

Health Care Costs in Retirement

A man walks down a city sidewalk. He stops, and the words No More Commuting Costs appear on screen. **Narrator:** “If you’ve thought about retirement at all, you might assume that you’ll need less money to live on after you retire. Sure, some work-related expenses, such as commuting costs, will go away.”

An ambulance drives past the man, and the outline of a chart appears on screen. **Narrator:** “But don’t assume all your expenses will be lower. One major expense during retirement could be the cost of your health care. You may need more health care as you get older. And it’s no secret that health care costs have increased a lot over the years.”

As the man walks into view, the labels 1984 and \$1,485 appear on the chart. Text at the bottom of the screen reads, Source: United States Bureau of Labor Statistics. The man continues walking and then stops when he gets to 2023. Above him is a label that says \$7,942 per year. **Narrator:** “In 1984, the average spending on health insurance, medical services, drugs, and medical supplies for a retired household (ages 65 to 74) was \$1,485 a year. By 2023, that amount had increased to \$7,942. By the time you retire, your annual out-of-pocket costs could be significantly more.”

The scene switches to an exam room in a doctor’s office. The doctor enters and stops in the middle of the room. Symbols labeled Dental, Long-Term Care, Co-Payments, and Out-of-Pocket Expenses appear on screen, followed by symbols labeled Supplemental Health and Long-Term Care Insurance. **Narrator:** “If you’re counting on Medicare to take care of your expenses, you should know that it won’t cover all of your costs. Certain items and services are not covered, such as most dental and long-term care. And even with Medicare coverage, there are copayments and other out-of-pocket expenses. You may decide to buy supplemental health and long-term care insurance to cover the expenses that Medicare won’t.”

In the exam room, the doctor takes the man’s blood pressure using a machine with a display that looks like a thermometer. As the narrator mentions different types of health care costs, the reading on the machine goes all the way to the top, where there’s a dollar sign. **Narrator:** “If you add up the cost of Medicare premiums, supplemental insurance, copays, and out-of-pocket health care costs, you could be looking at spending a large amount of money for your health care after you retire.”

The question How much money? appears on screen. Different percentages flash on and off the screen, stopping at 90 percent. Then the figures that the narrator mentions appear, along with corresponding symbols for a couple, a single man, and a single woman. At the bottom of the screen, there is text that reads, These figures assume retirement at age 65 in 2023 and median drug expenses. Potential long-term care expenses are not included in the estimates. Source: Employee Benefit Research Institute. **Narrator:** “How much money? According to the Employee

Benefit Research Institute, for a 90% chance of having enough money saved to cover health care expenses throughout retirement, a married couple with median prescription drug expenses needs \$351,000 in savings, a single man needs \$184,000, and a single woman needs \$217,000. Of course, your actual expenses could be higher or lower.”

The man walks to an elevator and presses the button to summon it. As he rides up the elevator, it stops at various points and the saving tips mentioned by the narrator appear on the right.

Narrator: “So, how are you going to save for future health care costs plus have enough money for everything else? For starters, look for opportunities to contribute more to your employer’s retirement savings plan. For example, increase your plan contribution whenever you receive a raise. And consider opening a health savings account if you’re eligible for one. You can also set up an individual retirement account or an investment account.”

Standing in the elevator, the man leans against the wall in thought. The bubble next to him contains an image of a car loaded with suitcases traveling on a road past mountains and trees.

Narrator: “Saving even a little more now for retirement could make a big difference in the amount of money you’ll have available in the future. And that can make it easier for you to pay your health care expenses once you retire.”

The final screen appears, which reads, It’s your future. Start planning today.

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