# Don’t Let Healthcare Costs Derail a Healthy Retirement

*Strategies to Implement in 2023*

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June 2023

For many, retirement is a time to enjoy the fruits of one's labor and pursue long-held dreams. However, it is crucial to be prepared for the financial challenges which may arise, particularly concerning healthcare expenses. As people age, their medical needs tend to increase, which requires thoughtful planning to meet these needs in retirement. This article explores the potential costs associated with healthcare in retirement and provides valuable insights on how to start saving now to ensure a financially secure and healthy future.

## Understanding Healthcare Expenses in Retirement

It is common knowledge healthcare costs have risen substantially over the past several decades. Factors such as inflation, new medical technologies and longer life expectancies have contributed to the rising cost of healthcare. According to recent studies, the average age-65 retired couple may need as much as $318,000 to cover medical expenses throughout their retirement years.[1] These expenses include insurance premiums, deductibles, co-pays, prescription medicine expenses, long-term care expenses and expenses associated with unforeseen health issues.

Medicare, the federal health insurance program for those aged 65 and older, plays a significant role in covering healthcare expenses in retirement, but it does not cover everything. There are out-of-pocket expenses, such as premiums for Medicare Part B and Part D, as well as copayments and deductibles.

## Saving for Healthcare Expenses in Retirement

Planning and saving for healthcare expenses in retirement should be an integral part of every financial plan. By taking proactive steps early, individuals can minimize the financial strain associated with healthcare costs later in life. Here are some crucial steps to consider:

[1] *Source: ebri.org. Data as of February 9. 2023. https://www.ebri.org/content/projected-savings-medicare-beneficiaries-need-for-health-expenses-remained-high-in-2022*

***Evaluate Your Current Health and Insurance Coverage:*** Assess your health condition and understand the limitations of your current health insurance coverage. Determine if additional insurance options or supplemental plans may be necessary to bridge any gaps.

***Educate Yourself on Medicare:*** Gain a thorough understanding of the different parts of Medicare (A, B, C and D) and what they cover. Research the associated costs and deadlines for enrollment to make informed decisions. A good place to start is at Medicare.gov.

***Estimate Future Healthcare Costs:*** Utilize online tools, retirement calculators or consult with financial advisors to estimate potential healthcare expenses in retirement. Account for factors like inflation, potential medical conditions and desired coverage.

***Start Saving Early:*** Time is your greatest asset when it comes to building a retirement healthcare fund, so start saving as early as possible and contribute regularly to a dedicated retirement savings account. Tax-advantaged accounts like a Health Savings Account (HSA) or an Individual Retirement Account (IRA) can provide a great opportunity to save for healthcare expenses in retirement while enjoying potential tax benefits along the way.

***Budget and Prioritize Savings:*** Make healthcare savings a priority in your budget. Cut unnecessary expenses and redirect those funds towards your retirement HSA. Consistent contributions over time can make a significant impact.

***Stay Healthy:*** Prioritize your health by adopting a healthy lifestyle. Regular exercise, a balanced diet and preventive care can help minimize healthcare expenses over the long run.

As retirement approaches, it is essential to consider the potential costs associated with healthcare and take action to secure your financial well-being. By understanding potential expenses, planning ahead and saving early, you can minimize the chances of healthcare costs becoming an undue financial burden later in life. Consult with financial advisors, explore savings options and make informed decisions regarding Medicare and supplemental plans. Remember, the key is to be proactive and take the necessary steps now to ensure a financially stable and healthy future in retirement.

## About the Author


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Joe joined Fiducient Advisors in 2008. He provides investment consulting services to other financial advisory firms as one of the leaders of Fiducient Advisors' Financial Institutions practice. Joe also provides consulting services to family offices, high net worth individuals and nonprofit organizations. He gives advice and expertise on all facets of effective investment program design including establishing investment objectives, asset allocation and portfolio design, investment research and due diligence and overall practice management. Prior to joining the firm, Joe worked for Morgan Stanley's Private Wealth Management Office and as a Managing Director for an investment management firm implementing a value-focused, long/short equity strategy based on University of Chicago Booth research. Joe earned his MBA with concentrations in Analytic Finance and Accounting from the University of Chicago Booth School of Business and a BBA with a Certification in Entrepreneurial Management from the University of Iowa. Joe is a former member of UNICEF's NextGen Junior Board and the University of Iowa's J.P.E.C. Alumni Board, as well as Co-Founder of the Hawkeye Business Development Group of Chicago. Joe is currently serving as President of the University of Chicago Booth School of Business Alumni Club