



# Health Care Costs in Retirement Survey

Among U.S. Adults Ages 50 and Older

October 2016

Presented by Harris Poll

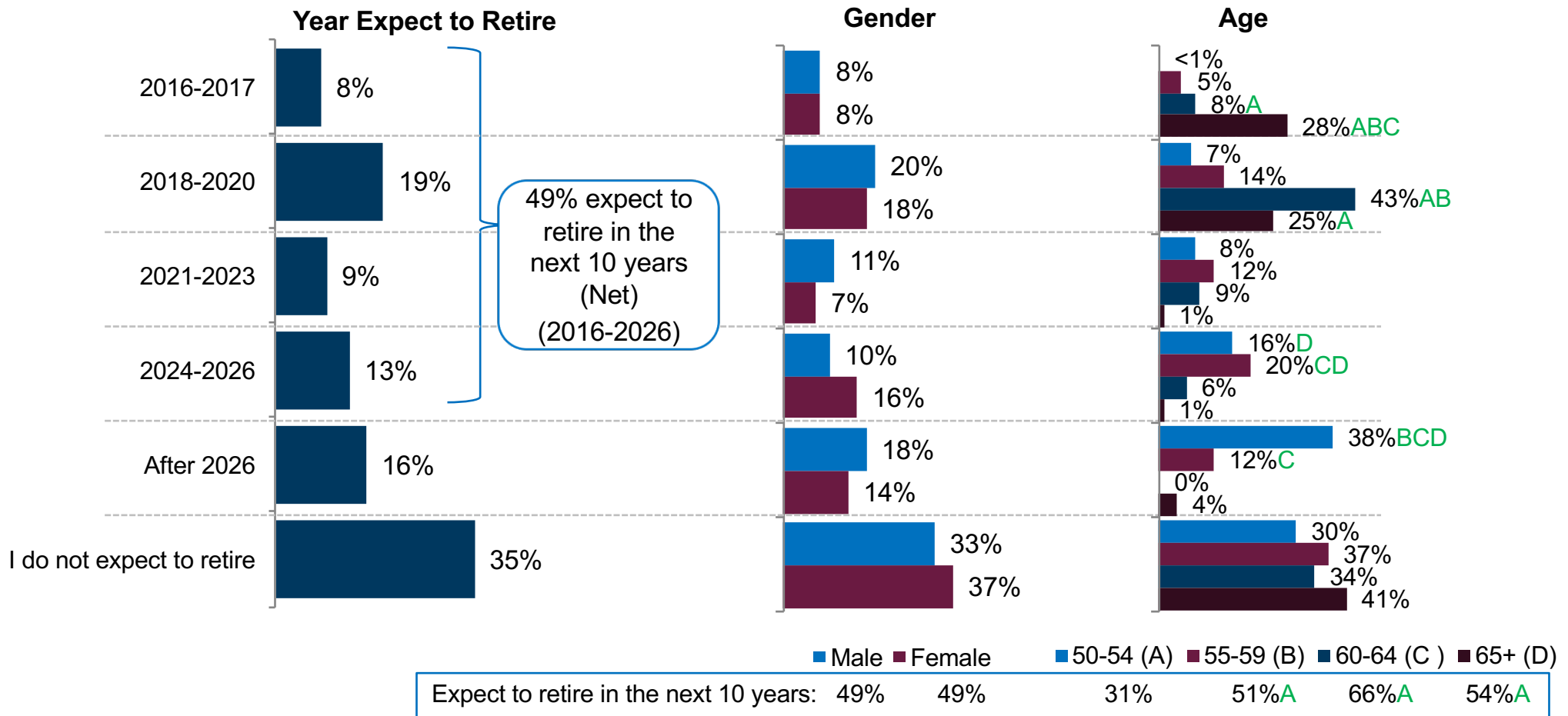
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# Target Group and Method

- This survey was conducted online from September 14-22, 2016 to a targeted subset of the U.S. population:
  - 1,316 U.S. adults aged 50 or older
- Research participants were drawn from the Harris Poll Online (HPOL) research panel and appropriately incentivized.
- Results are weighted to the U.S. General Online Population of adults by age by gender, race/ethnicity, education, region, household income, marital status, and propensity to be online.
- Because the sample is based on those who were invited to participate in the HPOL panel (and not random), we cannot calculate estimates of theoretical sampling error.

# Nearly half of older adults expect to retire in the next decade

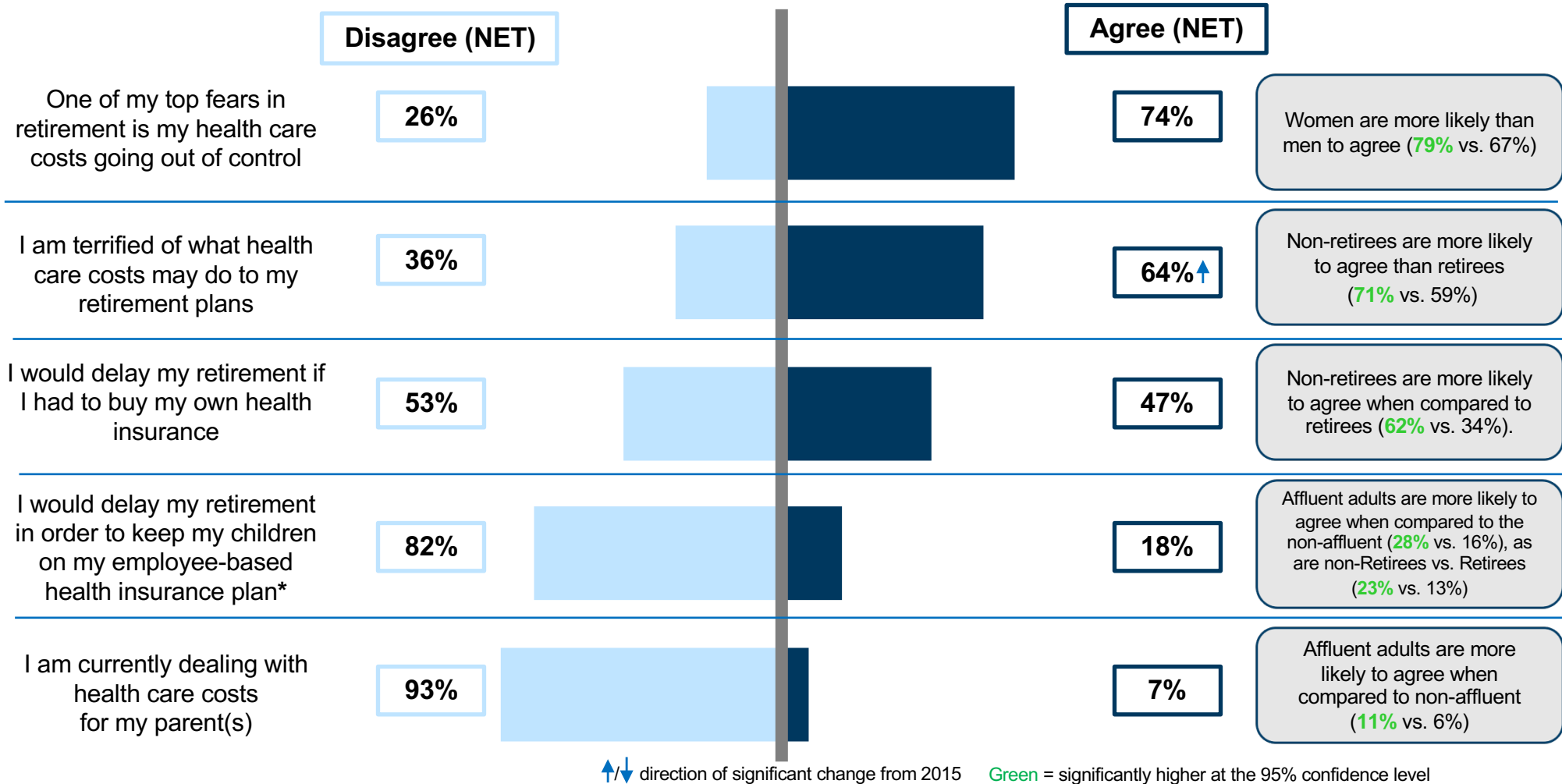
- Over one third (35%) do not expect to retire.



Green = significantly higher at the 95% confidence level

# Health care costs in retirement are feared

- The majority of adults admit that one of their top fears in retirement is their health care costs going out of control (74%) and they are terrified of what health care costs may do to their retirement plans (64%) – the latter up significantly since 2014 (56%) and 2015 (57%).
- Almost half would delay their retirement if they had to buy their own health insurance (47%).



\*Base: \*Have children (n=999)

Base: Qualified respondents (n=1316)

Q740 How much do you agree or disagree with the following statements?

# Majority are concerned over medical expenses and LTC; having enough money/benefits to last through retirement

- Top concerns when planning for retirement are: not having the money to cover unplanned medical expenses (72%), having money to cover LTC expenses (70%), not receiving enough through government benefits (69%), and having enough money to last through retirement (66%), particularly among those with less than \$150K in household income.

	<b>Very/Somewhat Concerned</b>	<u>Retired</u>	<u>Not Retired</u>	<u>HHI &lt;\$150K</u>	<u>HHI \$150K+</u>
Not having the money to cover unplanned medical expenses.	72%	69%	76%	75%	56%
Having money to cover long term care expenses.	70%	67%	73%	72%	59%
Not receiving enough through government benefits such as Social Security and/or Medicare.	69%	64%	75%	71%	56%
Having enough money to last through my retirement.	66%	59%	74%	68%	53%
Health care costs depleting what I planned to leave for my children.*	52%	47%	58%	53%	42%
Outliving my spouse or partner.^	44%	41%	47%	45%	38%
My spouse or partner outliving me.^	39%	37%	41%	42%	26%

Green = significantly higher at the 95% confidence level

^Base: Married/Living with Partner (n=815); \*Base: Have children (n=999)

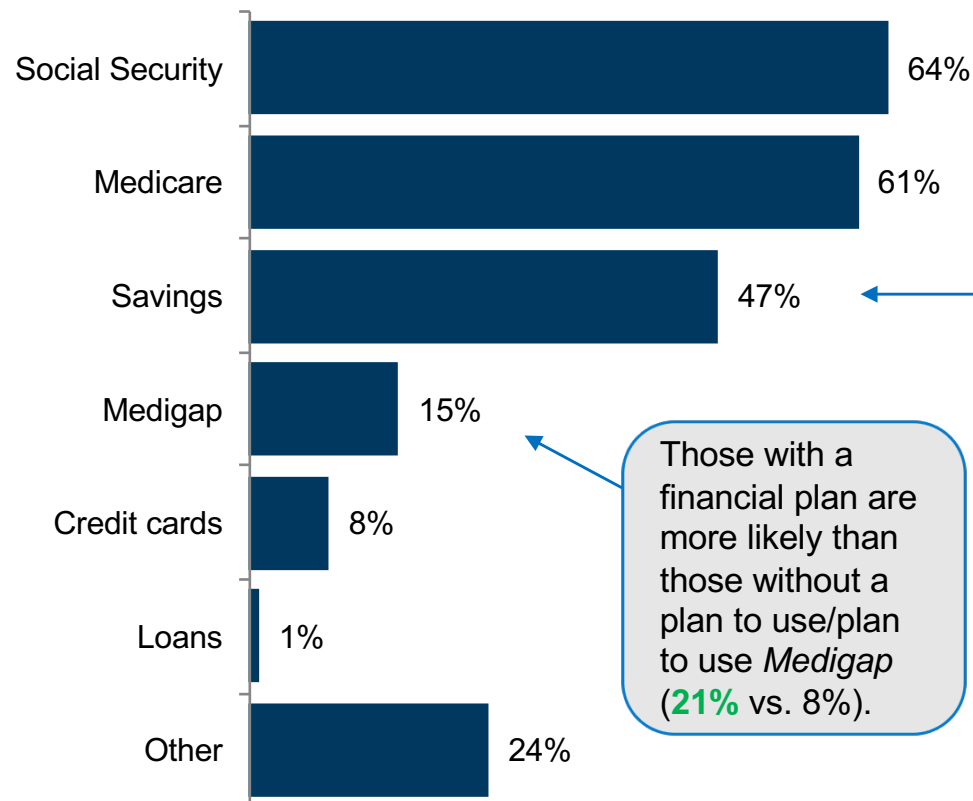
Base: Qualified respondents (n=1316)

Q710 When planning for retirement, how concerned are you about each of the following?

# Beyond income, Social Security and Medicare top list of sources used to pay for health care costs in retirement

- Less than half (47%) use or plan to use savings.
- Far fewer use/plan to use Medigap, credit cards, or loans.

Sources To Pay For Health Care Costs in Retirement



Groups more likely than their counterparts to use/plan to use *savings*:

- Affluent adults (**67%** vs. 43%)
- Men (**53%** vs. 41%)
- Non-retirees (**54%** vs. 40%)
- Those with a financial plan (**60%** vs. 27%).

Those with a financial plan are more likely than those without a plan to use/plan to use *Medigap* (**21%** vs. 8%).

Green = significantly higher at the 95% confidence level

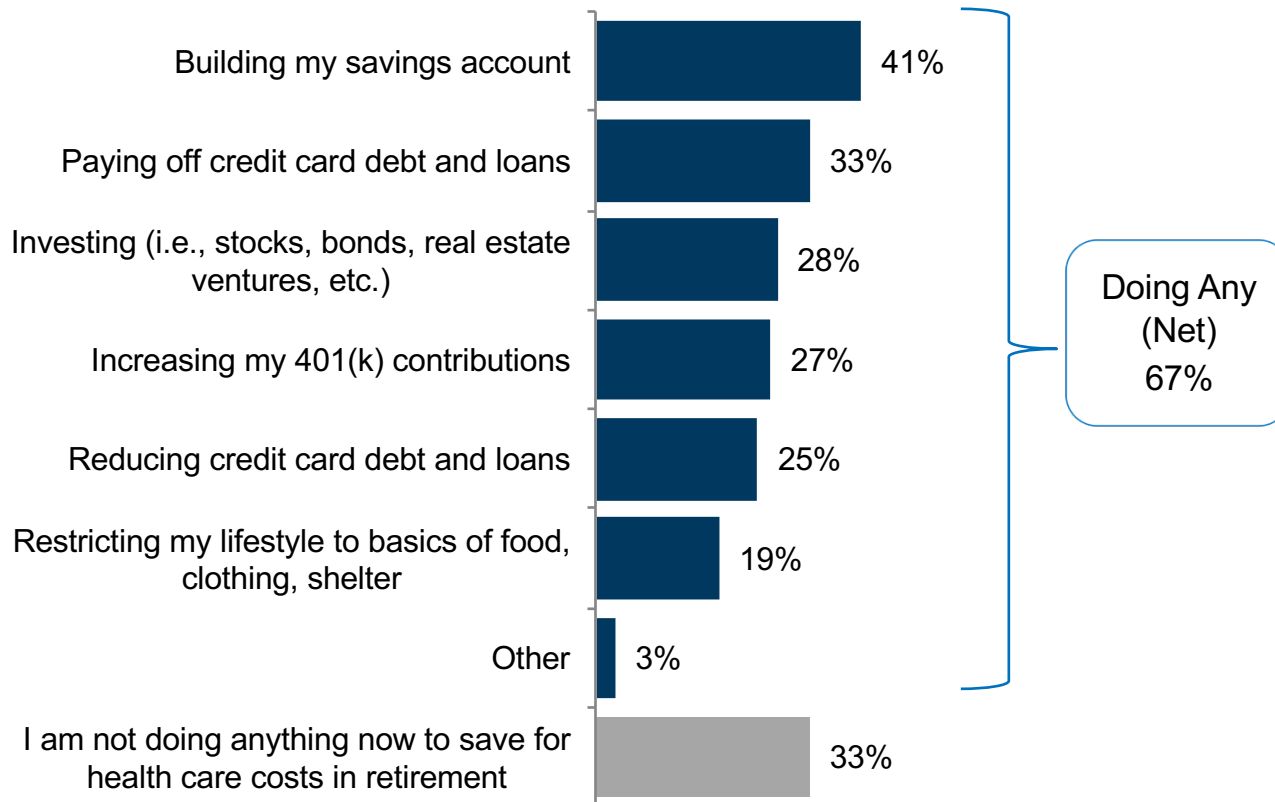
Base: Qualified respondents (n=1316)

NEW Q1410 Beyond income, what sources do you [use/plan to use] to pay for health care costs in retirement? Please select all that apply.

# Majority of non-retirees are taking action now to save for health care costs in retirement

- Most commonly, non-retirees are building their savings account (41%).
- One in three are not doing anything now to save for these costs.

**Doing Now to Save for Health Care Costs in Retirement**



- Non-retirees with a financial plan are more than twice as likely as those without a plan to be doing anything (88% vs. 41%).
- Those with HHI \$150K+ are more likely than their counterparts to be doing anything (84% vs. 63%), as are men more than women (77% vs. 60%)

Green = significantly higher at the 95% confidence level

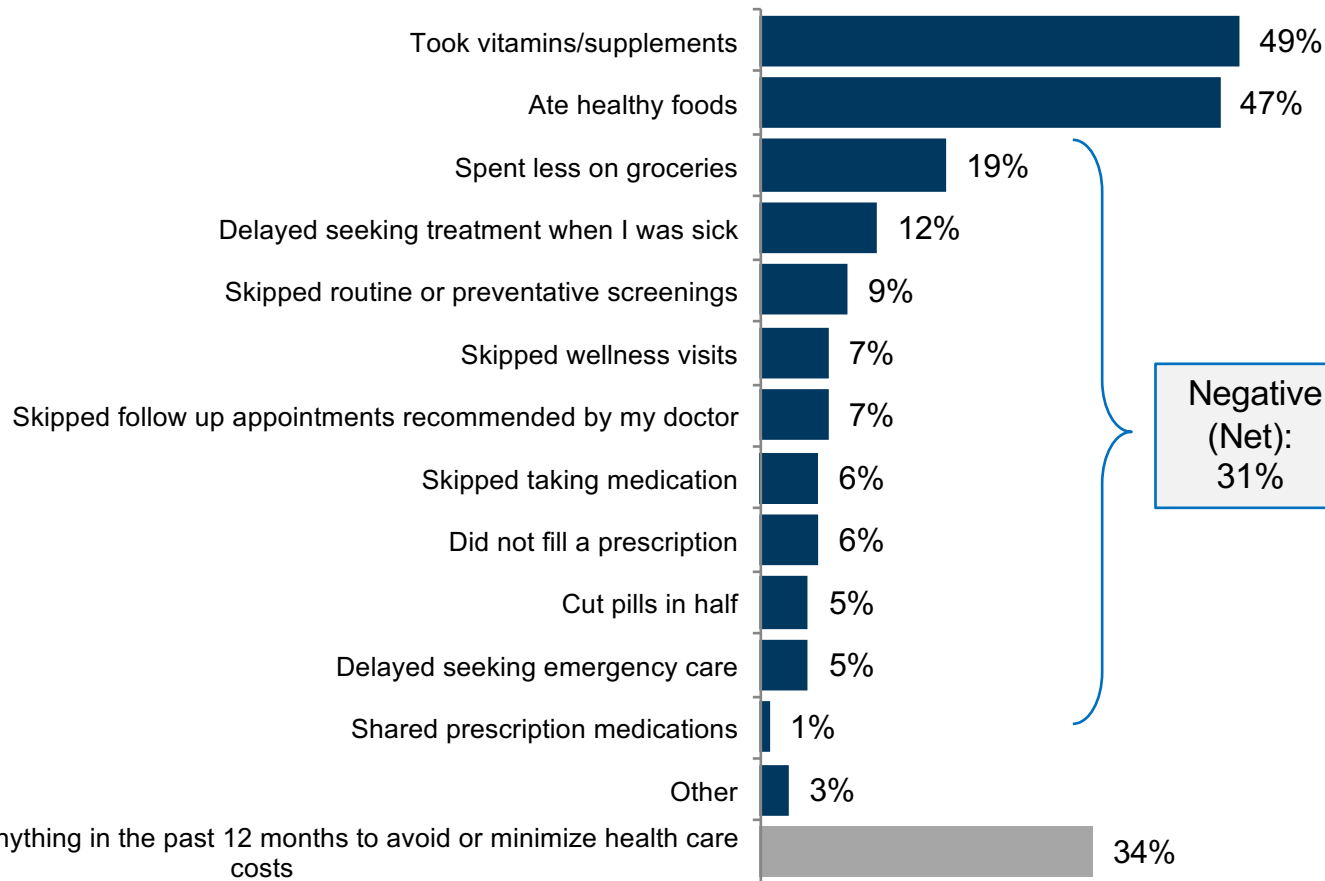
Base: Non-retirees (n=780)

NEW Q1415 Which of the following, if any, are you doing now to save for health care costs in retirement? Please select all that apply.

# Some have taken potentially harmful steps to deflect health care costs in retirement

- While about half of older adults took vitamins/supplements (49%) and/or ate healthy foods (47%) in the past 12 months to avoid or minimize health care costs, three in ten (31%) have taken “negative” actions, particularly those with HHI <\$150K and women.

**Done in Past 12 Months to Avoid or Minimize Health Care Costs in Retirement**



Negative (Net): 31%

Those with HHI <\$150K are more likely than affluents to have done anything “negative” (34% vs. 17%), as have women more than men (37% vs. 24%)

Green = significantly higher at the 95% confidence level

Base: Qualified respondents (n=1316)

NEW Q1425 Which of the following, if any, have you done in the past 12 months to avoid or minimize health care costs? Please select all that apply.

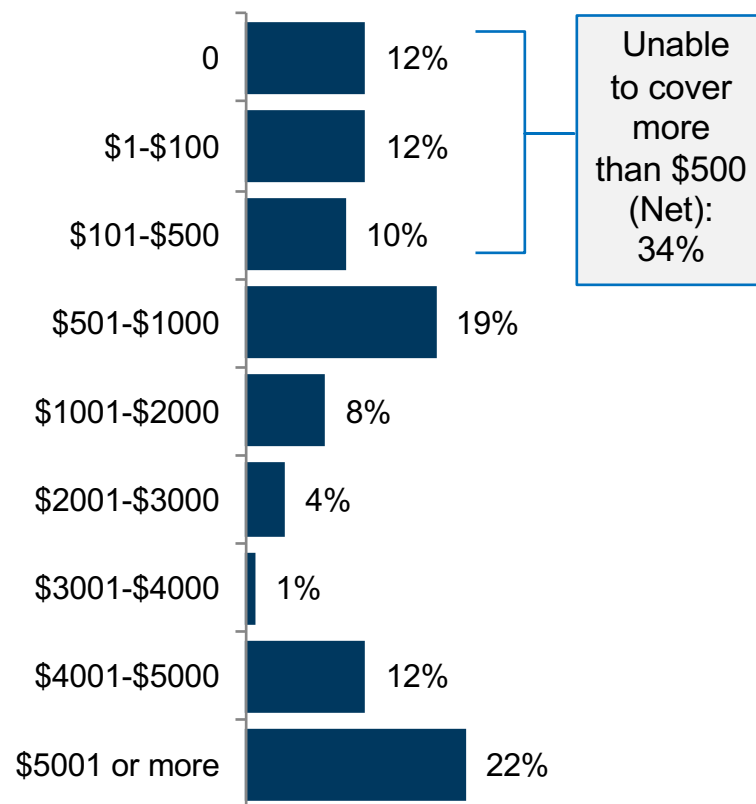


# Over \$500 in unplanned expenses too much to cover, for some

- One in three older adults (34%) would be unable to cover more than \$500 today, including 12% who are unable to cover *any* amount.
- On average, these adults would be able to cover up to \$3,155 in unplanned expenses today.

## Highest Amount in Unplanned Expenses Able to Cover Today

Mean = \$3,155



- Those with HHI <\$150K are more likely than their counterparts to only be able to cover \$1-\$500 (**25%** vs. 7%). Further, this group is twice as likely as affluents to not be able to cover any amount today (**13%** vs. 6%).
- Those without a financial plan are **6x** as likely as those with a plan to not be able to cover any amount (**24%** vs. 4%).

Green = significantly higher at the 95% confidence level

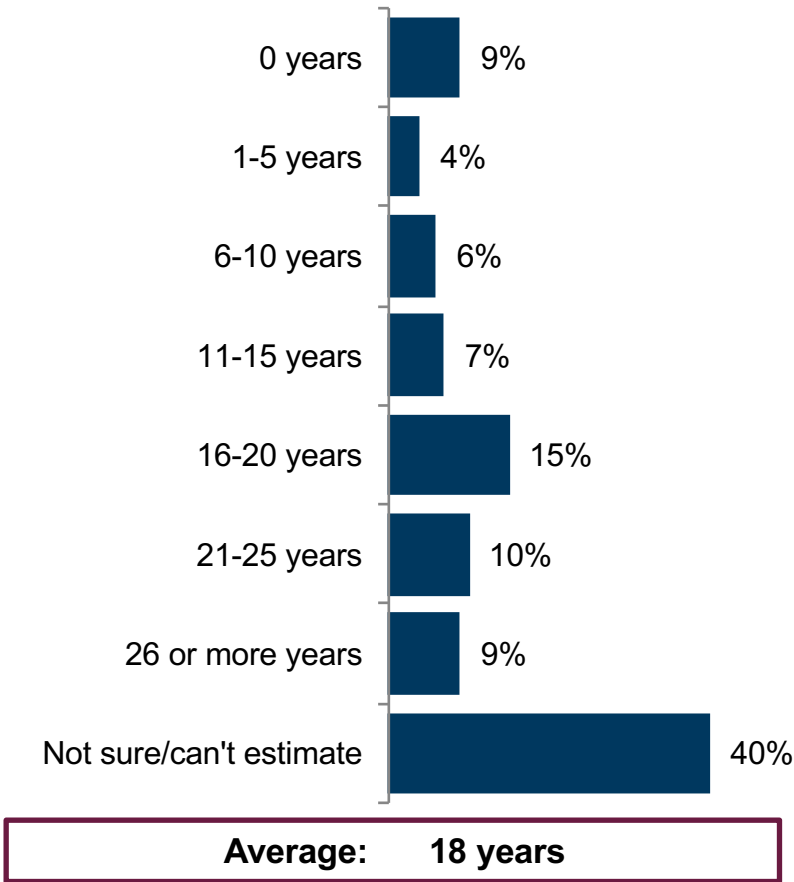
Base: Qualified respondents (n=1316)

NEW Q1435 What is the highest amount in unplanned expenses that you would be able to cover today?

# Retirement funds need to last nearly two decades, on average

- On average, adults believe they will need retirement funds for themselves for 18 years, with only 9% saying they will need retirement funds for more than 25 years.
- Two in five (40%) are unable to provide an estimate.

# of Years Need Retirement Funds Available

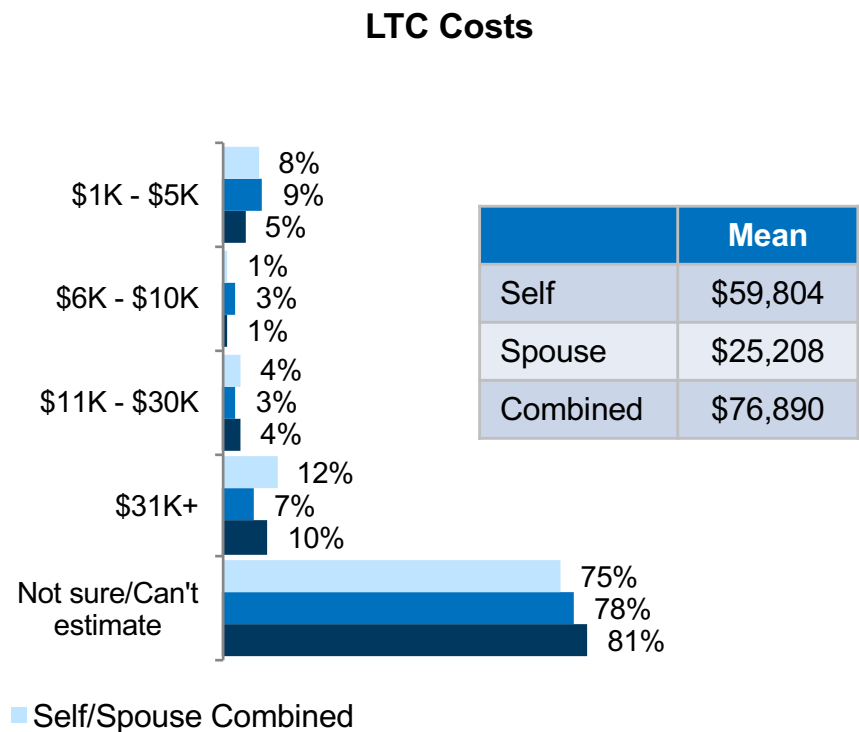
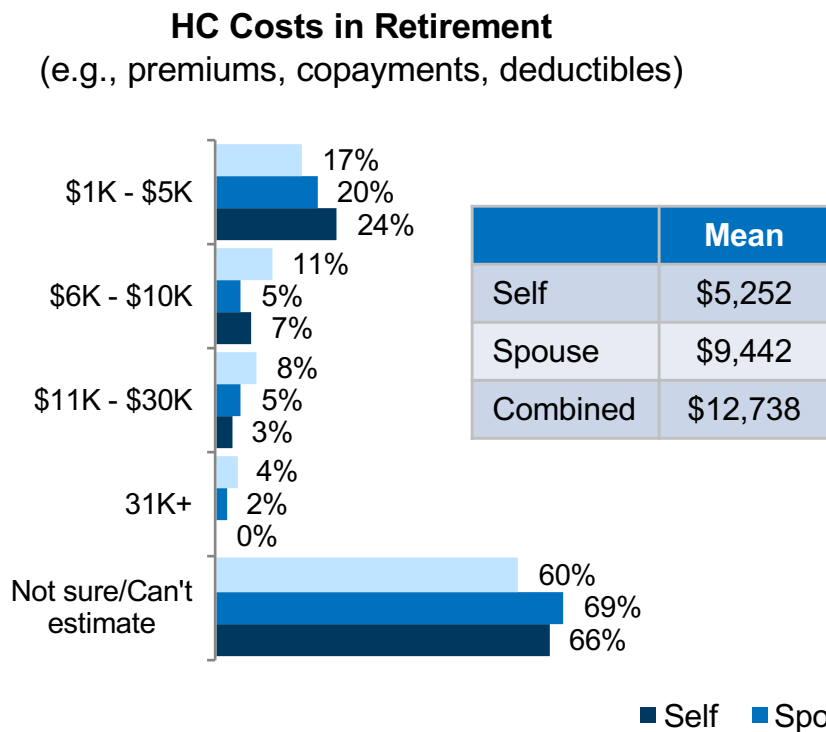


On average, retired adults estimate more years that they will need retirement funds than those who are not retired (20 years vs. 14 years, respectively).

Green = significantly higher at the 95% confidence level

# Majority are unsure of annual health care or LTC costs

- Most older adults can't estimate health care costs in retirement (60%) or LTC costs (75%) for themselves and their partner (combined).
- However, among those who provide an estimate, annual costs for health care in retirement are expected to be approximately \$12,738 for themselves and their spouse combined; considerably higher for LTC at \$76,890.



Those with HHI of \$150K+ reported higher mean estimates than those with HHI of less than \$150K for themselves:

- HHI \$150K+ (\$8,004)
- HHI <\$150K (\$4,564)

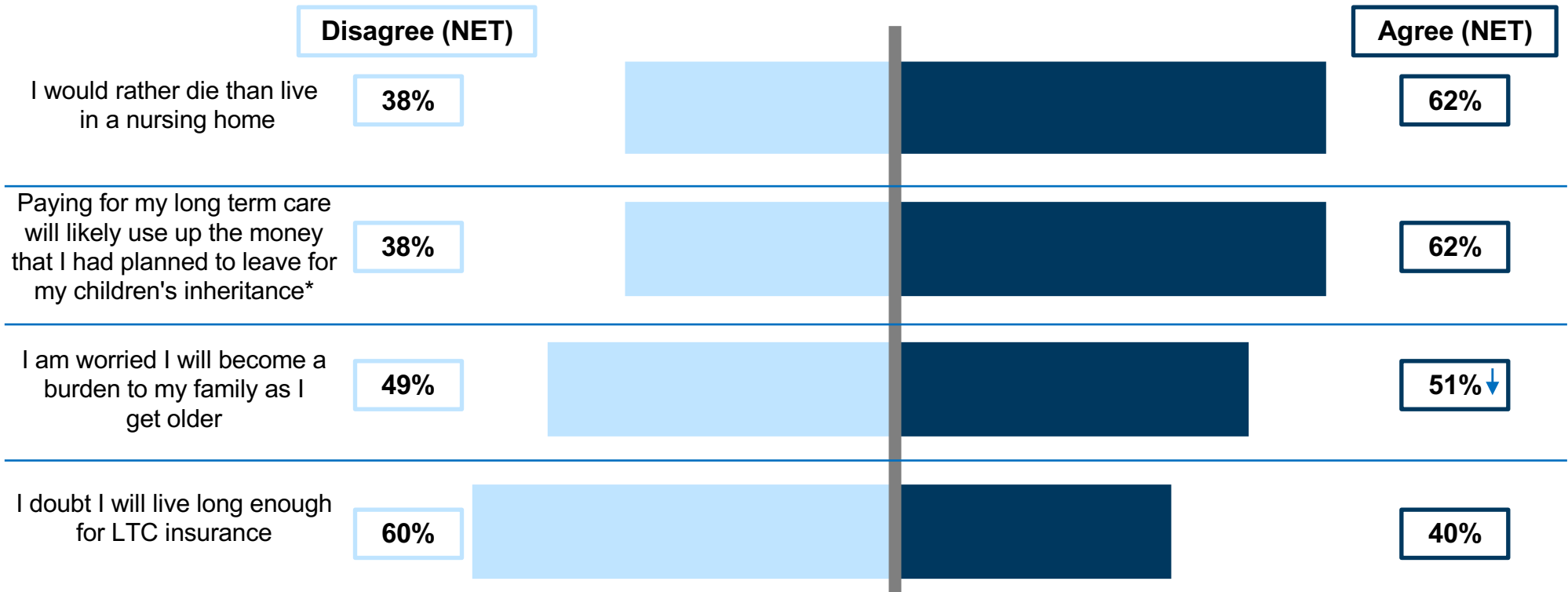
No significant difference between those with HHI of \$150K+ and those with less than \$150K for themselves and spouse combined:

- HHI \$150K+ (\$73,476)
- HHI <\$150K (\$78,085)

Green = significantly higher at the 95% confidence level

# Majority would rather die than live in a nursing home

- Half of adults are worried they will become a burden to their family as they get older (51% - down from 59% in 2015), while three in five (62%) say they would rather die than live in a nursing home.
- Three in five adults with children (62%) say paying for their LTC will likely use up the money they planned to leave for their children's inheritance. Still, many (40%) doubt they will live long enough for LTC insurance.



- Older adults with HHI <\$150K are more likely than those with HHI \$150K+ to say they are concerned that paying for LTC will use up inheritance money (64% vs. 48%), and doubt they will live long enough for LTC insurance (42% vs. 27%).
- Females are more worried than males that they will become a burden to their family as they get older (59% vs. 42%).
- No significant differences among retirees vs. non-retirees.

Green = significantly higher at the 95% confidence level    ↑/↓ direction of significant change from 2015

\*Base: Have children n=999

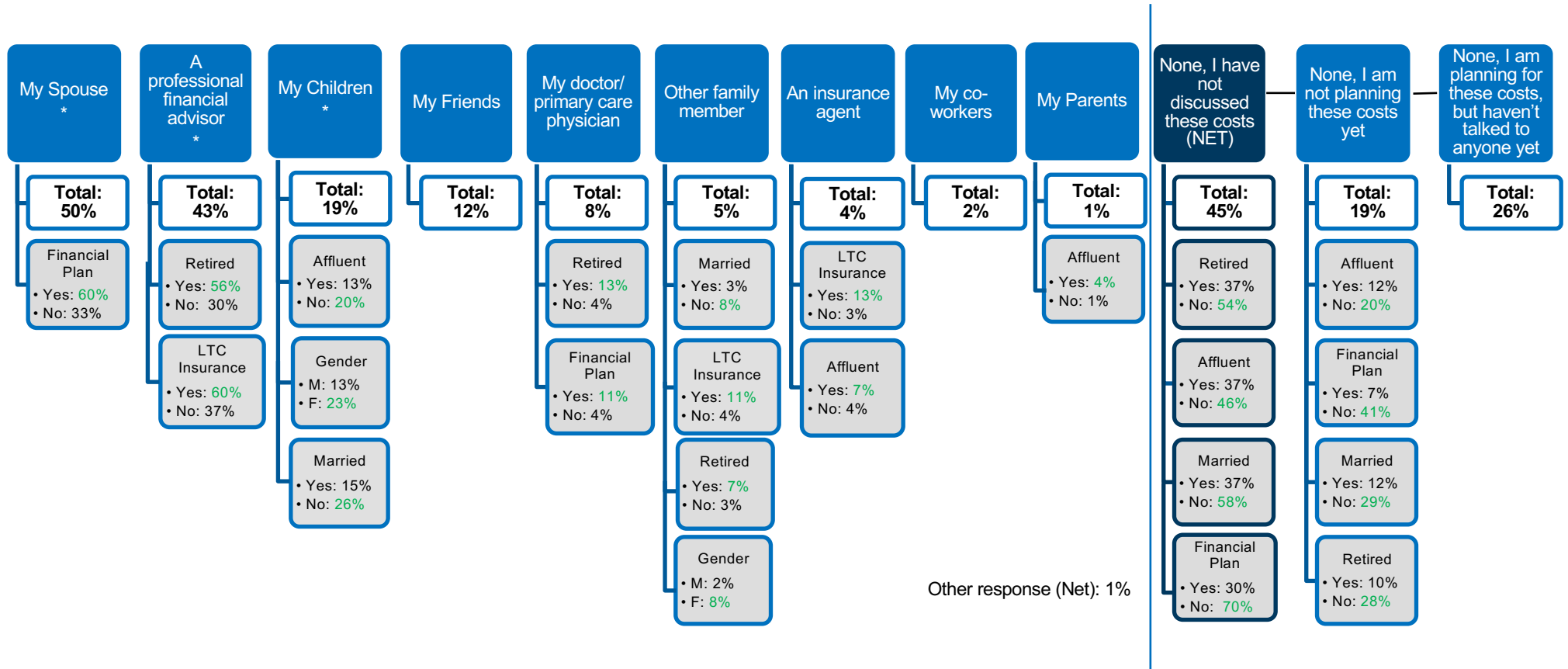
Base: Qualified respondents (n=1316)

Q740 How much do you agree or disagree with the following statements?

# Similarly, many have not had a conversation with anyone about *health care costs*

- Over two in five older adults (45%) have not discussed their health care costs during retirement with anyone, particularly those without a financial plan (70%), not married (58%), not retired (54%), or have HHI < \$150K (46%).

## Discussed health care costs with...



\*Among those with the relationship

Green = significantly higher at the 95% confidence level

Base: Qualified respondents (Total n=1316, Has Children n=1014, Married n=970, Has Financial Advisor n=510)

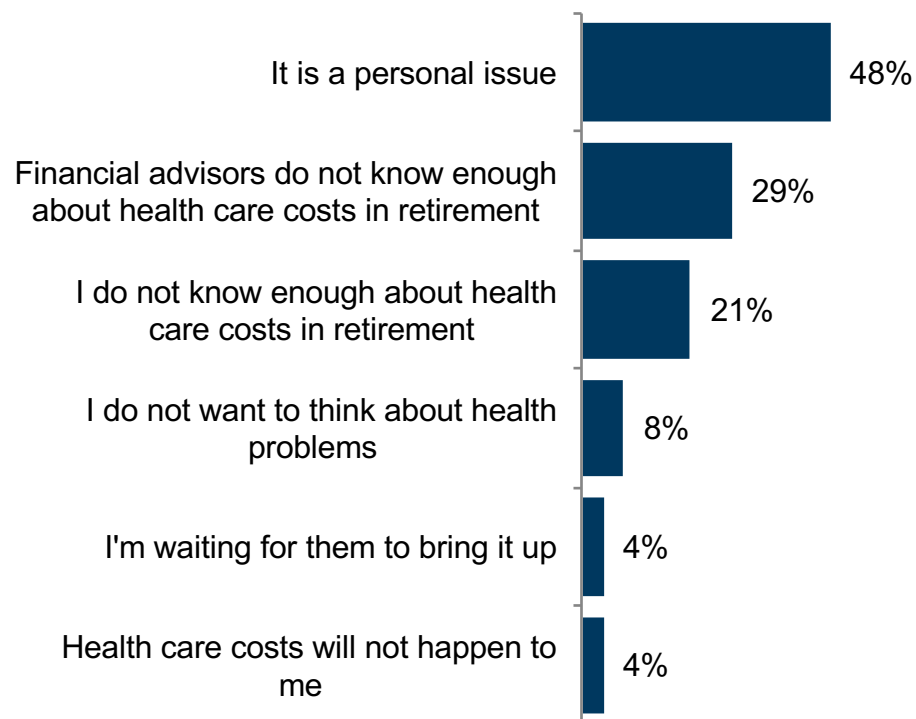
Q900/901\_2 Have you discussed your retirement costs, health care costs during retirement or long term care costs with any of the following people?

Please select all that apply for each item displayed.

## Health care costs are a personal issue

- Of those currently working with a financial advisor but who have not discussed health care costs with a FA, over two in five (48%) say it is because they feel it is a personal issue.
- The second most common reason reported is that financial advisors don't know enough about health care costs in retirement (29%).

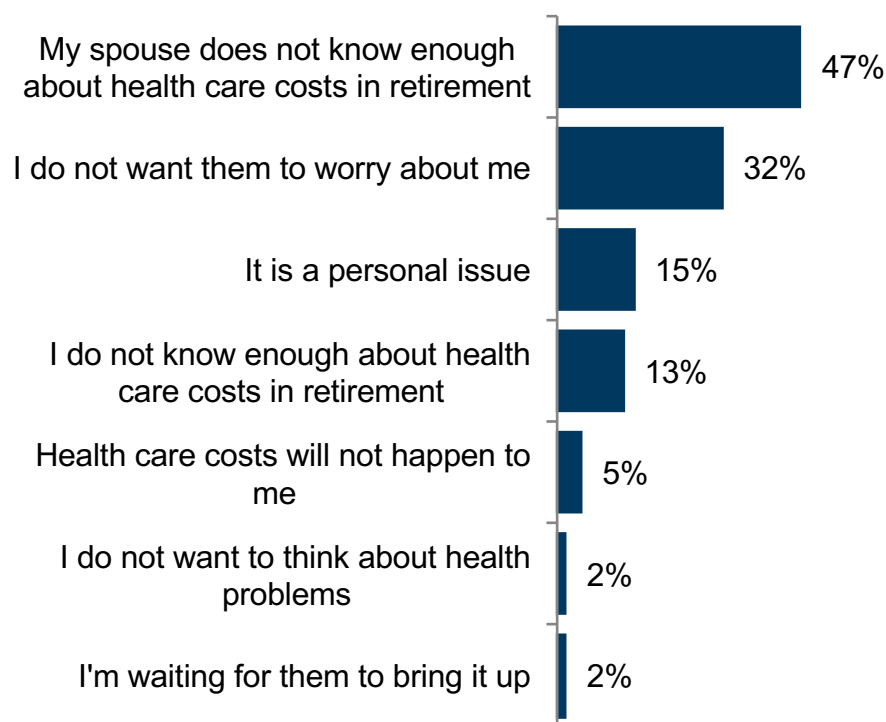
**Reasons For Not Discussing Health Care Costs with Financial Advisor**



## Spouse does not know enough about health care costs

- Almost half of older adults who are married but have not discussed health care costs with their spouse (47%) say it is because their spouse does not know enough about these costs in retirement.
- About a third say it's because they don't want their spouse to worry about them (32%).

**Reasons For Not Discussing Health Care Costs With Spouse**

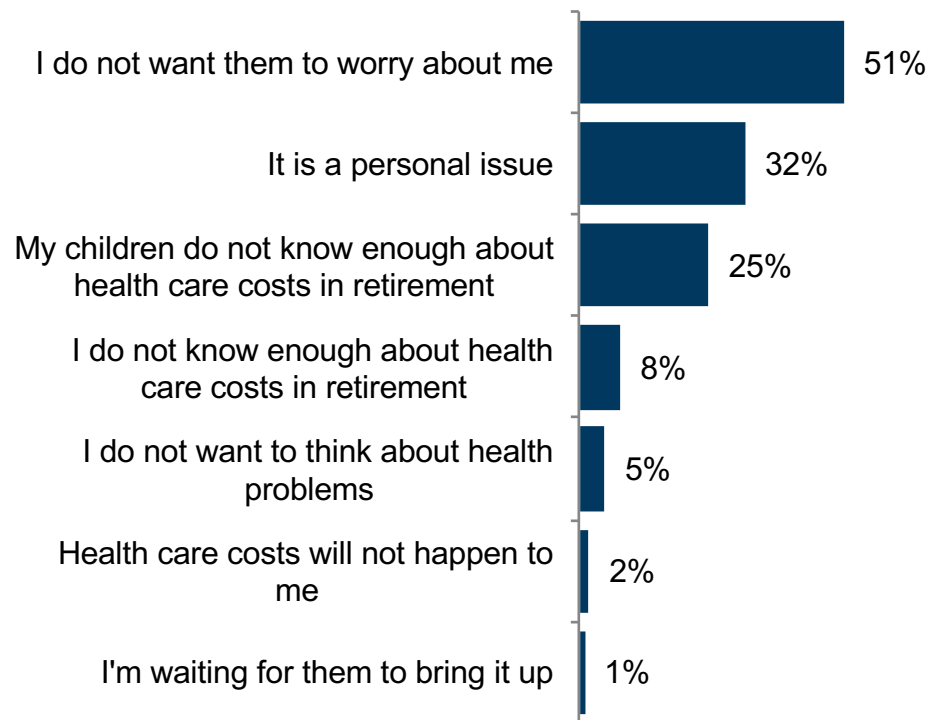


\*Caution: small base (n=86)

## Older adults do not want their children to worry about them

- Half (51%) say they haven't discussed health care costs with their children because they do not want their children to worry.
- Believing health care cost is a personal issue (32%) is the next biggest reason. One quarter (25%) say their children do not know enough about it.

**Reasons For Not Discussing Health Care Costs With Children**



Green = significantly higher at the 95% confidence level

Base: Has children, has not discussed with children and has relationship (n=448)

Revised Q907 Why have you not discussed health care costs during retirement with your children? Please select all that apply.

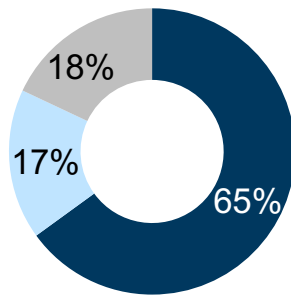


# Majority recognizes the importance of discussions with an advisor

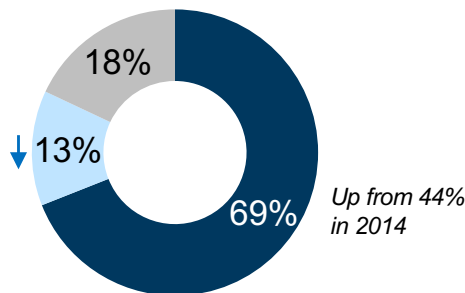
- About three-quarters of those who have discussed retirement with a professional financial advisor or consultant believe it is very important/important that their advisor discuss health care costs (75% - up from 53% in 2015) and LTC costs (72% - up from 53% in 2015) with them.
- Still, the majority have a *plan to discuss* health care costs (65%) and LTC costs (69%) with an advisor – the latter up from 44% in 2014. The percentage saying “no” is down from last year (13% vs. 27% 2015).

## Plan To Discuss With a Financial Advisor:

### Health Care Costs



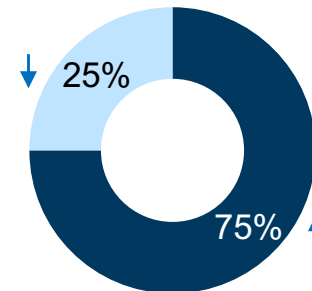
### Long Term Care Costs



■ Yes    ■ No    ■ Don't know

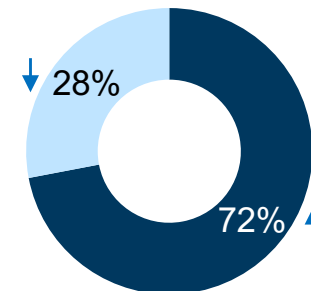
## Importance of Discussing:

### Health Care Costs



Affluents are more likely than their counterparts to say that discussing health care costs is very important (43% vs. 24%)

### Long Term Care costs



■ Very important/important  
■ Somewhat/not at all important

Green = significant difference at the 95% confidence level    ↑/↓ direction of significant change from 2015

Base: Discussed retirement with a financial advisor or consultant (n=373)

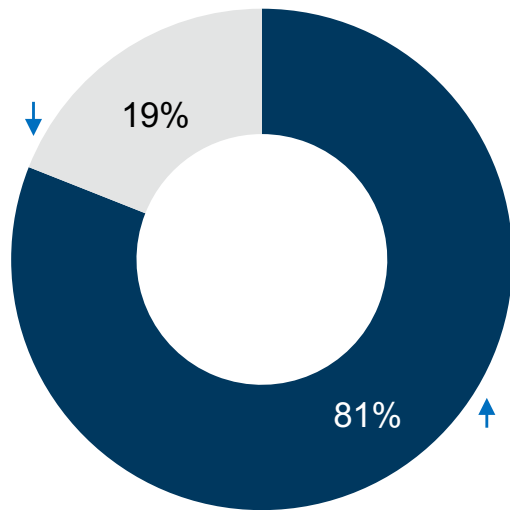
Q1225 Do you have a plan to discuss any of the following costs, beyond those covered by the government in retirement, with a professional financial advisor or consultant?

Q1230 How important is it that your professional financial advisor or consultant discusses the following costs, beyond those covered by the government in retirement, with you?

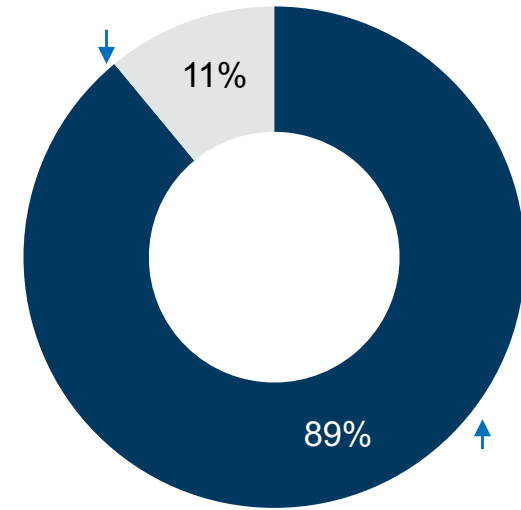
# Most feel their financial advisor is well prepared to discuss health care and LTC costs

- The majority of adults who have discussed retirement with a financial advisor feel the advisor is well equipped to discuss retirement health care costs (81% - up from 65% in 2015) and/or LTC costs (89% - up from 72% in 2015).

### Health Care Costs During Retirement



### Long Term Care Costs



■ Yes  
■ No

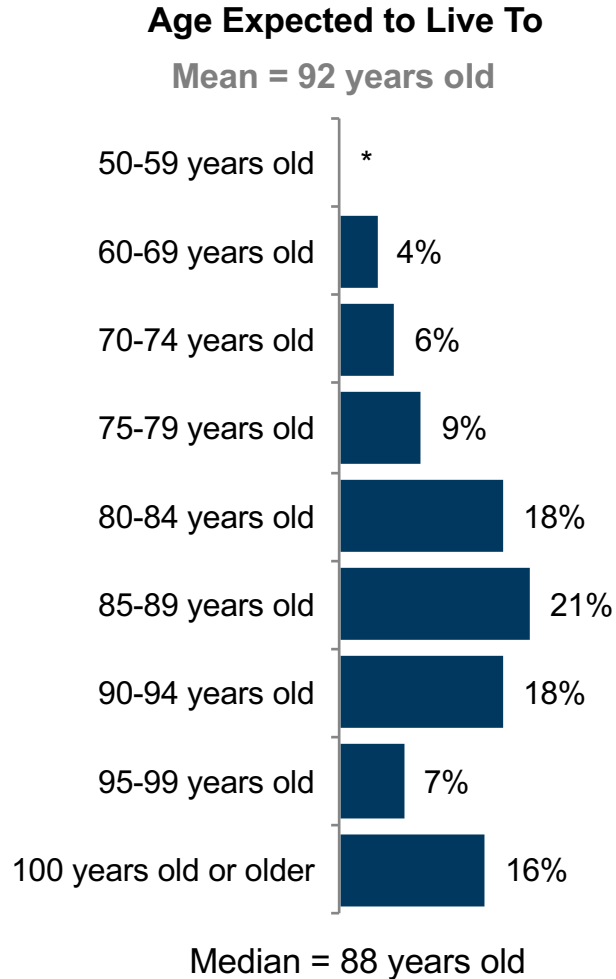
Retired adults are more likely than non-retirees to say that their financial advisor is well equipped to discuss long term care costs (95% vs. 83%)

Green = significantly higher at the 95% confidence level

↑/↓ direction of significant change from 2015

# Older adults expect to live to age 92, on average

- On average, men are more likely than women to expect to live to an older age (age 95 vs. 90).



Mean = 92 years old  
Men: 95 years old  
Women: 90 years old

Green = significantly higher at the 95% confidence level