Abstract

Countless unknowns accompany planning for retirement. Economic conditions, long-term market performance and inflation are all uncertainties that baby boomers grapple with as this milestone draws near. But one of the most pressing — and indeed most personal — issues people will contend with on their path to retirement is the state of their health.

Recent changes in health care policy stemming from the enactment of the Affordable Care Act have put a spotlight on the rising cost of health care in the United States. Around the country, Americans are sorting out how much money they need to set aside to cover health care related expenses, and how they’ll keep pace with future increases.

For individuals nearing retirement age, this issue is particularly important. According to data from the Employee Benefits Research Institute,* a baby boomer couple retiring in 2020 will spend an average of $227,000 on medical expenses in retirement. The total cost for an individual can vary dramatically.

There are numerous dimensions to the connection between current and future health status, health care costs and finances. The Health, Wealth and Retirement study digs deeper into how baby boomers perceive these connections and which lifestyle and financial steps they are taking to help prepare.

The data reveals that many respondents have consciously considered the intersection of health and wealth in retirement, but few have taken financial action to address their concerns. The study also exposes clear differences between those who have carefully planned for this aspect of retirement and those who have not, and underscores the important role that preparation plays in establishing financial confidence in retirement.

*Employee Benefit Research Institute, “Savings Needed for Health Expenses for People Eligible for Medicare: Some Rare Good News,” October 2012
Table of contents

Introduction .......................................................................................................................... 3

Section 1: Boomers recognize connection between health and wealth ............................... 4

Section 2: Few have calculated how much they may need for future health care costs ........ 6

Section 3: Most haven’t taken financial action to help prepare for these expenses ............. 8

Section 4: Pre-retirees vary in terms of preparation for long-term care ............................... 11

Section 5: Respondents expect financial professionals to provide advice about future health care options ............................................................................................................... 12

Methodology ..................................................................................................................... 13
Introduction

Ameriprise Financial partnered with Artemis Strategy Group to conduct the *Health, Wealth and Retirement* study with the goal of exploring the connection that pre-retirees are making between health and health care costs in retirement. The study looks at what pre-retirees are doing — or not doing — to prepare financially for their future health care costs.

After hearing from more than 1,000 pre-retirees ages 50–64 with at least $100,000 in investable assets,* we learned about how these respondents understand the role that their health and associated health care costs will play in their retirement plans:

- The majority of baby boomers recognize some aspects of the complex connection between their current health status and its impact on future lifestyle and expenses in retirement.
- Many respondents can offer a ballpark estimate of their future health care expenses; however, relatively few state they have made a specific calculation for how much of their retirement savings they may need to cover health care costs.
- Despite their level of awareness, most baby boomers have yet to take financial action to prepare for health care and potential long-term care costs in retirement.
- Pre-retirees are looking to the financial professionals they work with to advise them about health care costs in retirement.

*The Health, Wealth and Retirement study was created by Ameriprise Financial utilizing survey responses from 1,075 Americans ages 50 to 64 employed full time with investable assets of at least $100,000. The online survey was commissioned by Ameriprise Financial, Inc., and conducted by Artemis Strategy Group from June 26–July 11, 2014.*
1. The majority of boomers recognize aspects of the connection between health and potentially reduced health care costs in retirement.

**Impact of healthy lifestyle choices on...**

- **Improving quality of life in retirement**: 97% (Major impact), 73% (Minor impact), 3% (No impact)
- **Reducing the amount needed in retirement to pay for health care**: 88%* (Major impact), 48% (Minor impact), 12% (No impact)
- **Achieving financial goals**: 79% (Major impact), 37% (Minor impact), 3% (No impact)
- **Reducing current health care costs**: 78% (Major impact), 33% (Minor impact), 22% (No impact)

*Addition discrepancy due to rounding from raw data numbers.

Q: Listed below are a variety of possible ways a healthier lifestyle might have an impact on one’s life. For each item, please indicate whether you personally feel healthy lifestyle choices you make today could have a major impact, minor impact or no impact.

Q: Have you or your spouse or partner experienced a serious health condition such as diabetes, cancer, chronic lung disease, heart disease or heart attack, stroke, or a major injury requiring hospitalization?

Q: Has this experience affected your financial situation?

1 in 4 have experienced a serious health condition.

54% say it had a financial impact.
Respondents disagree about the causal connection between health and wealth

People who are in better health tend to do better financially because of their good health 37%

People who are wealthy tend to be healthier because their wealth allows them to take better care of their health 33%

There is not much of a connection between health and wealth 30%

Q: Which of the following do you agree with more?
2. Few pre-retirees have calculated how much they may need for health care costs in retirement – but those who have are surprisingly accurate

**Anticipated “ballpark” amount needed to cover health care costs in retirement**

Q: Based on everything you have heard or read, how much money do you think you will need to cover your health care costs in retirement?

- 38% Less than $100K
- 15% $100K to less than $200K
- 15% $200K to less than $250K
- 12% $250K to less than $500K
- 11% $500K or more
- 8% Have no idea

Mean amount = $232K

The mean estimated amount in our study aligns with what other organizations estimate the true average amount retirees spend on health care will likely be:

The Employee Benefits Research Institute (EBRI) reports\(^1\) that the average amount a couple retiring in 2020 will spend on health care is **$227,000**

Fidelity released recent research\(^2\) saying a 65-year old couple retiring this year will need an average of **$220,000** (in today’s dollars) to cover these kinds of future costs

---

\(^1\) Employee Benefit Research Institute, “Savings Needed for Health Expenses for People Eligible for Medicare: Some Rare Good News,” October 2012

\(^2\) Fidelity Benefits Consulting, 2014
Expected health care insurance coverage in retirement

Q: If you’ve considered health care coverage in retirement, which type of health care coverage do you expect to have?

**Medicare coverage expectation**

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expect a Medicare option to cover all health care costs</td>
<td><strong>11%</strong></td>
</tr>
<tr>
<td>Expect a Medicare option to cover most but not all costs</td>
<td><strong>51%</strong></td>
</tr>
<tr>
<td>Don’t expect Medicare to cover very much</td>
<td><strong>25%</strong></td>
</tr>
<tr>
<td>I have no idea</td>
<td><strong>13%</strong></td>
</tr>
</tbody>
</table>

Q: Do you expect Medicare (Part A, B and D) to cover health care costs when you retire?
3. While some boomers have thought about the risk of health care costs in retirement, most haven’t taken financial actions to prepare

Level of concern about current and future health care quality and affordability

<table>
<thead>
<tr>
<th>Issue</th>
<th>Somewhat concerned</th>
<th>Very concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordability of healthcare coverage in retirement</td>
<td>53%</td>
<td>33%</td>
</tr>
<tr>
<td>Quality of health care coverage in retirement</td>
<td>45%</td>
<td>37%</td>
</tr>
<tr>
<td>Ability to continue current health care coverage in the future</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td>Affordability of current health care coverage</td>
<td>64%</td>
<td>33%</td>
</tr>
<tr>
<td>Quality of current health care coverage</td>
<td>56%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Q: Please rate your degree of concern for each of the following issues.
Actions taken regarding health care coverage in retirement

Q: With regard to the health care coverage that you will have in your retirement years, which one, if any, of the following actions have you taken?

Top 5 emotions experienced regarding planning for retirement

Q: Listed below are a range of emotions that describe how people might feel when thinking about health and health care needs as they plan for retirement. Indicate which, if any, of these emotions describe your feelings.
Nearly two-thirds of boomers agree that they plan to work until they’re old enough to qualify for Medicare coverage.

**Q:** Please indicate how much you agree or disagree with each of the statements related to health and retirement below:

*I plan to work until I am old enough to qualify for Medicare coverage.*

- **33%** Strongly agree
- **14%** Somewhat agree
- **16%** Somewhat disagree
- **6%** Strongly disagree
- **31%** Haven’t thought about it

Older boomers are more likely than younger boomers to agree.

**Actions taken or considered to prepare for health care costs in retirement**

<table>
<thead>
<tr>
<th>Developed advanced legal directives</th>
<th>Obtained long-term care insurance</th>
<th>Calculated specific income amount needed in retirement based on health care coverage options</th>
<th>Maximized savings in an HSA or other dedicated health savings account</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Have not thought about it</strong></td>
<td><strong>Have not thought about it</strong></td>
<td><strong>Have not thought about it</strong></td>
<td><strong>Have not thought about it</strong></td>
</tr>
<tr>
<td><strong>Thought about it but not yet taken action</strong></td>
<td><strong>Thought about it but not yet taken action</strong></td>
<td><strong>Thought about it and decided it isn’t worth doing</strong></td>
<td><strong>Thought about it and decided it isn’t worth doing</strong></td>
</tr>
<tr>
<td><strong>Have taken this action</strong></td>
<td><strong>Have taken this action</strong></td>
<td><strong>Have taken this action</strong></td>
<td><strong>Have taken this action</strong></td>
</tr>
</tbody>
</table>

**Q:** Which of the following actions have you taken or considered?

- Maximized savings in an HSA or other dedicated health savings account
- Calculated specific amount will need in retirement based on various health care coverage options
- Developed advanced directives (legal provision for specific health care decisions in event you become unable to make those decisions)
4. When it comes to long-term care, boomers vary in terms of their preparation

**Actions taken regarding preparation for long-term care costs in retirement**

- 37%: I have thought about it, but haven’t looked into it in detail
- 22%: I have not thought about long-term care coverage as part of retirement planning
- 20%: I have researched and reviewed options, but I have not yet taken any action
- 20%: I have done one or more things to prepare

Q: With regard to the long-term care coverage that you will have in your retirement years, which one, if any, of the following actions have you taken?

**Those who’ve considered long-term care coverage in retirement have been prompted by various sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal health event or that of family/friend</td>
<td>38%</td>
</tr>
<tr>
<td>Media news on the topic of health care costs</td>
<td>22%</td>
</tr>
<tr>
<td>Financial advisor</td>
<td>17%</td>
</tr>
<tr>
<td>Mailings about long-term care insurance</td>
<td>13%</td>
</tr>
<tr>
<td>Health care provider</td>
<td>9%</td>
</tr>
<tr>
<td>An association or group you are involved in</td>
<td>8%</td>
</tr>
<tr>
<td>Life insurance agent or broker</td>
<td>7%</td>
</tr>
<tr>
<td>Health insurance agent or broker</td>
<td>6%</td>
</tr>
</tbody>
</table>

Q: If you’ve thought about or prepared for long-term care coverage in retirement, which, if any, of the following events or individuals led you to consider long-term care insurance in retirement?
5. Those preparing for retirement are looking to the financial professionals they work with to advise them about affording future health care costs

Involvement of a financial advisor in discussion of health care costs

<table>
<thead>
<tr>
<th>Expect a financial advisor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t expect a financial advisor to have any involvement at all</td>
<td>23%</td>
</tr>
<tr>
<td>to prompt clients to make sure they have healthcare coverage</td>
<td>21%</td>
</tr>
<tr>
<td>to help me create a comprehensive retirement healthcare financial plan</td>
<td>15%</td>
</tr>
<tr>
<td>to be able to provide an explanation of various healthcare options</td>
<td>15%</td>
</tr>
<tr>
<td>to be able to refer me to a healthcare insurance professional</td>
<td>10%</td>
</tr>
<tr>
<td>to help me to choose a specific healthcare plan</td>
<td>2%</td>
</tr>
<tr>
<td>I am not familiar enough with financial advisors to have an opinion</td>
<td>13%</td>
</tr>
</tbody>
</table>

Q: What level of involvement do you feel is appropriate for a financial advisor to have in discussions of the impact of health and health care costs on retirement savings? Respondents could choose more than one option.

62% expect their financial advisor to have some involvement in helping them prepare for health care costs in retirement.

Sources of advice for long-term care costs

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent/Broker/Professional advice (NET)</td>
<td>37%</td>
</tr>
<tr>
<td>Media sources (NET)</td>
<td>36%</td>
</tr>
<tr>
<td>Friends or Family (NET)</td>
<td>31%</td>
</tr>
<tr>
<td>Work related (NET)</td>
<td>18%</td>
</tr>
<tr>
<td>Health care provider(s)</td>
<td>14%</td>
</tr>
<tr>
<td>None of these</td>
<td>28%</td>
</tr>
</tbody>
</table>

Q: What sources do you use and who do you speak with for information, advice, and planning assistance for long-term care costs?
Methodology

The Health, Wealth and Retirement study was created by Ameriprise Financial, Inc. and conducted online by Artemis Strategy Group.

- 1,075 interviews were completed online among U.S. adults between June 26, 2014, and July 11, 2014.
- All respondents are ages 50–64, are employed full time and hold a minimum of $100,000 in investable assets.

- The margin of error is +/- 3 percent at the 95 percent confidence interval.

For further information and detail about the Health, Wealth and Retirement study, including verification of data that may not be published as part of this report, please contact Ameriprise Financial.
About Ameriprise Financial
At Ameriprise Financial, we have been helping people feel confident about their financial future for more than 120 years. With extensive asset management, advisory and insurance capabilities and a nationwide network of 10,000 financial advisors, we have the strength and expertise to serve the full range of individual and institutional investors’ financial needs. For more information, or to find an Ameriprise financial advisor, visit ameriprise.com.

About Artemis Strategy Group
Artemis Strategy Group (www.artemissg.com) is a communications strategy research firm specializing in brand positioning, thought leadership and policy issues.