

Planning for Health Care in Retirement

A guide to covering your medical expenses

For investors.

Not FDIC Insured • May Lose Value • No Bank Guarantee



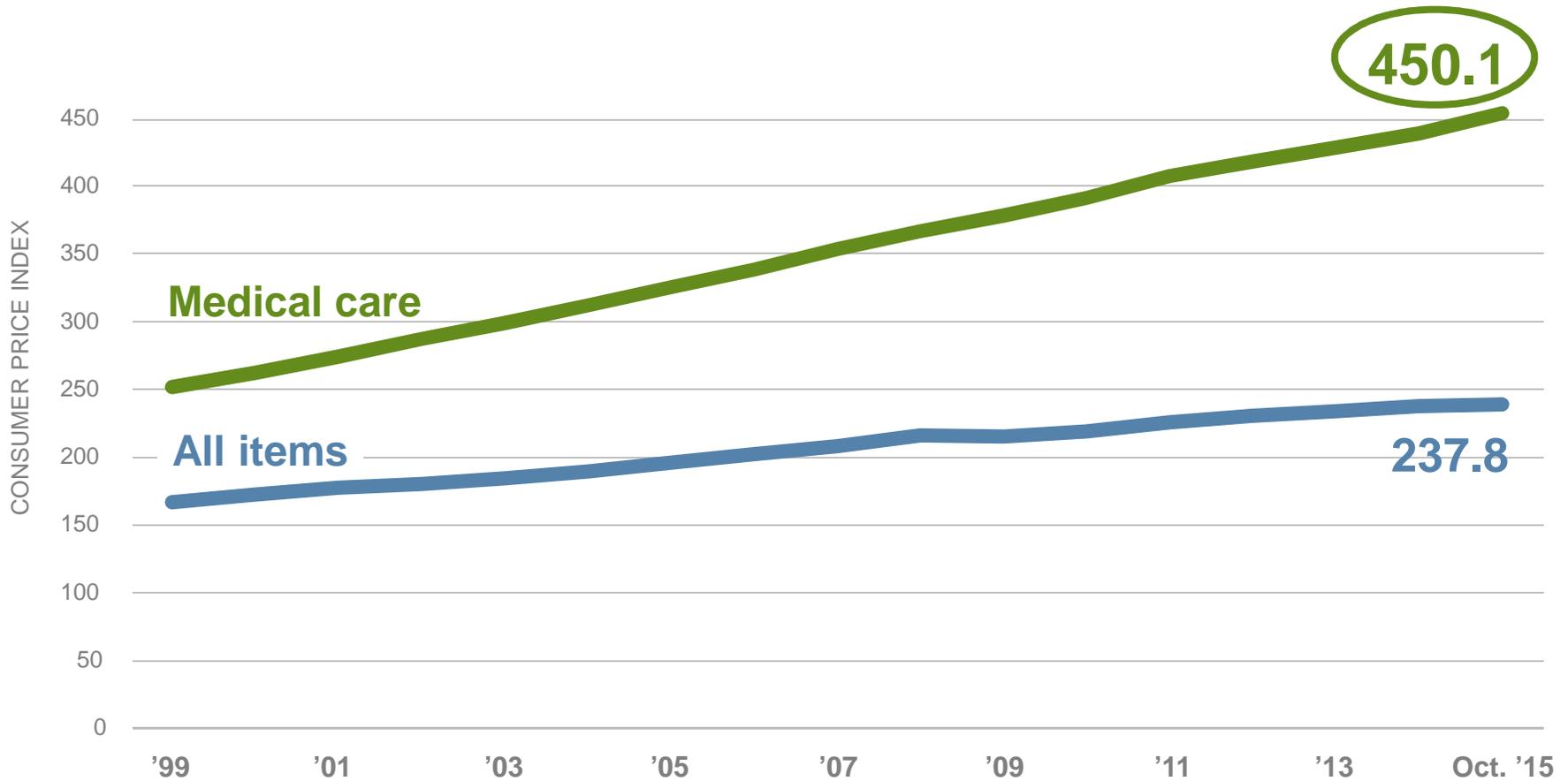
Agenda

- **Gain insight into health care costs**
- **Look into Medicare – what it covers and what it costs**
- **Outline a 4-step process for creating a health care plan**

The **confidence of knowing** your health care is covered is one of the most valuable things you can take into retirement.

Rising Health Care Costs – A Reality of Retirement

Health care costs have nearly doubled since 2000



Source: Department of Labor, Bureau of Labor Statistics, Consumer Price Index, as of 10/31/15.
The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Reality of Retirement Spending

Individuals spend more than 50% of their retirement income on essential expenses¹

Food



Grocery prices have risen **2–3%** every year since 1990.²

Health care



Out-of-pocket medical expenses have increased **30%** for seniors since 2000.³

Housing



Nearly **40%** of retirement income goes to housing.⁴

1. Source: Fidelity Advisor 2015 Survey of Investors at Retirement, November 2015. Conducted by Research Now on behalf of Fidelity Investments, this survey included 2,021 investors between the ages of 50 and 75 with investable assets of \$100,000 or more. Fidelity Investments was not identified as the survey's sponsor.

2. Source: "Food Prices Rise for 4 Reasons," About.com, November 23, 2015.

3. Source: Senior Citizens League. Seniors' Cost of Living (2000–2015).

4. "Housing is biggest expense for retirees," Marketwatch, September 30, 2014.

Multiple Factors Drive Up Health Care Costs

Medical Services

\$1,233

Average cost of a typical ER visit – 40% more than the U.S. average monthly rent¹

Diagnostic Testing

20x

Increase in number of CT scans performed over past three decades²

Prescription Drugs

13.6%

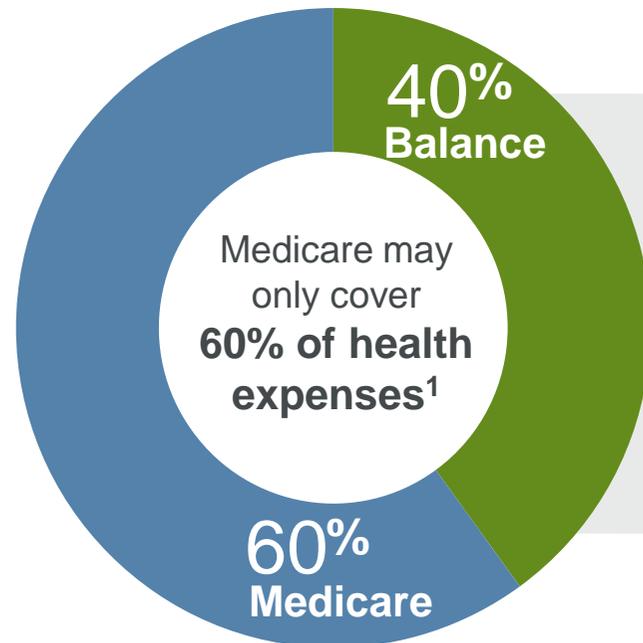
One-year increase in prescription drug costs³

1. Caldwell, N., Srebotnjak, T., Wang, T. "How Much Will I Get Charged for This?" Patient Charges for Top Ten Diagnoses in the Emergency Department." PLOS ONE. (February 27, 2013).

2. Source: 2011, American College of Physicians. CT scans in U.S. 1980–2007.

3. Source: 2015 Milliman Medical Index for the one-year period, 2014–2015.

Understanding Health Care Costs



Out-of-pocket health care expense estimate for a 65-year-old couple²
\$245,000

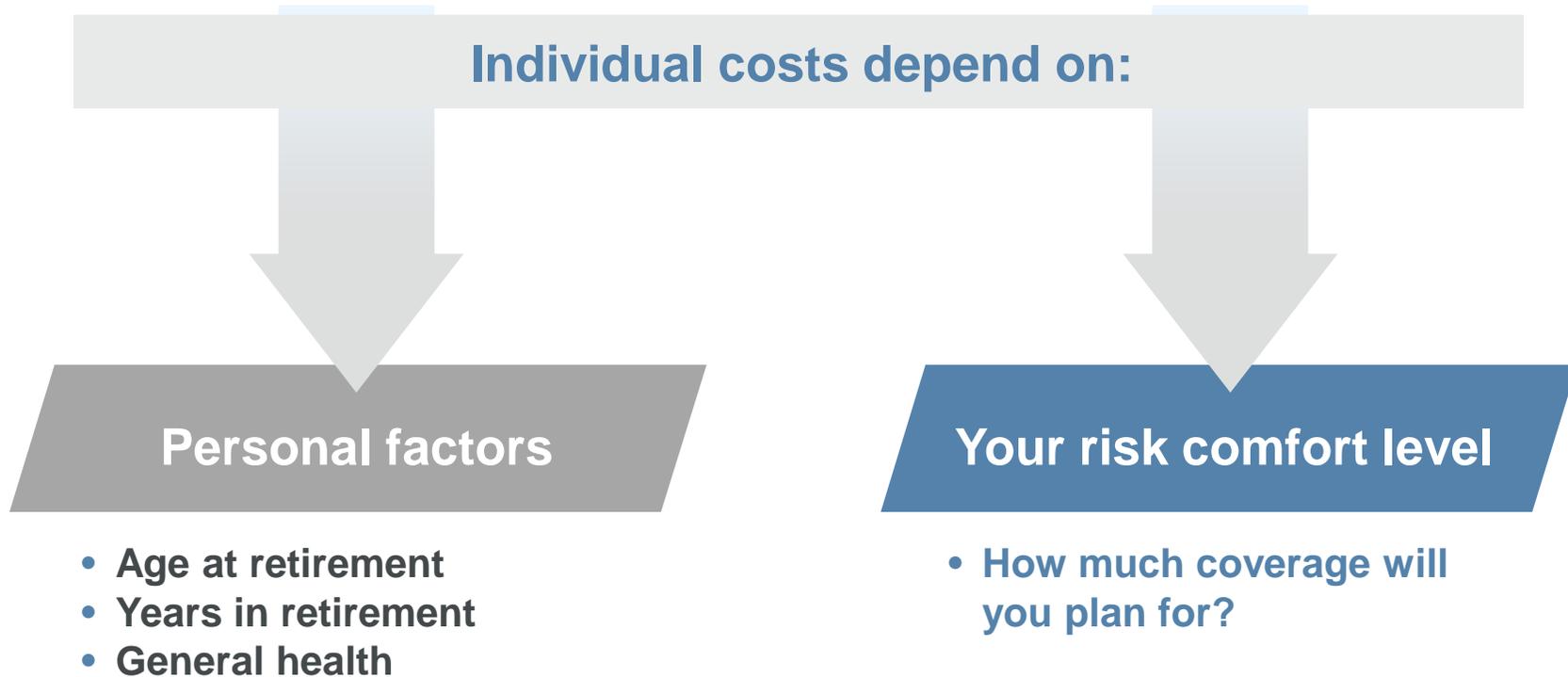
People may underestimate these costs by more than **50%**³

1. EBRI, "Savings Needed for Health Expenses for People With Medicare Coverage," October 2012.

2. 2015 Fidelity analysis performed by its Benefits Consulting group. Estimate based on a hypothetical couple retiring in 2015, 65-years-old, with average life expectancies of 85 for a male and 87 for a female. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care. Life expectancies based on research and analysis by Fidelity's Benefits Consulting group and data from the Society of Actuaries, 2014.

3. Fidelity-sponsored HSA Survey, conducted by GfK Public Affairs & Corporate Communications, February 2013. The HSA survey was conducted by GfK Public Affairs & Corporate Communications from February 4 to 20, 2013. The study was conducted among a nationally representative sample of 1,836 U.S. adults ages 25–64 with a household income of \$25,000 or more. Respondents also have primary or shared responsibility for household financial decisions and receive health care benefits through their own or their spouse's employer. Nearly half (48%) of the pre-retirees aged 55–64 surveyed estimated they would need only \$50,000 for health care expenses in retirement.

Your Out-of-Pocket Costs May Vary





Learn about Your Options and Get Started on Your Plan

Steps you can take right now:

1
Get to know
Medicare.

Estimate
your annual
**Medicare
costs.**

Take stock of
your funding
sources.

**Create a
health care
plan** with your
financial advisor.

STEP 1

Get to Know Medicare

What are your Medicare options?

Part A	Hospital insurance
Part B	Medical insurance
Part D	Prescription drug coverage
Medigap	Medicare supplemental insurance
Part C	Medicare Advantage plans

Key Dates for Medicare

Part A & B

Regular Medicare

- 3 months before reaching age 65 (7-month enrollment window)
- Late enrollment penalty, some exceptions apply

Part D

Prescription drug coverage

- Initial enrollment deadline is the same as Parts A & B
- October 15–December 7 annual enrollment window for changes

Part C

Medicare Advantage plans

- Similar to regular Medicare (Parts A & B)
- October 15–December 7 to add, drop, or change
- January 1–February 14 to drop existing plan and switch to regular Medicare if plan is non-renewing
- Calendar-year enrollment
- Limited ability to make changes

STEP 1

Medicare Part A (Hospital Insurance)

In-hospital stay in 2016 (per benefit period)	
Days 1–60	\$1,288 deductible
Days 61–90	\$322 per-day copayment
Days 91–150	\$644 per "lifetime reserve day"
Days 150+	All costs

Source: Medicare.gov, 2015.

STEP 1

Medicare Part B (Medical Insurance)

In 2016 you can expect to pay:

\$166 deductible | **20%** coinsurance for doctors' services and outpatient care

Individual Filer AGI	Joint Filer AGI	Standard Monthly Premium ¹	
		2015	2016
\$85,000 or less	\$170,000 or less	\$104.90	\$121.80
\$85,001 up to \$107,000	\$170,001 up to \$214,000	\$146.90	\$171.50
\$107,000 up to \$160,000	\$214,001 up to \$320,000	\$209.80	\$243.60
\$160,001 up to \$214,000	\$320,001 up to \$428,000	\$272.70	\$316.70
above \$214,000	above \$428,000	\$335.70	\$389.80

70% of individuals enrolled in Medicare will
pay the same 2015 Part B premium in 2016.²

1. 2015 and 2016 premiums are based on yearly income in 2013 and 2014, respectively (modified adjusted gross income as reported on an IRS tax return).

2. Kaiser Family Foundation, "What's in Store for Medicare's Part B Premiums and Deductibles and Why?," November 2015.

Source: Medicare.gov, 2015.

STEP 1

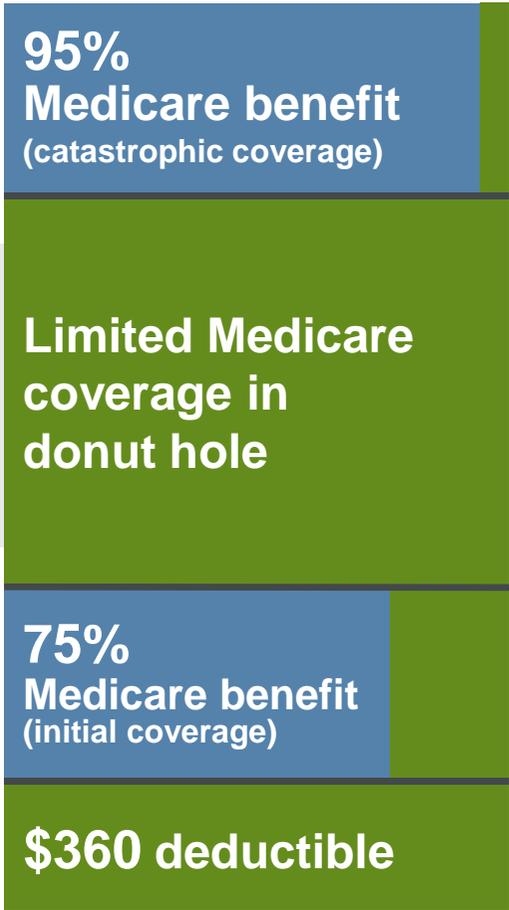
Medicare Part D (Prescription Drug Coverage)

■ YOU PAY

■ MEDICARE PAYS

Premiums vary by insurer

The donut hole is large and costly.



Beneficiary pays 5% (min. copay);

\$2.95 generic or \$7.40 brand

\$7,062.50 in total drug costs

\$4,850 out-of-pocket reached

Beneficiary pays \$3,752.50

\$3,310 in total drug costs

Beneficiary pays 25% or \$737.50

Beneficiary pays 100% or \$360

Source: Medicare.gov, 2015.

Medicare Part D (Prescription Drug Coverage)

Higher-income beneficiaries pay higher Medicare Part B and Part D premiums.

Individual Filer AGI	Joint Filer AGI	Standard Monthly Premium
\$85,000 or less	\$170,000 or less	Plan premium
\$85,001 up to \$107,000	\$170,001 up to \$214,000	Plan premium + \$12.70
\$107,000 up to \$160,000	\$214,001 up to \$320,000	Plan premium + \$32.80
\$160,001 up to \$214,000	\$320,001 up to \$428,000	Plan premium + \$52.80
above \$214,000	above \$428,000	Plan premium + \$72.90

Less than 5% of individuals with Medicare have a higher income and pay a higher premium.

* 2015 premiums are based on yearly income in 2013 (modified adjusted gross income as reported on an IRS tax return).
Source: Medicare.gov, 2015.

Medigap

Supplemental Medicare Insurance

- 10 standard plans offering different levels of coverage
- Premium cost for same coverage varies by insurance company and state where purchased
- Flexibility to see any doctor who accepts Medicare
- No coverage for dental, hearing, or vision
- No prescription drug coverage

Medicare Part C

Medicare Advantage Plans

- HMOs, PPOs, private fee-for-service plans, Medicare specialty plans
- Address Part A and Part B expenses, and often others, i.e., prescription drugs
- Costs may increase if you use out-of-network doctors
- Hearing, dental, and vision (not covered under Medicare) may be covered

Questions to Weigh When Considering Plan Options

Consider:

- ✓ Do you have coverage for dental, hearing, and vision care – **services not covered by Medicare?**
- ✓ Is it important for you to **continue seeing your current physicians?**
- ✓ Have you estimated the total **out-of-pocket costs for prescription drugs?**
- ✓ Do you want **flexibility to choose providers** – particularly specialists?
- ✓ Do you have **protection from catastrophic illness?**

STEP 2

Estimate Your Annual Medicare Costs

HYPOTHETICAL EXAMPLE OF MEDICARE COSTS
Couple, Age 65
Income <\$170,000
Eligible for Medicare Hold-Harmless Provision



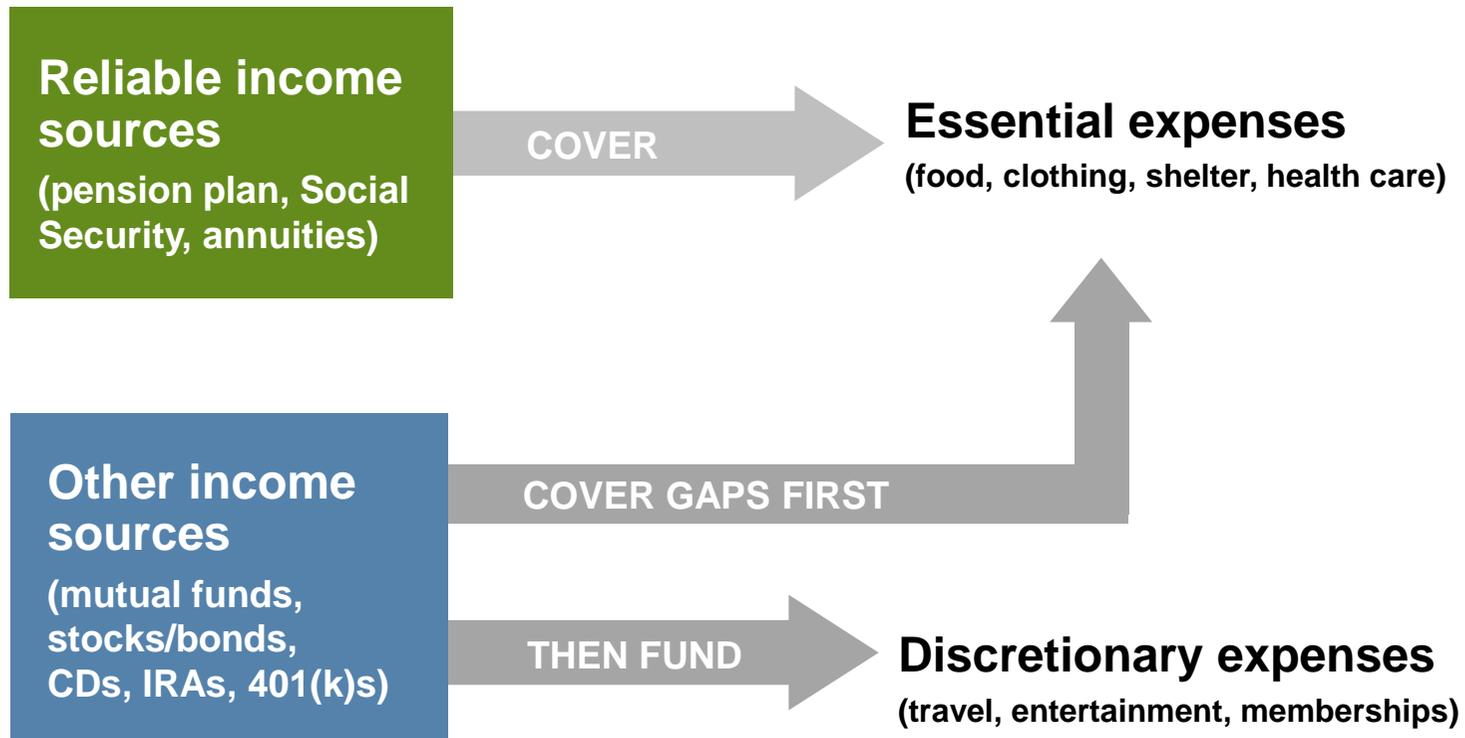
Medicare Part A	\$0 – covered by Medigap F
Medicare Part B	\$1,462 for premium – deductible and coinsurance covered by Medigap*
Medicare Part D	\$2,441 for premium and deductible ¹
Medigap Plan F	\$2,180 for premium ²
Annual total	\$6,083 per person or \$12,166 per couple

1. Based on the estimated average annual per-beneficiary cost spending for Part D for 2015. The Department of Health and Human Services, 2015 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

2. 2016 annual amount; Medicare.gov, 2015.

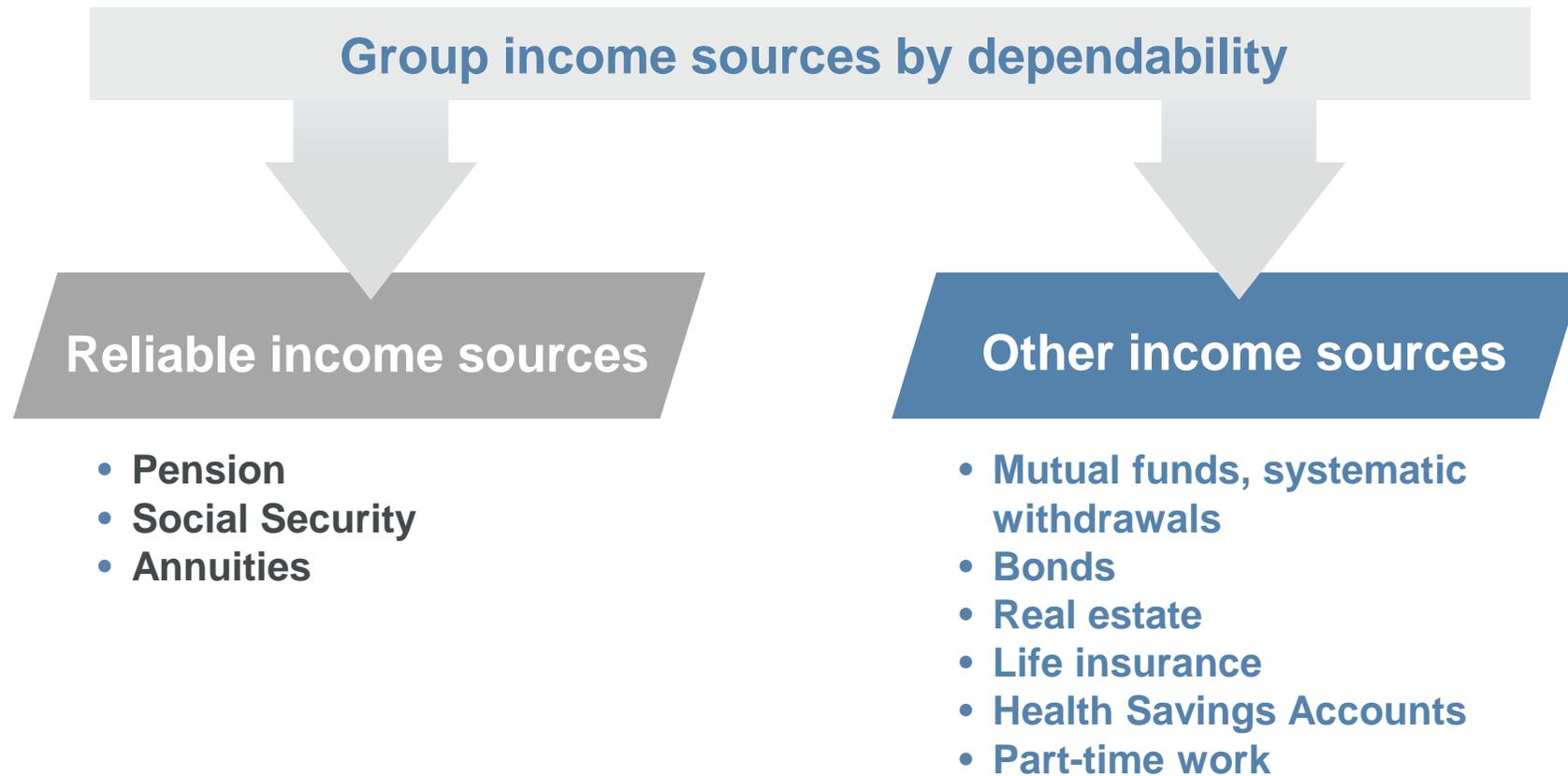
Take Stock of Your Funding Sources

Use your sources of dependable income to cover health care and other essential expenses



Source: Fidelity Advisor 2013 Survey of Investors at Retirement.

Take Stock of Your Funding Sources



Resources to Help Get You Started

- [Medicare.gov](https://www.Medicare.gov)
- [Eldercare.gov](https://www.Eldercare.gov)
- [AARP.org](https://www.AARP.org)
- [State Health Insurance Programs \(SHIPtalk.org\)](https://www.StateHealthInsurancePrograms.org)
- [Benefitscheckup.org](https://www.Benefitscheckup.org)
- [SocialSecurity.gov](https://www.SocialSecurity.gov)

Create a Health Care Plan with Your Financial Advisor

Your advisor can help you:

- ✓ **Check** your health care expense estimates
- ✓ **Bucket** essential and discretionary expenses
- ✓ **Review** your sources of income
- ✓ **Create** a plan to ensure that your health care and other essential expenses are covered
- ✓ **Develop** a financial strategy for discretionary spending