When it comes to retirement health care, it's important to keep in mind that you're going to need the same thing you'll need for most other aspects of your retirement: A nest egg. It also takes knowing what to do with your savings to get the best health care you can possibly get out of retirement.

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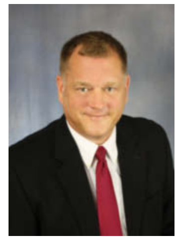

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Planning for Your Retirement Health Care Expenses

Four quick steps to jumpstart your health care plan in retirement.

A nest egg is built with the vision and perception of a happy, healthy retirement in mind. A health care plan for retirement, on the other hand, is often based on uncertainty and the illusion that the government or family will prevail when necessary. Here's the problem: According to a recent study, a couple retiring this year will need approximately $250,000, on average, to cover medical expenses in retirement. The research is based on projections for a couple of 65-year-olds retiring this year with Medicare coverage. The estimate factors in the federal program's premiums, co-payments and deductibles, as well as out-of-pocket prescription costs. The study assumes no employer provided insurance in retirement, and a life expectancy of 85 for women and 82 for men.[1]

The study also found that only 3 out of 10 retirees saved specifically to cover health care costs while they were working. And 47% said that monthly out-of-pocket costs and insurance premiums were higher than they had anticipated.[1] Bottom line: You must account for health care in your retirement nest egg. Here are four quick steps to get you thinking about health care expenses.

1. Create a health care budget

When you retire, you may likely be on a fixed income. Even if it is a large income, your health will likely require more attention and more money in your retirement years. "Pre" is the key; start saving when you are in pre-retirement mode. Work with your advisor to create a holistic retirement plan that includes a budget for health care expenses. When planning, don't be overconfident about your health, or about the certainty of government plans to be there for you. Most importantly, don't procrastinate, because your medical needs may likely be waiting for you in retirement.

2. Seek education on changing health care policies

There has been so much written on the Affordable Care Act (aka ObamaCare) in recent years, it's hard to keep up with how the changes affect investors going into retirement. Because so many peripheral things affect health care, such as medical research, government affairs, politics, finance and the overall economy, you can never know everything you need to know about this important topic. Along with input from your advisor, you may find useful information on websites, such as (healthcare.gov, healthit.gov, medicaid.gov).

3. Keep records of all medical expenses and reimbursements

Whether electronically or on paper, keep good records. Having a so-called paper trail can help you account for the things you may need in retirement. For example, if your use of a certain drug or treatment is trending upward, then you may need to account for that in the years to come. If your present employer has a flex spending plan, you may be able to pay for some medical needs with pretax money. Take advantage of options and remember that keeping good records can pay off some day.

4. Don't spread yourself too thick

Hard as it is to believe, it's possible to over insure—buying coverage that overlaps when one policy will cover what you need. For example, people who travel and rent a car often opt for the rental insurance coverage that their existing car insurance policy may already include. A simple call to their car insurance agent can tell them if they need extra coverage for the rental. The same can happen with health care plans if couples are not on the same page. Make every dollar and deductible count. You may want to consider two types of insurance that don't overlap with traditional health insurance, such as long-term care insurance for medical catastrophes and disability insurance, in case you lose your job.

In a recent survey, only 55% of investors felt they had enough money saved to cover medical costs in retirement.[2] Without a doubt, changing health care policies and growing medical expenses have the potential to disrupt any retirement plan.

When it comes to your health and your health care expenses, the best thing to do is expect the unexpected. It is impossible to say what health care costs may be in the next year or in the next ten years, but we can count on higher costs in the future. It could cost you more in the way of taxes, it may cost you more in the way of discretionary income and it will take up a bigger percentage of your overall income before and in retirement. Plan today to pay for a healthier tomorrow. As Grumpy Old Man Walter Matthau said,

"My doctor gave me six months to live, but when I couldn't pay the bill, he gave me six months more."

[1] "Study: Couples Retiring This Year May Need $250,000 for Health Care in Retirement." OregonLive.com
[2] Ruth Helman, Nevin Adams, Craig Copeland, Jack Vanderhei. *The 2014 Retirement Confidence Survey: Confidence Rebounds—for Those With Retirement Plans. Employee Benefit Research Institute*

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