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## PREPARE FOR THE REALITY OF HEALTH CARE IN RETIREMENT

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The cost of health care can play a big role in how you spend your time in retirement. This guide will help you make more informed decisions about Medicare, long-term care options, and holding down health care costs.

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# GETTING READY FOR MEDICARE

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## HERE ARE SOME COMMON MEDICARE QUESTIONS:



### **I'm eligible to claim my Social Security as early as age 62. Will Medicare kick in at the same time?**

The answer is generally no. For most of us, the age to qualify for Medicare is 65. There are a few exceptions—for example, people with certain disabilities or kidney failure can qualify at a younger age.



### **Will Medicare contact me directly before I become eligible?**

If you're already receiving Social Security benefits or railroad retirement benefits, Medicare will mail you a Medicare enrollment kit a few months before you become eligible. Otherwise, it's up to you to enroll. If you're within three months of turning age 65, reside in the United States or one of its territories or commonwealths, and don't want to apply for monthly Social Security retirement benefits just yet, but do want to apply for Medicare benefits, you can enroll in Medicare online.



### **Are there deadlines for Medicare sign-up?**

Yes. If you are already receiving Social Security benefits at age 65, you will be automatically enrolled in Medicare Parts A (hospital insurance) and B (medical insurance) with coverage generally starting the month you turn 65. However, if you haven't claimed Social Security by age 65, you will need to sign up for Medicare when you become eligible. You can first sign up for Medicare Parts A and B during the seven-month initial enrollment period that begins three months before the month you turn 65. If you enroll in Part A and/or Part B the month you turn 65, or during the last three months of your initial enrollment period, the start date for your Medicare coverage may be delayed.

Regardless of how you get Parts A and B, you must sign up for Part D if you want prescription drug coverage. If you prefer, you can sign up for a Medicare Advantage Plan (sometimes referred to as Medicare Part C), which replaces Parts A, B, and often D. Medicare Advantage Plans are a private-sector alternative to original Medicare.

If you don't enroll in Medicare during the initial enrollment period around your 65th birthday, you can sign up between January 1 and March 31 each year thereafter for coverage that will begin on July 1. However, you could be charged a late-enrollment penalty when your benefit starts. For example, if a penalty applies, monthly Part B premiums increase by 10 percent for each 12-month period you delay signing up for Medicare after becoming eligible for benefits.



### **How do I sign up for Medicare if I'm still working at age 65?**

If you retire after age 65 and have employer-sponsored health coverage, you will have an eight-month special enrollment period to sign up for Part A and/or Part B. That coverage will start the month after your employment ends, or immediately after the group health plan insurance from your current employer ends, whichever happens first. There is usually no late-enrollment penalty if you sign up during a special enrollment period.



### **Can I make changes every year?**

Yes. The Medicare open enrollment period runs from October 15 through December 7 annually. This gives you the opportunity to re-evaluate your requirements every year and make any changes.

# WAYS TO HOLD DOWN HEALTH CARE COSTS

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## HERE ARE SOME TIPS TO HELP YOU STAY HEALTHY IN RETIREMENT, AND SAVE MONEY ON HEALTH CARE ALONG THE WAY:



### **Live a healthy lifestyle.**

Although there are many ways to do this, you can start by making sure you know your key numbers (blood pressure, pulse, and cholesterol), understand your key risk factors based on your family's medical history, and make an effort to control your weight.



### **Get regular check-ups.**

Early detection of health issues can dramatically improve the chances of successful treatment. Long-term medical issues can be quite expensive, so it makes sense to schedule regular visits with your physician.



### **Time your expenses carefully.**

As with any major expense, if you have a predictable medical cost (scheduled surgery, for example) you should examine how that expense fits in with your other costs at that time. Additionally, you could consult with your accountant on ways to maximize tax deductions (for example, buying two sets of prescription glasses, one for use and one for backup) in a given year.



### **Shop around to find the best care at the lowest price.**

When you choose your health care plan, consider the trade-off between higher premiums with lower deductibles and lower premiums with higher deductibles, and make a choice that fits your needs. The variety of medical care available to you will likely keep on expanding, so monitor these improvements for potential ways to save money. You can also find savings in the cost of prescription medications by making your purchases at independent drugstores instead of chain drugstores, inquiring about lower prices, and asking your provider(s) for prescriptions that allow for generic substitutions and larger quantities for your long-term medications.



### **Know what's covered and what's not.**

Understanding the terms of your plan can help prevent unpleasant surprises and avoid unforeseen expenses. Make sure you know exactly which prescription medications and medical procedures are covered by your plan(s).



### **Evaluate expenses for best-case and worst-case scenarios.**

Although we'd all like to think we'll remain healthy through most of our retirement years, it's important to plan for the possibility that you or a loved one will encounter serious health issues. By examining worst-case scenarios in terms of your ability to cover them, you can gain confidence knowing you've planned for most outcomes.



# FACTORING IN LONG-TERM CARE



**No one likes to think about needing long-term care services, but each year an estimated 12 million Americans require some type of long-term care.**<sup>1</sup> Long-term care can dramatically impact your retirement plan, so it's important to consider its effects. It can impact you and your caregivers financially, physically, and emotionally. Long-term care can be quite expensive, but planning ahead can make a critical difference in your quality of life—and your family's—as you age.



## THE COST OF CARE:

To decide whether you need long-term care insurance and how much to buy, you can start by getting a sense of how much your care could cost. For an estimate of potential long-term care costs in your state, check out the [Genworth Cost of Care Survey](#).

If you're concerned about managing the cost of long-term care, there are several options that can help you pay for it.



## COVERAGE OPTIONS:

**Personal savings:** You may have enough assets to cover your income and lifestyle needs, and still be able to carve out enough assets to fund your potential long-term care expenses.

**Government programs:** Veterans, and people with low incomes who can't afford to cover long-term care expenses, might be eligible for long-term care assistance from the federal government. This assistance can come from Medicaid and the Veterans Administration, or state-run assistance programs. As for Medicaid, benefits kick in only after you've depleted your savings, and the choices for where and how you receive care could be limited. Benefits and eligibility vary from state to state, and savings and income are frequently key factors.

<sup>1</sup>U.S. Senate, Commission on Long-Term Care, September 2013.

It's important to note that Medicare provides limited benefits for long-term care, and would not cover an extended stay in a nursing home.

**Traditional long-term care insurance policies:** You can choose the amount of coverage, how long it lasts, and how long you have to wait before receiving benefits. Typically, you pay an annual premium for life, although your premium payment period could be shorter. It's important to note that many carriers no longer offer traditional policies, and those that do may raise annual premiums after purchase.

**Hybrid policies:** Hybrid policies combine long-term care coverage with either life insurance or annuities. For example, one kind of hybrid will pay for long-term care during your life if you need it—but if you don't use your long-term care benefits, it will pay a life insurance benefit to your beneficiary upon your death.



## WHEN TO BUY:

The older you are, the greater the chance you'll have a medical event that requires long-term care or that you'll develop a health issue that will keep insurers from approving your application.

In addition to the risk of your health deteriorating as you age, you should also consider the financial cost of waiting to purchase a policy. Depending on the type of long-term care insurance policy you want, it may become more expensive to purchase each year you wait.



## MAKING IT PERSONAL:

Your long-term care decision should fit your personal situation. If you're married, consider the effect on your spouse's financial situation if you need extended long-term care. It's also important to factor in your family medical history and know the risks you face. Certain hereditary diseases—like Alzheimer's or diabetes—could make it more likely that you'll have a long-term care event in the future.

A well thought-out long-term care decision is all about balance—weighing what you can afford, the kind of care you expect, and the risks you might face.



# RESOURCE LIST

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To help you get started, here's a list of interactive tools and resources.

## **EXPLORE IMPORTANT MEDICARE INFORMATION**

Browse the official U.S. Government site for Medicare.

[Medicare.gov](https://www.Medicare.gov)

## **PREPARING FOR RETIREMENT?**

Visit Fidelity's Planning & Guidance Center to create a plan to help you get and stay on track.

[NetBenefits.fidelity.com/planningcenter](https://NetBenefits.fidelity.com/planningcenter)

## **DISCOVER MORE WORKSHOPS**

Learn how to make confident financial decisions for your future.

[NetBenefits.fidelity.com/workshopregistration](https://NetBenefits.fidelity.com/workshopregistration)

## **ADDITIONAL RESOURCES**

- A range of services are offered by your State Health Insurance Assistance Program, or SHIP.
- Services, seminars, and publications are also available through your local Office of Elder Affairs or Council on Aging.