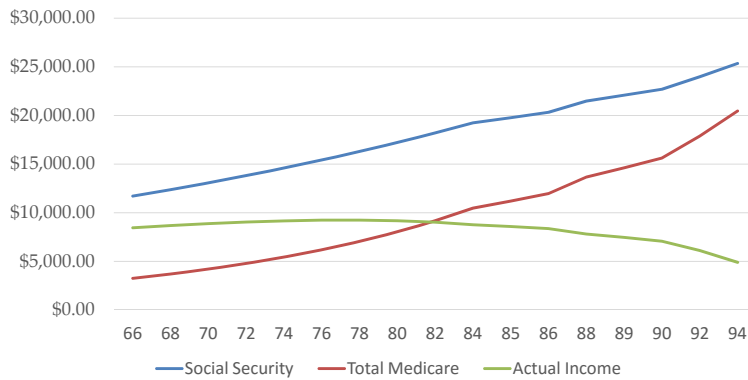
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Impact of Health Costs on Social Security

Average median income



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The wrong income leads to:

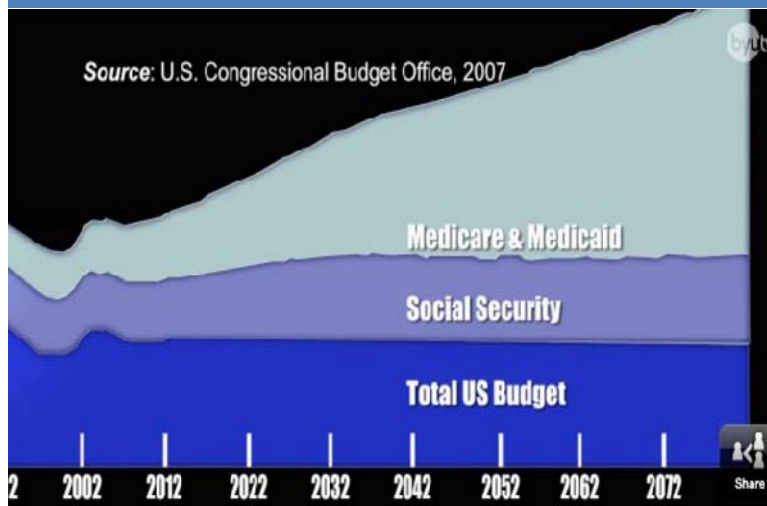
- Higher Health Costs.
- Lower Social Security.
- More “taxes” paid.

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Source: U.S. Congressional Budget Office, 2007



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Some *solutions* to controlling this cost:

Roth Accounts

Health Savings Accounts

401(h) plans

Specific Annuities

Home Equity

Certain types of Life Insurance

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LTC

It is no longer about protecting assets,
it has now become the key negotiating
chip to access care!

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Less than 8 million people have plans
that take into account LTC planning!

Source: NPR Family Matters - 2014

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70% of all Baby Boomers will need some form of LTC in retirement.

25% are expected to have to stay in a Nursing Facility for at least 3 years.

Source: Dept. of Health and Human Services- 2014

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The problem:

15,465

Nursing Facilities in the US.

1,646,302

Number of beds in Nursing Facilities.

1,366,390

Number of occupied beds in Nursing Facilities.

Source: Kaiser Family Foundation - 2012

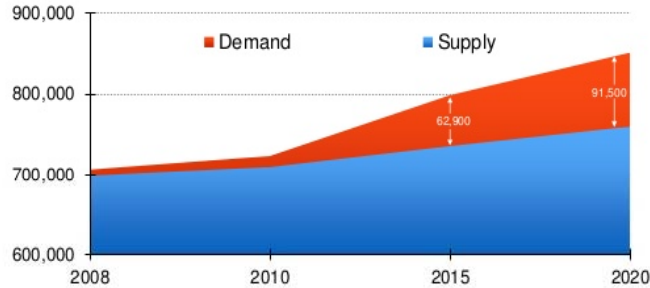
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The issue:

Physician supply not keeping pace with increasing demand for healthcare services



Source: American Medical Association- 2012

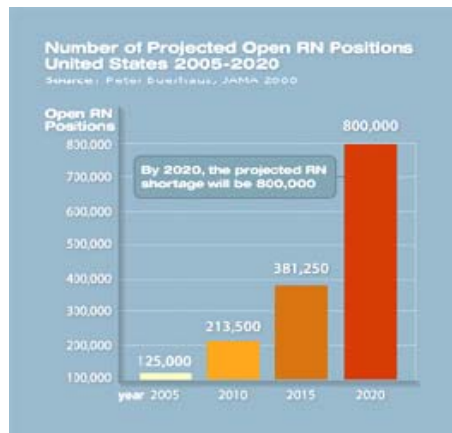
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Nursing Shortage:

“Over the next 20 years, the average age of RNs will increase and the workforce will plateau as RNs retire.”



Source: The Future of the Nursing Workforce in the United States - 2010

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Projected Cost of Care Nationally:

2015	2030
Private Room \$91,250	Private Room \$220,815
Semi Private Room \$80,300	Semi Private Room \$182,070

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Projected Cost of Care Nationally:

2015	2030
Home Health \$44,616	Home Health \$162,700
Assisted Living \$43,200	Assisted Living \$102,655

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What are the costs?

Average Stay

Female	2.6 years
Male	2.3 years
Married	1.6 years
Single / Never Married	3.8 years
Widowed	2.3 years
Divorced / Separated	2.7 years

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Money Moves

Can you inherit your dead parent's debts?

By Jeanne Sahadi @CNNMoney June 19, 2014: 9:28 AM ET

Recommend 1.5k



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Medicaid Recovery Act:

“**Authorizes** the Dept. of Health Care Policy and Financing to **recover** all **benefits** paid on **behalf** of **Medicaid clients** from the estates of deceased Medicaid clients who were permanently institutionalized or were over the age of 55 when benefits were provided”.

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Filial Support Laws

“**Law** that impose a **duty** upon **adult children** for the support of their impoverished parents. In some cases it is extended to other relatives.

Such laws may be **enforced** by **governmental** or **private entities** and may be at the **state** or **national level**”.

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Filial Support Laws

29 States

Alaska	Indiana	Mississippi	N. Dakota	Tennessee
Arkansas	Iowa	Montana	Ohio	Utah
California	Kentucky	Nevada	Oregon	Vermont
Connecticut	Louisiana	New Hampshire*	Pennsylvania	Virginia
Delaware	Maryland	New Jersey	Rhode Island	W. Virginia
Georgia	Massachusetts	N. Carolina	S. Dakota	

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Filial Support Laws

Examples:

John Pittas – PA

Peg and Bob Mohn - PA

LaKisha Jones – MI

Elden Linderkamp - ND

Albert and Vesta Melby - IA

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Step 1:

Plan

You must work with financial professionals who understand the issues that lie ahead in the future.

Look to work with just one firm if possible!

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Step 2:

Know all of the costs of retirement...

Do not rely on just the good news!

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Step 3:

Look at all options:

Long-Term Care policies.

Life Insurance.

Annuities.

Investments (Roth).

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Questions?

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Free Report:
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"What you don't know about retirement will hurt you!"

"Medicare a Practical Guide"

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