


How Much Will You Need To Save For Healthcare In Retirement?

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Gay CFP writing about having a Wealthier Healthier and Happier Life



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Healthcare costs can ruin a retirement budget. ...
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Even for the healthiest Americans, the cost of health care in retirement can be astronomical. Don't even get me started on the untenable cost of treating diseases like cancer or Alzheimer's. A proper retirement income plan will include how you expect to pay for healthcare costs once you retire.

What Will A Couple Spend On Healthcare Expenses In Retirement?

The average American couple will need around \$413,000 to cover their healthcare expenses post retirement. That amount is 8% over the Employee Benefit Research Institute's (EBRI) estimate for 2023.

The good news here is that you don't necessarily need to have \$413,000 saved at the beginning of your retirement. If you wanted to have a 50% chance of being able to meet your healthcare expenses, a man aged 65, who also enrolled in Medigap Part G, with average premiums, would need *just* \$106,000 at the time of retirement. The number is a bit higher for women at \$128,000, according to the EBRI study.

To increase your chances of being able to afford adequate healthcare in retirement, a man and a woman could expect to have a 90% chance of being able to afford adequate healthcare in retirement if each saved \$184,000 and \$217,000, respectively. However, for a retired married couple, that amount is \$351,000. If the couple has particularly high prescription drug expenses, they would need \$413,000, EBRI said.

The EBRI study considered the \$2,000 cap on prescription drug costs, which is set to begin in 2025. That's thanks to the Inflation Reduction Act of 2022. Retirees owe Joe Biden and his administration a big thank you for that. While \$2,000 may seem like a lot of money to spend on prescriptions (it is), it is much less than many retirees' out-of-pocket prescription costs today.

The numbers above do not account for some expenses that may not be covered by Medicare, for example, dental or vision. [Assisted living](#) and hospice expenses were also not included. Since most people have eyes and teeth, it's fair to assume most people will incur some dental and vision expenses in retirement. Don't even get me started on the cost of long-term care, something an estimated 70% of Americans will need at some point.



Medicare does not mean free healthcare. UNITED ...
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Is Medicare Free?

The dream is that you will eventually turn 65, and all your healthcare expenses will be covered by [Medicare](#). I hate to be the bearer of bad news, but in the real world, healthcare costs in retirement years can take a ridiculously large chunk out of your retirement income. Most people will still face substantial premiums for insurance and out-of-pocket medical care in retirement.

How To Tax Efficiently Pay For Medical Care In Retirement

The health savings account (HSA) is a tax-favored account used for healthcare expenses. You can get a [tax deduction](#) for contributions to your health savings account. When you invest the funds, your money is able to grow tax-free. When needed, you are able to withdraw the money tax-free if used for qualified medical expenses. HSAs accompany high-deductible health insurance plans. Some people are using them like an additional retirement account by letting the account grow until much later in life.

The EBRI study and suggested dollar amounts to have saved by the time you retire may be frightening to some of you. Try not to get discouraged. If anything, use this as motivation to start saving today and, if needed, improve your overall health and well-being. A healthier body will, hopefully, lower your risk of illness and the amount you will have to spend on healthcare when you are retired.