

# Have you planned for HEALTHCARE COSTS in retirement?

By Robert Martin, CIMA

As you're planning for your retirement, have you factored in the cost of healthcare? With corporate healthcare retiree plans going by the wayside and people enjoying longer lifespans, this planning is very important. The goal should be to estimate costs and incorporate them into a retirement income plan.

Your expenses are determined by many factors, including the state of your health, how long you will live, and the level of healthcare coverage you desire. In your retirement planning, you should identify streams of income that cover your healthcare costs. Some of these solutions may be guaranteed sources of income such as social security, pensions, and annuities. You may also consider using mutual funds, stocks/bonds, 401(k) or home equity funds in your plan. As a rule, use the guaranteed sources of income for essential expenses such as healthcare, and mutual funds, stocks/bonds, and 401(k) plans for discretionary spending.

When making your plan, don't assume that Medicare will cover all your medical costs. In many cases, Medicare may only cover as little as 60 percent of medical expenses. However, it's still important to follow the steps necessary to receive Medicare. Before turning 65, you'll receive a notice to apply for Medicare. The enrollment

period lasts for seven months, beginning three months before the month you turn 65. Coverage can start as early as the month of your 65th birthday as long as you don't miss the enrollment period.

#### Medicare has four basic parts.

1. **Part A:** Hospital Insurance – hospital coverage with limits on how long you'll be covered.
2. **Part B:** Medical Insurance – non-hospital medical coverage except routine vision, dental, hearing and foot care
3. **Part C:** Medicare Advantage – combines part A, B and D
4. **Part D:** Prescription Drug Coverage – covers prescription drugs

There's also Medigap Insurance that covers the "gaps" of parts A and B. Plans come bundled and unbundled and vary by state. It's important to determine which plan is best for you as an individual or family.

One of the most common solutions is to enroll in a Medigap/Medicare Advantage program. The Medigap enrollment period starts the month you turn 65. During this period, you can't be turned down for pre-existing conditions. If these programs are offered through an HMO, PPO, or non-managed care, some of the costs of vision, hearing, and dental may be covered.

Other solutions that can help you plan include Health Savings Accounts, tax-deductible vehicles that allow you to deduct some of your medical costs, and long-term-care insurance policies, which are used for coverage when you need help and are unable to perform some activities of daily living.

As you're planning for retirement, keep in mind different types of savings vehicles can be affected by market volatility, changes in interest rates, sequence of returns and your longevity. The sooner you realize that healthcare will be a major expense in retirement, the better off you'll be. It's important to understand the costs and your coverage as part of your planning by identifying the streams of income to cover these costs. Remember to always consult with your investment planner before you make any changes. 



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