

Boomers 'terrified' of out-of-control health care costs



More than three in five (61%) pre-retirees now say they are “terrified” of what health care costs may do to their retirement plans, according to a new Harris poll. That’s a big jump from 2012, when fewer than half of pre-retirees expressed such concern.

Those findings speak to increasing anxiety among older workers—and cry out for benefits professionals to provide resources for employees who are nearing retirement age.

According to the poll of 801 workers over age 50, 75% of pre-retirees say their top retirement fear is out-of-control health care costs. However, 64% say they haven’t discussed retirement with a financial advisor. Of those that did, only 22% discussed how they would pay for health care needs not covered by Medicare.

“Whether it is the economy, concerns about the implementation of the Affordable Care Act or skyrocketing health care costs, this survey shows America’s workers are increasingly concerned about how they will fund their health care costs in retirement,” said John Carter, president of Nationwide Financial, which sponsored the survey.

A quarter of baby boomers (26%) say they’ll probably never be able to afford to retire. Women are twice as likely as men to think they will never retire. Forty percent of boomers say they would delay retirement if they had to buy their own health coverage.

Most older workers underestimate how much they’ll have to spend on health care. Asked to estimate their yearly out-of-pocket health care expenses in retirement, pre-retirees guessed an average of \$4,300.

But a study by the Employee Benefit Research Institute (EBRI) predicted that a 65-year-old couple retiring today will spend about \$11,000 out-of-pocket per year over the course of 25 years.

Blame the miscalculation on misunderstandings about Medicare. The poll found that most older workers estimate that Medicare will cover 69% of their health care costs in retirement. According to EBRI, Medicare generally covers only about 60% of the cost of retirees’ health care, and doesn’t cover long-term care.

Advice: Work with your retirement plan and health insurance providers to offer financial planning seminars to older workers. Many large providers can send experts to give presentations. Make sure the training covers how to pay for post-retirement health care needs. *Alternative:* Find a local financial planner who will agree to meet with your staff.