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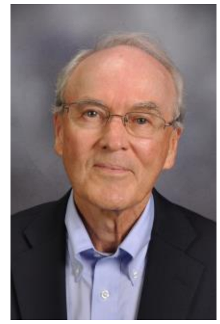

October 7, 2018

Dear Reader:

Over the last few months, I've been sharing a series of letters called "BACK TO BASICS." In each letter, we examine one of the basics of financial planning. This month, let's look at:

Back to Basics #5: Planning for Health Care Expenses

Take a moment to think about the future. What do you see yourself doing? Traveling the world? Starting a new business? Playing with grandkids? Taking up that hobby you've always dreamed of doing? Getting in shape? Improving your short game? Or maybe just relaxing and reading a book? Whatever it is that you see, the future probably looks pretty exciting!

Unfortunately, there's something else the future holds that *no one* can avoid.

Maybe it won't happen for a few more decades. Maybe it's already happening. But at some point in the future, your body will start to slow (and even break) down.

They say age is a state of mind, but it's also a fact of life - and this fact means inevitable changes to both your health and your pocket book. Make no mistake, your medical expenses *will* go up as you get older. But many people fail to plan for these costs.

Those that *do* plan often underestimate exactly how much their medical expenses will cost. For example, a recent study by Fidelity Investments found that the average couple retiring at age 65 will need at least $280,000 to pay for their health-care costs in retirement.[1] Another study done by the Employee Benefits Research Institute found that "a 65-year-old man and woman would need $127,000 and $143,000, respectively, if they want a 90% chance of covering all their health care costs…in retirement."[2]

That's a lot of money. There are just so many aspects to health care that you may need to pay for some day. There are regular visits to your doctor, medicine, surgeries, hospital stays, long-term care, and more.

Hopefully this gives you a little glimpse of how important it is to plan for your health care expenses. But how do you pay for them?

The obvious answer is “work longer and retire later,” but let’s delve a little deeper. Here are a few things you can do:

1. Learn your various Medicare options.

If you are one of the lucky few who will have employer-provided health care coverage even after retirement, congratulations. But if not, start familiarizing yourself with the intricacies of Medicare now. The Federal government’s health insurance program for seniors is often referred to as a single plan, but in reality, it’s many types of plans rolled into one. From the basic level of coverage (Part A) to “Medicare medical insurance” (Part B) which covers outpatient hospital care, physical therapy, and home health care, to the more elaborate “Medicare Advantage” plans, most retirees are confronted with too many options, some of which are more appropriate than others. Choosing the best type of coverage for you will be crucial when it comes to paying for your medical expenses.

2. Start saving and investing – now.

One of the smartest financial decisions you’ll ever make is to set up a rainy-day fund. This is where you regularly set aside a portion of your income for dealing with the unexpected. Whether that’s losing your job, dealing with a natural disaster – or yes, paying for unexpected medical expenses – a rainy-day fund can make all the difference.

Similarly, if you invest wisely and consistently, you have the potential to *grow your money for the future*. That means you’ll have a better chance of being able to afford any health care costs that pop up in the future.

3. Consider long-term care insurance.

Important disclaimer: not everyone will need long-term care or assisted living in their lives. That said, many people do, and long-term care (LTC) insurance is one of the best ways to pay for it. It can be beneficial to purchase LTC insurance sooner rather than later, as premiums can get higher as you grow older. However, LTC is expensive in and of itself, so give the subject a lot of careful consideration before making a decision.

4. Keep your body healthy.

I’m a financial advisor, not a doctor or trainer, so I’m not in the business of providing tips on healthy lives.

But this tip is just common sense, and it’s amazing how often it gets overlooked. Keeping yourself healthy now can save you a *lot* of money in the future. By getting regular exercise, eating a healthy diet, sleeping enough, and quitting smoking (among other things) you can give yourself a better chance of avoiding future medical problems. Conditions like high blood pressure, diabetes, and cancer can extract a high toll on your finances as well as your health. Most people don’t realize this, but one of the *best ways* to ensure a financially secure future is to take care of your body in the present.

Over the last few months I've tried to share a few basic tips on how to plan for and secure a bright financial future. They may seem overly simple, but they're *fundamental* to your financial health. Remember:

"Winners don't just learn the fundamentals, they master them.
You have to monitor your fundamentals constantly, because the only
thing that changes will be your attention to them."
-Michael Jordan

By mastering the fundamentals of financial planning, you will get yourself much closer to achieving the future you've always dreamed of.

Please do not hesitate to call me with any questions or comments at (502) 228-3900 or via email walt@wwafn.com. Referrals are always accepted and appreciated.

Sincerely,

Walt

W. Walter Anderson, AIF®
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[1]Elizabeth O'Brien, "Here's How Much the Average Couple Will Spend on Health Care Costs in Retirement," *Time Magazine*, April 19, 2018. http://time.com/money/524882/heres-how-much-the-average-couple-will-spend-on-health-care-costs-in-retirement/

[2]Sudipto Banerjee, "Cumulative Out-of-Pocket Health Care Expenses After the Age of 70," *Employee Benefits Research Institute*, April 3, 2018. https://www.ebri.org/pd/briefspdf/EBRI_IB_446.PDF

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