



## Personalized Healthcare Expense Projection

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# Introduction

## Planning for Medical Expenses in Retirement is Critical: Are You Prepared?

Medical expenses for most people will be their single biggest expense in retirement. Yet most people are dramatically under-estimating the cost and how much they need to save by retirement to afford adequate care. A feasibility study shows that a 65-year old couple entering retirement will need \$285,000 to cover medical expenses, up from \$245,000 just four years earlier. That number excludes long-term care and assumes average health and longevity. But if your health is worse than average or you live longer than average, the costs can be significantly higher. It's not surprising that paying for medical expenses in retirement is the number one financial concern for people nearing retirement. Medical expenses have been rising much faster than the overall rate of inflation. Healthcare costs are predicted to rise 6% annually through 2024, to \$16,147 per person. Meanwhile, Medicare Part B premiums have increased by 7.5% annually from 1966-2019.

### So why do medical costs continue to rise?

Medical technology is enabling more sophisticated but expensive care.

Medical services are increasingly sophisticated and rely on advanced technology such as advanced imaging equipment and drugs that often cost billions of dollars to bring to market. Many treatments and drugs are being personalized to each patient's DNA. That can lead to better medical outcomes. But it's also driving costs.

### Consumers are paying a greater share

As costs rise, most employers have reduced medical benefits subsidies, which result in higher premiums, deductibles and out-of-pocket limits. Some retirees who rely on Medicare are also being impacted. Medicare's finances are being stressed as more baby boomers retire, because there are more retirees receiving Medicare benefits for each worker currently paying taxes into Medicare. Medicare Part B premiums are expected to rise 5.17% annually through 2017. Many will experience "means testing," which raises Medicare Part B and Part D premiums for retirees with higher incomes. Many retirees with large taxdeferred retirement accounts who must take Required Minimum Distributions starting at age 70 will be "high income".

### Retirees are living longer

The current life expectancy of a 65-year-old couple is age 83 for the man and age 86 for the woman. However, there's a 44% chance that one of them will live to age 90.5. Ironically, people who are in good health now may pay more for medical expenses in retirement simply because they're living longer and consuming more medical services. A good retirement plan typically should assume at least 25 years in retirement, with adequate savings to cover living and medical expenses.

The bottom line is that medical expenses are likely to continue rising faster than core inflation, and retirement planning that doesn't take this into account will leave retiree's at risk.

1. U.S. Health Care from a Global Perspective: Spending, Use of Services, Prices, and Health in 13 Countries, The Commonwealth Fund, October 2015.
2. Fidelity Investments, "Bridging the Gap to Medicare", February 2013.
3. Fidelity 2018 Couples Retirement Study
4. Centers for Medicare & Medicaid Services.
5. Generating Guaranteed Income: Understanding Income Annuities, Vanguard Investment Counseling & Research, 2008.

## How to Use This Report

This report provides personalized estimates of your retirement healthcare costs that accounts for your health, location and medical insurance. Expense estimates include premiums, deductibles and out-of-pocket expenses.

These estimates are produced by new machine learning technologies that analyze healthcare claims data, creating personalized projections that were previously impossible.

Your financial advisor can help you understand your retirement healthcare costs and help you develop a plan for funding the liability, reducing risk and improving your retirement security.

While total projected medical expenses may be a very large number, the amount you need to save by retirement is likely much smaller and can be represented by the present value of those expenses at retirement. The present value is the amount of money needed at retirement (an asset) to fully fund your medical expenses throughout retirement (a liability).

The amount you need to save each month to fully fund your goal will depend on how much of your current savings you can allocate to the goal, how long you have to save, and the level of risk you're willing "to accept in your investments".

Talk with your financial advisor about strategies to fund your medical expenses in retirement.

## Medicare Basics

A critical decision you'll need to make at age 65 is enroll in Medicare and choose the types of Medicare coverage you'd like. You can choose from a variety of Medicare and private insurance plans (see Appendix for details), and your choices will impact your premiums and out of pocket exposure.

The initial enrollment period for traditional Medicare is three months before and after your 65th birthday. If you don't enroll within three months after your 65th birthday and you don't have "creditable" coverage such as an employer plan, you'll face a Late Enrollment Penalty equal to 1% per month of delay that will permanently increase your premiums for life! The longer you wait, the bigger the penalty, so be sure to enroll within three months of your 65th birthday.

Supplemental Medicare refers to private plans that charge additional premiums but reduce out of pocket expenses, they typically require you to go through an underwriting process. Medicare Advantage plans typically have a modest premium and reduce OOP expenses and are often suitable for people in good health who want protection against catastrophic medical events. Medigap plans charge a much larger premium but completely eliminate OOP expenses from Parts A and B and hence offer the most complete protection.

Medicare Parts B and D are subject to "means testing", where people with higher income pay premiums that are up to 3.4 to 4.6 times higher. Retirees who have large tax-deferred savings (e.g., 401k, IRA, qualified annuities) may find themselves caught by means testing once they start taking Required Minimum Distributions (RMDs, which are taxed as "ordinary income") from their retirement accounts. Retirees in higher income brackets could pay hundreds of thousands more in Medicare premiums over retirement. Your financial advisor may be able to suggest planning strategies to reduce the impact of means testing.

## Lifetime Expense Detail

This following information shows the detailed annual healthcare expenses for the household for the duration of the plan, which may include retirement medical expenses before and after Medicare eligibility.

## Long-Term Care Expenses

Long-term care refers to daily help over an extended period, and is most often needed towards the end of life. Typically people want to stay in their home as long as possible and go through a progression of care needs. Care may start with in-home help with daily activities such as cleaning, bathing and preparing meals, progress to in-home skilled care provided by nurses, therapists or other professionals, and finish with a nursing home that can provide comprehensive care and medical services. People with a family history of Alzheimer's may need care for an extended period because while their mental faculties are compromised, they may otherwise be in good physical health. People who have had a Stroke have a higher probability of needing long-term care.

The long-term care expenses shown for you are in addition to the other healthcare cost projections shown in this report.

## Personal, Prescription and Pharmacy Information

### Personal Information

Recommendation Name	Shigapage
Recommendation Email	ShigaPOM@gmail.com
Birth Date	January 1960
Gender	Female
Tax Filing Status	Jointly
Magi Tier	< \$ 212K
Health Profile	Good Health
Tobacco	No
Current Zip Code	27529

### Prescription Information

Drug Name	Brand Name	Quantity	Refill Frequency
gabapentin 300 MG Once-Daily Oral Tablet	gabapentin	30	Every Month

### Pharmacy Information

Pharmacy Name	Address	Distance
CVS PHARMACY #02356	790 TIMBER DR,GARNER,27529,NC	2.14

## Insurance Plan Information (Private and Medicare)

Medicare Advantage Plan Details (all cost is for remaining months unless specified)

Plan Name	Humana Gold Plus H1036-291 (HMO-POS)
Plan Id	H1036-291-000
Plan Duration	Mar 2025 - Dec 2025 (10 months)
Monthly Premium	\$0.00
Annual Deductible	250
Rating	4
Medicare premium	\$1,850.00
Part B & D Surcharge	\$0.00
Medicare OOP	\$3,783.00
Total cost	\$5,633.00

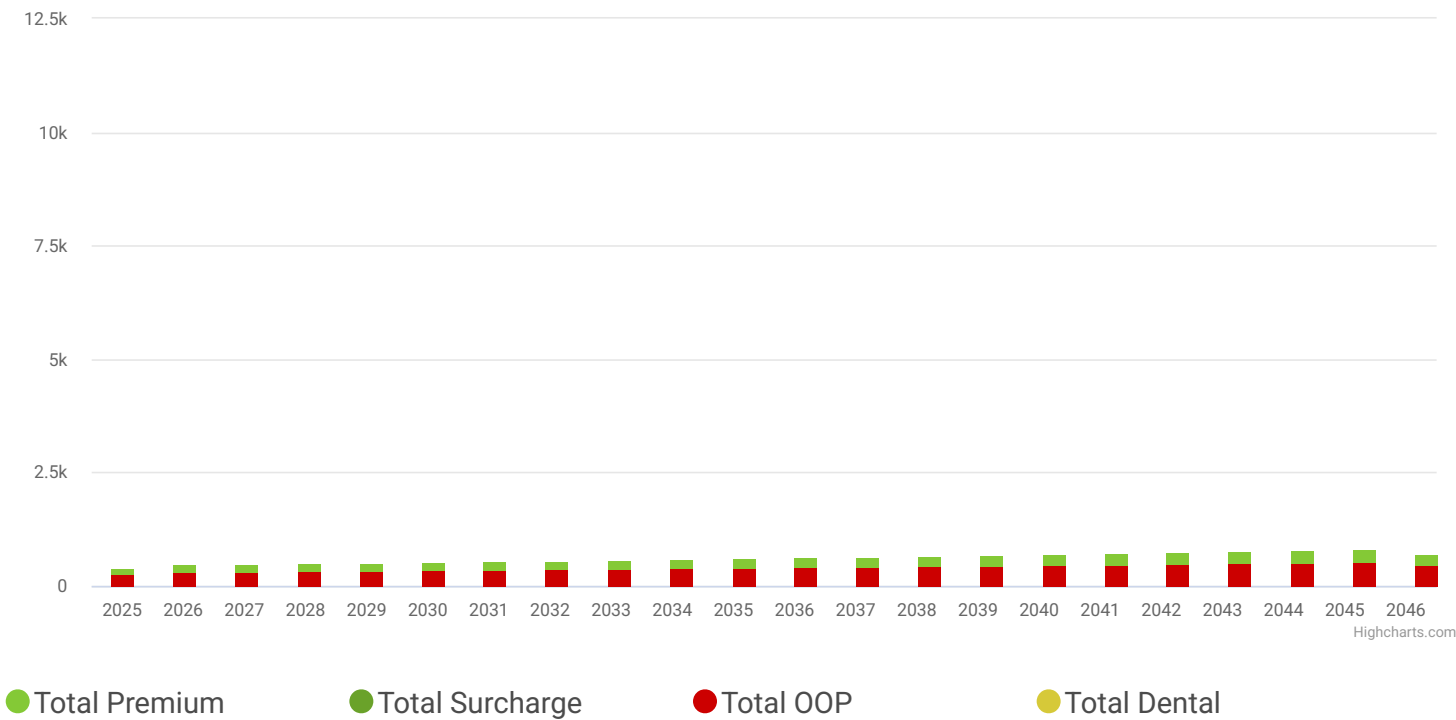
# Healthcare Expense projection

## Current year (Remaining months) Healthcare Expenses summary

Medicare Bundle	AB + MA
Current Year	2025
Remaining months	Mar 2025 - Dec 2025 (10 months)
Total Premium (includes surcharge)	\$1,850.00
Total OOP	\$3,783.00
Total Expense	\$5,633.00

## Lifetime healthcare expense summary

Expense Duration	2025 - 2046 (22 years)
Present value as of 2025	\$105,856.73
Future Expense	\$195,171.58
IRMAA Surcharge	\$0.00
Retirement Year	2025
Discount Rate	6%
Current Year	2025





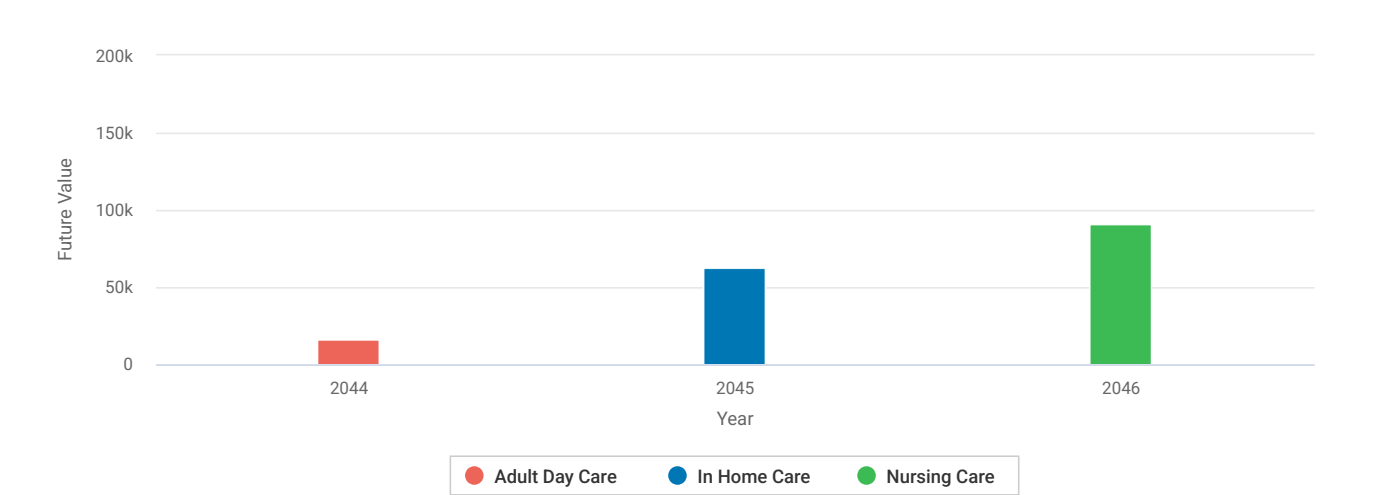
# Longterm Expense projections

## Longterm care expense details

	Adult Day Care	In Home Care	Nursing Care
Care Begin Year	2044	2045	2046
Future Value	\$30,787.95	\$120,926.86	\$175,772.66
Present Value	\$10,175.82	\$37,705.57	\$51,704.48

## Longterm care expense summary

Expense Duration	2044 - 2046 (3 years)
Present value as of 2025	\$99,584.00
Future Expense	\$327,485.00
Retirement Year	2025
Discount Rate	6%
Current Year	2025



## Terms & Definitions

### Health Insurance Premium

The amount one pays on a monthly basis to get health insurance coverage. For employer sponsored health insurance plans, the employer pays a part of the premium, and the employee pays the rest in the form of monthly premiums. Premiums are different for Individual and Family.

### In-Network and Out-of-Network

Most insurance plans have a provider network of doctors and facilities that have contracted with the insurance carrier to provide health services. You typically pay more for services provided out-of-network.

### Deductible

The insurance carrier will pay for services only after you have paid predetermined deductible. For example, if your in-network deductible is \$1,000, your plan will not pay anything until you have personally paid \$1,000 for covered in-network services. Deductible limits often vary based on whether the provider is in network or out-of-network.

### Co-Insurance

After you have met your deductible, the insurance carrier will only pay a portion of the charges for covered services until you meet your out-of-pocket limit. The portion you are responsible for is called coinsurance. The coinsurance percentage may vary depending on whether the service provided was in network or out-of-network.

### Out-of-Pocket Limit

The out-of-pocket (OOP) limit is the maximum amount you are responsible for paying for services covered by the insurance plan. OOP limits differ for individuals and families, and you'll have different OOP limits for services provided in-network and out-of-network. Any expenses above the OOP limit will be fully covered by the insurance carrier.

### Medicare Plans

Medicare is a government program that provides healthcare insurance to Americans when they become eligible, usually at age 65. "Traditional Medicare" refers to the combination of government-run programs, including Part A, Part B and Part D. Medicare also covers people under the age of 65 who have certain disabilities. Retirees often choose to supplement traditional Medicare with additional private insurance coverage.

#### Medicare Part A (Hospital)

This plan primarily covers costs related to hospitalization and nursing care. Most people subscribe to Part A when they become Medicare-eligible (at age 65). Usually there is no premium for Part A if the beneficiary has previously paid Medicare taxes. However, Part A does have OOP expenses that can be significant, particularly if the patient frequently visits the hospital.

#### Medicare Part B (Doctor)

This plan mostly covers doctor and specialist visits, surgeries, lab tests, and durable medical equipment. Plan B has a monthly premium that can vary greatly based on the beneficiary's income (referred to as "means testing") and is usually deducted from your Social Security check. It also has out-of-pocket expenses.

#### Medicare Part D (Drug)

Part D provides coverage for prescription drugs. The plan has monthly premiums and OOP expenses. The premiums are generally low; however, the OOP expenses can become quite high depending on the type of medication prescribed and the frequency of use. Some drugs can be prohibitively expensive (e.g., 10s of thousands of dollars), and can put your retirement security at risk.

## Medicare Advantage (Plan C)

A private plan offered as an alternative to traditional Medicare. There is small premium for Plan C and there is a deductible. Medicare Advantage plans typically have a modest premium, reduce OOP expenses not covered by Parts A and B, and cover prescription drugs (similar to Part D). They are often suitable for people in good health who want protection against catastrophic medical events.

## Medigap (Plan F, Plan N, Plan G)

A private plan offered to individuals who are already enrolled in traditional Medicare plans. Typically, Medigap plans eliminate most out-of-pocket expenses, and hence provide the most comprehensive coverage. Medigap offers 10 plan options (Plans A, B, C, D, F, G, K, L, M, and N), with each plan offering a standard set of benefits, regardless of which insurance carrier you use. The benefits of each plan vary slightly, as do premiums and OOP limits. Plan F has no deductible and is the most popular.

## Dental

Most dental plans offered have a premium, co-insurance, and maximum benefit limit. Dental insurance is offered by private companies and is not a government-provided benefit under Medicare.

## Retirement Age

If you choose a retirement age that differs from the age in which you're eligible for Medicare benefits (typically age 65), you need to plan to have private health insurance from your retirement date until you're eligible for Medicare. This analysis forecasts your medical expenses for that period, if relevant.

## Health Profile

Your current health has a significant impact on your expected healthcare expenses. This analysis uses five different health profiles that describe your overall level of health. The health profile accounts for things like the number of prescriptions taken, the number of chronic conditions, etc. Your financial advisor can run a separate analysis using a different health profile so you can see the impact on projected medical expenses. Most people tend to over-estimate their health profile.

Health Profile	Description
Best Health	Family member has regular health checkup, no chronic conditions and no prescription medications. Works out regularly.
Good Health	Family member has regular checkups, No Chronic conditions, but has vitals that are border-line for any chronic conditions, such as, Diabetes, Hypertension or Cardiac etc. Works out regularly.
Moderate Health	Family member has less than two chronic conditions, and one to three prescription drugs taken regularly.
Poor Health	Family member has two or more chronic conditions and more than three prescription drugs taken regularly. Has been hospitalized once in the past year.
Sick	More than two chronic conditions and more than five prescription drugs, and takes prescriptions infrequently. Has been hospitalized more than once in the past year for the chronic conditions.

## Life Expectancy

Your life expectancy makes a big difference in your lifetime healthcare expenses. When developing a financial plan, it's important to consider not just the standard life expectancy, which is an average based on mortality data, meaning that many people live longer, and potentially much longer. For instance, a couple aged 65 has life expectancies of age 86 for the man and age 88 for the woman. However, that same couple has a 25% chance that at least one of them will live to age 96, which implies a retirement period (and medical expenses) spanning more than 30 years. For this reason, many financial advisors prefer to build a financial plan using a longer life expectancy.

## Zip Code

Medical expenses can vary tremendously based on the local market dynamics of where you live. For example, a medical procedure performed in downtown Chicago is likely to cost significantly more than the same procedure performed in downstate rural Illinois. This analysis processes millions of medical claims by zip code, and hence takes into account the dynamics of where you live.

## Private Health Insurance Plan

If you will use a private health insurance plan to cover the period from retirement to Medicare you'll need to choose a bronze, silver, gold or platinum plan. Premiums, deductibles, co-insurance amounts and OOP expenses will vary based on the plans available in your area.

## Long-Term Care

Long-term care refers to daily help over an extended period, and is most often needed towards the end of life. Typically people want to stay in their home as long as possible and go through a progression of care needs. Care may start with in-home help with daily activities such as bathing and preparing meals (sometimes called Activities of Daily Living or ADLs), to in-home skilled care provided by nurses, therapists or other professionals, and finish with a nursing home that can provide comprehensive care and medical services. People with a family history of Alzheimer's may need care for an extended period because while their mental faculties are compromised, they may otherwise be in good physical health. People who have had a Stroke or have chronic conditions such as diabetes or high blood pressure are more likely to longterm care.

## Quality of Care

Refers to the quality of care provided by the long term care facility. The analysis uses three levels -- comfortable, luxury and premium luxury.

## In-Home Care

Refers to the lowest level of in-home assistance with tasks of daily living such as bathing cleaning, taking medications, preparing meals or transportation, but excluding medical assistance.

## In-Home Medical Care

Refers to the next level of care, which may include in-home assistance with tasks of daily living as well as assistance from qualified medical experts such as nurses or therapists.

## Nursing Home Care

Refers to the most comprehensive level of long term care typically towards the end of life when the most care is needed. Nursing home care offers 24x7 assistance with tasks of daily living and medical care by a staff of qualified professionals, including nurses, therapists, dieticians, etc. Many nursing homes also offer community and social activities.

## Present Value of Expenses at Retirement

Present value is a mathematical concept, which you can think of as the amount of money (an asset) you'd need at retirement to fully fund your medical expenses throughout retirement (a liability). All healthcare expenses incurred during retirement are discounted to the year of retirement.

## AiVante Disclosures

### IMPORTANT INFORMATION ABOUT THIS REPORT

Scope of this report: The analysis contained in this report is based on sophisticated data analytics and machine learning techniques. The analysis is designed to help you understand, plan and save for your pre- and post-retirement medical expenses. The analysis should be used only as a guideline to help you in your planning.

#### The following assumptions have been considered in this analysis:

- Your Health Profile has a dramatic impact on the analysis, and your actual health over the planning horizon may differ greatly from what was assumed. The Life Expectancy assumed can have a dramatic impact on the analysis.
- For pre-retirement, we assume that health insurance premiums and other medical costs, which you have provided, will be the basis for calculating your pre-retirement healthcare expenses.
- After retirement but prior to Medicare eligibility, we use the healthcare private plan based on your retirement location to forecast the healthcare expenses until Medicare eligibility.
- Once you are Medicare eligible, we assume coverage from Medicare Part A and include insurance premiums for Medicare Part B, D and supplemental insurance, and additional associated medical costs as provided by you
- Projections are based on the plan you have selected and may not include dental, vision and Medigap. Present value is calculated using a discount rate of 6%.
- Inflation assumptions vary. For Medicare Part B and Part D premiums, we use the historical Part B inflation rates experienced from 2007 to 2019, which vary from 3.1% to 8.7% based on the MAGI entered. Because of the compounding effect of large inflation rates over long periods of time, we apply a sub-linear scaling factor that gradually reduces the inflation rate over time.

Limitations of this report: The analytics engine used to prepare this analysis considers health and financial details and projects future healthcare costs. The report takes into consideration your health, healthcare costs, medical coverage, healthcare inflation rates and actuarial data including medical and pharmacy cost models. Many of these variables (e.g., your health status) may change significantly over long time periods, and hence could dramatically impact the actual medical expenses you will face.

AiVante, your financial advisor, their affiliates, representatives or agents can not guarantee the accuracy of these assumptions, guidelines or estimated costs. Annual cost projections are future values as of the year of attained age. Average annual costs are the average annual future costs for the stated period as in the report. These are estimates only and are hypothetical in nature and are not accurate and do not guarantee to be exact in any manner. Your actual healthcare costs will likely vary to an extent or sometimes significantly from the projections in this report. Your current and future decisions and actions should not depend on or be solely based on the cost projections and results generated by this report. We highly recommend and emphasize the importance of you monitoring your pre- and post-retirement income and expense plans at least on a yearly basis and act accordingly.

This report is also dependent based on the quality and accuracy of the data provided/ input by you or any person acting on your behalf, including information about your health as well as certain assumptions as to future inflation rates and future healthcare costs.

The applicability and accuracy of the information in this report resulting from use of tool, to your circumstance is not guaranteed. We recommend considering this report only as a reference and encourage you to talk to your financial advisor to plan as per your situation and goals. Aivante or affiliates or representatives are not responsible for the consequences of any decisions or actions taken as a result or by relying on the information provided by this report.

This report or information herein should be regarded as informational material on healthcare cost projections only and is not intended to provide specific healthcare advice. If you have specific questions regarding your situation, please consult your healthcare or tax advisors.

This report or information herein is not connected with or endorsed by the United States government or the federal Medicare program. Present value is calculated based on a discount rate of 6%.

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## For More Information

More detailed information is available from the following sources:

### **Medicare Information:**

The Medicare website [www.medicare.gov](http://www.medicare.gov) has a multitude of publications. Two comprehensive publications explain Medicare benefits, their cost, and how Medigap fills the gaps. 2024 Choosing a Medigap: A guide to health insurance for people with Medicare (Product #02110)

Medicare & you 2024 (Product #10050)

Call 1-800-MEDICARE if you would like to order a publication

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