

Study says average retiring couple will need \$240,000 for medical expenses

THE ASSOCIATED PRESS

As if saving for retirement wasn't enough to worry about, now comes a study that shows a couple retiring this year needs about a quarter of a million dollars to cover medical expenses.

The \$240,000 estimate is a 6.7 percent increase from last year's and the cost is expected to keep rising.

The Fidelity Investments study is based on projections for a 65-year-old couple retiring this year with Medicare insurance coverage. It assumes no employer provided insurance and a life expectancy of 17 years for the man and 20 years for the woman.

To paint a full picture, Fidelity also factors in Medicare deductibles, copayments, as well as certain services that may not be covered.

In just seven years of its annual study, projected medical expenses have increased by 50 percent.

When you retire, health care is likely to be your largest expense and it's one that many people forget to factor fully into their retirement plans, said Sunit Patel, a senior vice president at Boston-based Fidelity.

"A lot of individuals feel today that Medicare covers a vast majority of costs," he said. "We know that's not true. It's better not to be blind about that."

In fact, Medicare pays about half of the health care costs for current retirees and it could be less very soon.

The Medicare trust fund reported last year that it expects to be insolvent in 2019 and needs either a payroll tax increase or a cut in benefits to keep it fully functional. That means Medicare may not provide the same level of support for future retirees, making it more vital to understand the medical costs in retirement.

"There are deductibles and co-payments and things that aren't covered that people aren't aware of until they get there unless they have a parent that they're helping navigate the system," said Paul Fronstin, director of health research and education at the Employee Benefit Research Institute.

EBRI has researched the issue of rising health care costs in retirement. It found that **just 12 percent of private companies offer insurance for retired workers.**

That means most retirees need to buy insurance themselves or pay medical costs out of their own savings.

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Patel said it may make sense to start thinking about a savings account separate from your retirement account for health care.

"We think it's significant enough that it should potentially be a distinct goal," he said.

If you've been looking at a ravaged 401(k) balance, you likely don't want to hear that.

Patel said he understands that sentiment, but believes it's better to be forewarned than caught off guard.

Without a plan, you could end up significantly changing your lifestyle from what you had expected or looking for a job to help pay for health costs.

"We have to face up to the reality of the situation and that may be that people have to work longer just for health care," EBRI researcher Fronstin said.

So as you digest what it all means, consider a separate savings account dedicated to health care. Also, research various supplemental health insurance options so you go into retirement informed.

You may want to consider a phased retirement in which you go from full time to part time if your employer offers health insurance for part-time workers. By gradually entering retirement, you delay tapping into savings.

Once you're retired, ways to save money on health care include getting routine screenings to stay ahead of any health issues, selecting quality providers by using the U.S. Department of Health and Human Services Web site www.hospitalcompare.HHS.gov and routinely reviewing claims for accuracy to ensure you're not paying more than necessary.

Older workers, hurt by recession, seek new jobs

By DEB RIECHMANN – Mar 31, 2009

WASHINGTON (AP) — In these scary economic times, older workers are putting off their retirement and hanging on to a paycheck.

Some retirees struggling to make ends meet are scanning help-wanted ads for the first time in years.

About a week ago, Jeff Rollison, a 60-year-old employee at the General Motors Corp.'s plant in Lordstown, Ohio, told the automaker he was retiring. Now, he's changed his mind.

Rollison is worried that something could happen to his retiree health benefits before he would become eligible for Medicare at age 65. Rollison is the sole breadwinner for himself and his wife. But he also is concerned about his grown children, including a son with three kids who is being laid off at a neighboring GM plant.

"If something would happen with General Motors and our health care would go away, which has happened to a lot of companies here, I would have to wait five more years to be Medicare-age," said Rollison, a member of United Auto Workers Local 1112. "There's a lot of uncharted waters out there and we have questions that can't be answered by anybody right now on how well the company will do in the short term."

An AARP survey of 1,100 people conducted in December indicated that 16 percent of people 45 and older had postponed retirement because of the economic downturn. But the percentage of people planning to delay retirement shot up to 57 percent among respondents who were working or looking for a job and had lost money in the market during the past year.

Robert Dobkin's last day on the job as spokesman for Pepco, a utility company in the District of Columbia and Maryland, was supposed to be April 1. Now, it's delayed indefinitely.

"I felt that I was in a good position to retire until the market kept going down and down and the economy ground to a halt," said Dobkin, 67. "I just figured there's no point in retiring in this time of uncertainty until I have a better feel for where the economy is going."

The average retirement age, which was between 62 and 63 for men and women last year, is on the rise, according to the AARP Public Policy Institute. For instance, the percentage of 63-year-old men who were in the work force rose from 44 percent in 2000 to 51 percent in 2007, according to the institute.

The recession is not the only reason people are working longer. Life expectancy rates are going up. So, too, is the age at which workers are entitled to receive full Social Security benefits.

Mark Lassiter, a Social Security Administration spokesman, said that while some older people stay on the job during economic downturns, others turn to Social Security because their jobs are eliminated. The agency reported a nearly 9 percent increase in retirement claims between the 2008 budget year and 2009, which ended Sept. 30.

An increase was expected because baby boomers are starting to retire, but the jump was higher than anticipated because of the recession, he said.

Some companies are looking to cut costs and keep younger, less-expensive workers. Yet some businesses are happy to keep experienced workers.

"Experienced workers produce more per hour with less supervision than youngins'," said William Dunkelberg, chief economist for the National Federation of Independent Business and an economics professor at Temple University. "The elderly may, in fact, be cheaper than teeny boppers" because they require less training, seek part-time work and will accept lower wages.

Currently, about 17 percent of the work force is 65 or older — a share on the rise since the late 1990s.

At 74, Beverly London of Big Run, Pa., thought her working days were over. She and her husband sold to their son the family retail carpet store they operate in their rural community and settled into retirement. They felt secure with thousands of dollars of stock in a bank. But the bank failed and the value of their stock shrank from six to four figures.

"We were thinking about winter and I was worried about how I was going to keep my house warm. I had to start putting resumes in," London said, recounting how a younger worker got one retail job she applied for.

Nationwide, the February unemployment rate for workers 65 and older was 6.8 percent, the highest reported for the group since the 1970s.

London eventually found a job through Experience Works, a national nonprofit organization that receives money from the Senior Community Service Employment Program, a Labor Department

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In this photo released by CareerLink, employee Beverly London, 74, right, reviews job order requests with Jo Helman at the CareerLink office in Punxsutawney in Jefferson County, Pa., Friday March 20, 2009. London and her husband sold the family retail carpet store to their son and settled into retirement, feeling secure with thousands of dollars of stock in a bank; but the bank failed in the mortgage collapse. "I had to start putting resumes in," London said. (AP Photo/CareerLink, Larry Moses)



Map



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program. The \$787 billion economic stimulus package that President Barack Obama signed includes \$120 million in additional money for the program, which provides subsidized, part-time community service jobs to low-income workers 55 and older.

London works part time at Pennsylvania CareerLink, a state unemployment office in nearby Punxsutawney, Pa. She is happy and healthy, but knows her work days are numbered.

"I'm trying not to dwell on the future because right now, I'm just glad I can write a check for the \$400 gas bill," she said. "We'll never be able to build up a nest egg again. We didn't have a fancy life, but we took a golf vacation one week out of the year. There's no golf vacations anymore."

Darnell Holopirek, 62, of Great Bend, Kan., and her husband are postponing retirement in hopes the economy will turn around. Part of their decision is personal. They don't have enough funds to retire. But she also is motivated as director of institutional advancement at Barton Community College Foundation to stay on the job and help the school as the recession hits its investments and donations.

"It's a little bit scary to us when we see people who have retired now looking to having to go back to work," she said. "We sure don't want that to happen to us. We'd rather keep the good jobs that we have that we're happy with, rather than retiring and then in a year or so, finding out that we just can't stay retired."

When Randall Gainforth, 55, of Tampa, Fla., retired from his county job in September 2007 after 33 years as a children and family mental health counselor, he took his \$130,000 in retirement savings and put it in stocks. He figured that with the help of a broker, he could make more than the 3 percent to 4 percent he was guaranteed by the Florida state retirement system. Today, that account is worth only about half, and the mental health work he started doing in semiretirement is drying up.

Gainforth is looking for a job in the medical industry. "I need to work until that money gets built back up," he said.

He's hardly alone.

The net worth of U.S. households fell by 9 percent over the last three months in 2008. It was the biggest quarterly decline since record keeping began in 1951.

"I think most people are scared to death, first of all, about the prospects for the market," said Kelly Campbell, a financial adviser and principal of Campbell Wealth Management in Fairfax, Va. "They feel they've been let down by the market, by their broker and/or by their government. They're paralyzed right now because they don't know what to do."


On the Net:

- AARP: <http://www.aarp.org/>
- Social Security Administration: <http://www.ssa.gov>
- Experience Works: <http://www.experienceworks.org>
- Senior Community Service Employment Program: <http://www.doleta.gov/seniors/>

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