



Healthcare Costs in Retirement

I can't think of any expenditure that gives retirees less enjoyment than medical costs. Nevertheless, healthcare is an important spending category among retirees. Many pre-retirees are not sure how their medical costs will change once they are eligible for Medicare at age 65. Today's article will provide an overview and some estimates for your retirement healthcare budget.

Medicare Costs and Coverage

Medicare part A covers hospitalization and is free to anyone who has earned [Social Security benefits](#). There is a monthly premium for part B, which covers doctors' visits and most tests. The premium is \$135.50 per month in 2019 for new enrollees. Most people do not even notice the monthly premium because it is automatically deducted from their Social Security payments, assuming they are already collecting benefits.

Click this link for [current Medicare costs and coverage details](#).

This would be a very short article if the only healthcare expenses were Medicare, part B premiums. Sadly, a whole host of other expenses exist such as deductibles and co-pays, as well as Medicare part D (prescription drug coverage), and vision and dental expenses, which are not covered at all by Medicare. Many people buy Medigap insurance to cover some of these expenses.

Check out this handy article and [chart comparing coverage details of different Medigap plans](#). Note that Medigap plans C and F are being eliminated, so they are not available to folks turning 65 after January 1, 2020.

Total Out-of-Pocket Costs

So, how much will the average 65-year-old couple spend on healthcare over the course of their retirement? [The answer, according to Fidelity, is \\$285,000!](#) Yikes! For that amount, they should name a clinic after you. Women typically spend more on healthcare than men (\$150,000 vs. \$135,000). I tried to find other, lower estimates, but most I found were actually higher, such as [this report](#) that estimated a 65-year-old couple would spend around \$364,000 (in current dollars) on retirement healthcare expenses.

The \$285,000 figure from Fidelity includes premiums for Medicare parts B and D, which account for about a third of your total retirement healthcare expenses. The remaining two-thirds comes from deductibles, co-pays, and medical services not covered by Medicare. Things not

covered by Medicare—dental, basic vision, over-the-counter medicines, long-term care—would be on top of that \$285,000 estimate.

I would recommend budgeting approximately \$5,000-\$7,000 per person per year, beginning at age 65, depending on your health and family history. The breakdown may look something like this:

Medicare, Part B (premiums)	\$1,626
Medicare, Part D (premiums)	\$582
Medigap Policy	\$2,322
Out of Pocket	\$1,860
Total	\$6,390

Don't Forget Healthcare Inflation

Inflation is an issue for all items in your retirement budget, but healthcare costs are likely to rise much faster than other categories. Healthcare costs have increased at an average of 6% per year over the past 50 years. The centers for Medicare and Medicaid, as well as other healthcare actuaries, expect healthcare costs to continue to increase at 4-6% per year for the foreseeable future.

Keep in mind that all of the figures are estimates and averages. Your healthcare costs could vary considerably. You may live to 100 and never go to a doctor, whereas your neighbor could live to 80 and spend much more than you on healthcare.

There is no sense in worrying over these future expenses; just get plenty of exercise, avoid stress, and [go out and enjoy your retirement!](#)

Have a great weekend.

Jeremy Kisner

Director of Financial Planning and Senior Wealth Advisor