

Retirement Income Planning:

How rising health care costs impact income needs

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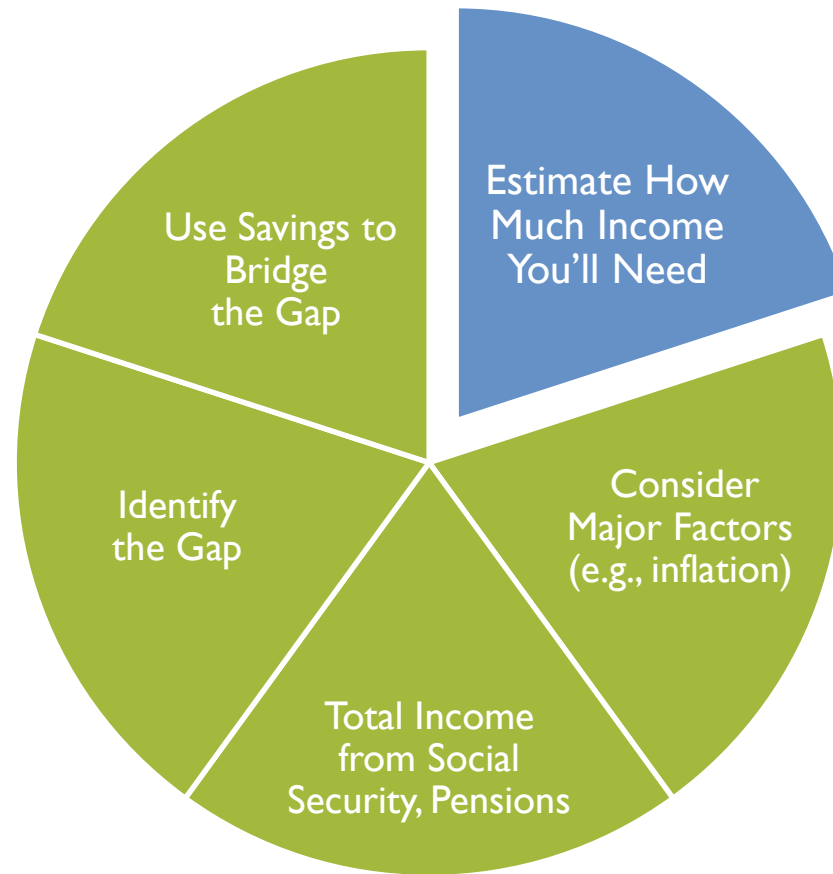
Agenda



- Retirement income process
- Health Care/Medicare
- Long Term Care
- Social Security

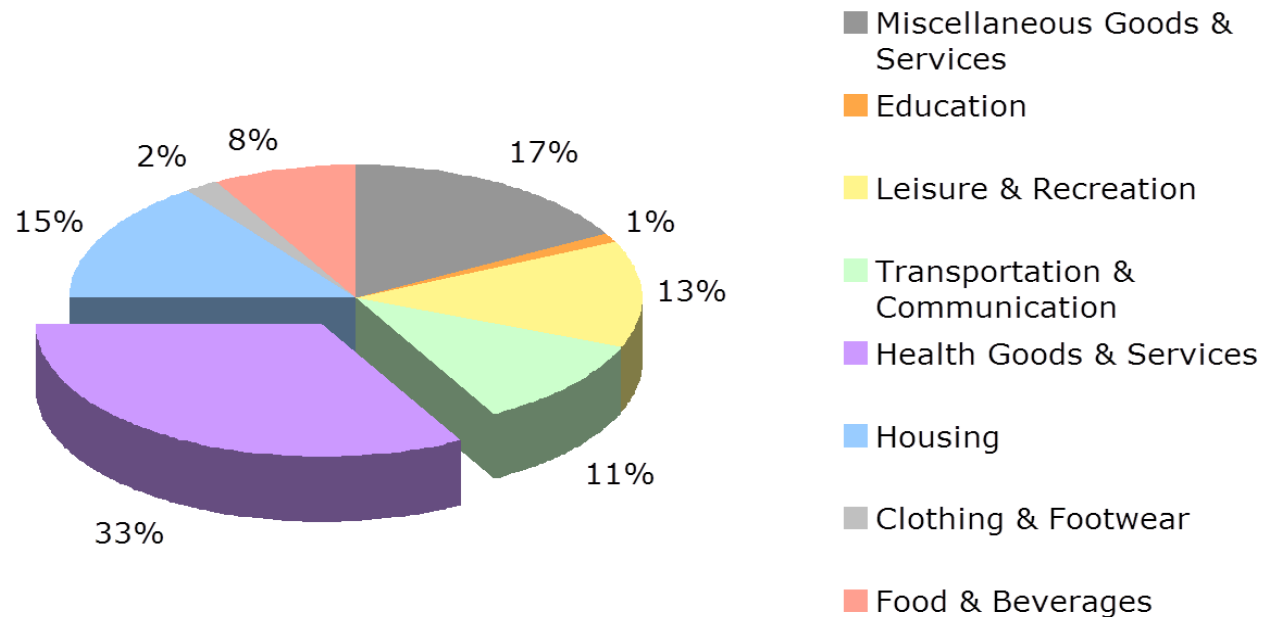
Retirement Income Planning:

THE PROCESS



Healthcare in Retirement

Healthcare accounts for 33% of expenses for Americans 60 years old and older



Healthcare in Retirement

What are the costs in 2016?

Part A	Subsidized premium
Part B	\$104.90 per person per month
Part D	\$53.26 average National monthly premium
Supplemental	Subject to provider/plan selected
Avg. Annual Cost	\$4,238 per person (2016)
Per Couple	\$8,476 per couple (2016)

Source: Centers of Medicare Services (CMS)

Healthcare in Retirement

Costs keep rising:

7% + Inflation Rate

Medicare Part B – 7.56% since inception

Medicare Part D – 7.15% projected through 2022

Gap Plan – 3% to 5% since 1993 (AARP)

**65 year old Massachusetts couple retiring today and planning to live until
age 85**

\$327,232

Medicare Premiums alone

Healthcare in Retirement

Medicare is means tested

Your health costs are no longer about medical history!

The more you have in income the more you pay for
your health coverage

Healthcare in Retirement

Current Brackets (2016)

Income		Part B	Part D
Individuals MAGI	Couples MAGI		
\$85k <	\$170k	Premium	Premium (varies)
\$85k To \$107k	\$170k - \$214k	Premium + 40%	Premium + \$139.20
\$107k to \$160k	\$214k - \$320k	Premium + 100%	Premium + \$358.80
\$160kto \$214k	\$320k - \$428k	Premium + 160%	Premium + \$577.20
Over \$214k	Over \$428k	Premium + 220%	Premium + \$796.80

Source: Centers of Medicare Services (CMS)

Healthcare in Retirement

Proposed Brackets (2018)

Income		Part B	Part D
Individuals MAGI	Couples MAGI		
\$60k <	\$90k	Premium	Premium (varies)
\$60k To \$82k	\$90k - \$123k	Premium + 60%	Premium + \$169.20
\$82k to \$135k	\$123k - \$202.5k	Premium + 120%	Premium + \$436.32
\$135k to \$189k	\$202.5k - \$283.5k	Premium + 280%	Premium + \$703.20
Over \$189k	Over \$283.5k	Premium + 360%	Premium + \$969.60

Source: Bi-Partisan Policy Center, Pres. Fiscal Budget, House Ways & Means Committee

Healthcare in Retirement

Examples of Income:

Social Security

Wage

Pension Income

Rental Income

Capital Gain (including home)

Dividends (including Municipalities)

Certain Annuities

401(k)

Traditional IRA's

403(b)

457

SEP IRA

Healthcare in Retirement

What is not income

Roth Accounts!!!

Health Savings Accounts

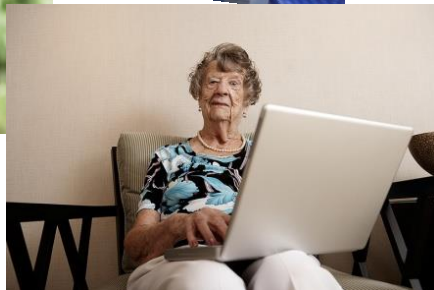
Specific Annuities

Home Equity

Certain types of Life Insurance

Is Long-Term Care in Your Future?

Statistically, 70% of people over age 65...



...that's 7 out of 10 people... will
Need long-term care.

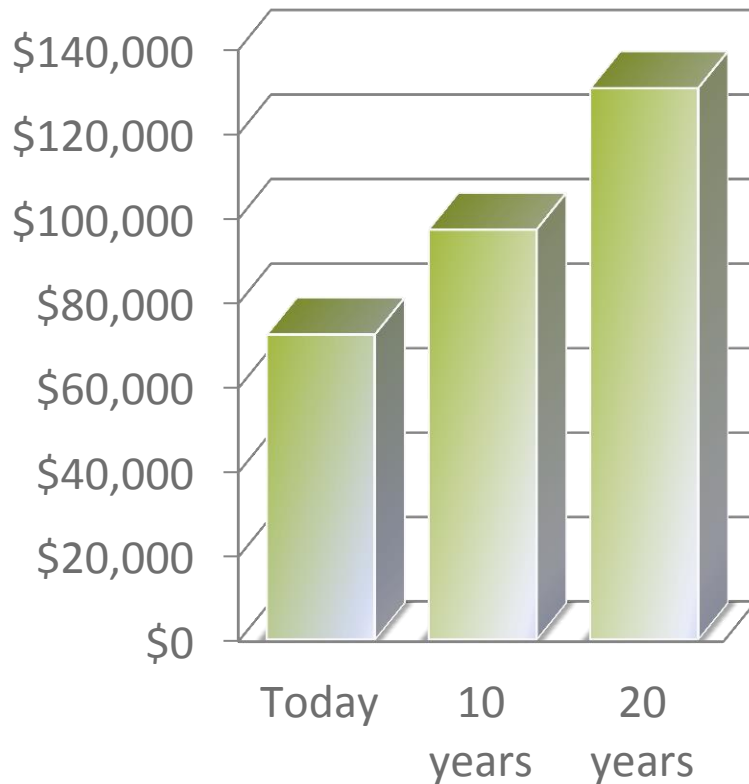
*Source: U.S. Department of Health
And Human Services, December 31, 2014

What Is Long-Term Care?



- Ongoing services and support needed because of chronic health condition or disability
- Three levels of care: skilled, intermediate, and personal care
- Care can be provided in a variety of settings

Annual Cost of Nursing Home Care



- Average nationwide cost of nursing home care is \$74,820 per year*
- If costs rise at an average rate of 3% per year, in 20 years the average cost of nursing home care will be approximately \$135,133 per year

*Source: U.S. Department of Health and Human Services, December 31, 2014

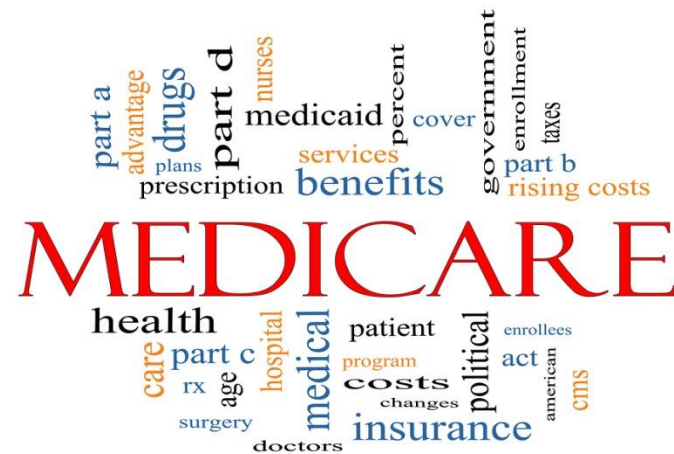
How Will You Pay for Long-Term Care?

- Pay out-of-pocket
- Rely on Government programs such as Medicare or Medicaid
- Buy long-term care insurance



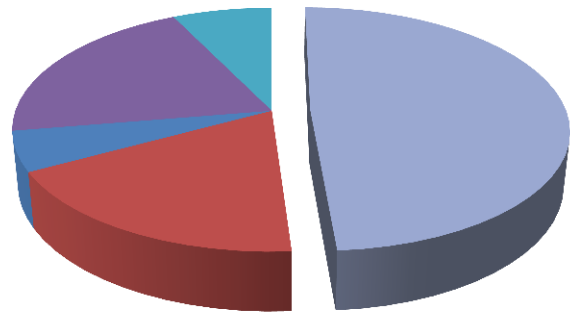
Paying for Long-Term Care - Medicare

- Pays costs only after 3-day hospitalization
- Pays full cost of skilled nursing care for only 20 days
- Pays partial cost from day 21 to day 100
- Pays nothing after 100 days
- Does not pay for personal or custodial care
- Home health benefits are limited



Paying for Long-Term Care - Medicaid

Nursing home care expenditures



- Medicaid
- Out-of-Pocket
- Other Public/Private
- Medicare
- LTC Insurance

- Medicaid, not Medicare, is the joint federal-state program that pays for long-term care expenses
- Medicaid covers approximately 49% of all nursing home costs

But...

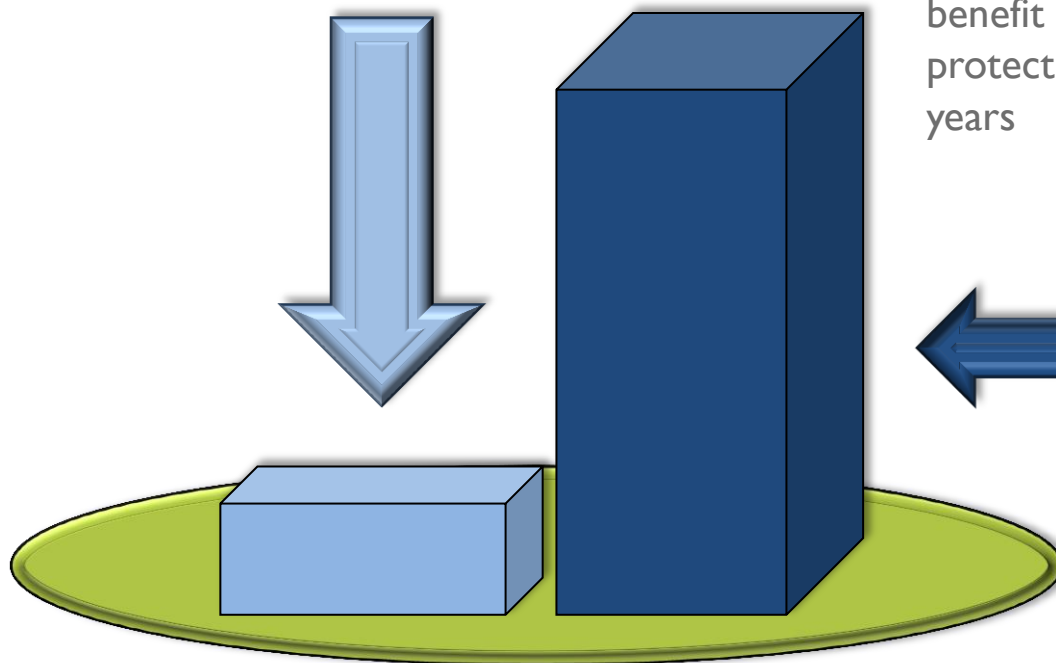
- Medicaid is means-based
- Medicaid limits where you can receive care

*Source: U.S. Department of Health and Human Services, December 31, 2014

Long-Term Care Insurance

Should You Invest Instead?

Investing \$3,042 annually at 5%
after-tax rate of return: \$105,616
accumulated after 20 years*



Paying \$3,042 annual premium for a 3-
year LTC policy with a \$150 daily
benefit and 5% compound inflation
protection: \$435,804 benefit after 20
years

**This chart is hypothetical and
for illustrative purposes only. It is
not intended to represent any
specific investment. Actual
returns will vary and principal
value will fluctuate.*

Long-Term Care Insurance

5 Key Features

Benefit	What is the amount of the benefit payable?
Benefit period	How long will benefits last?
Elimination period	How long will you wait before benefits begin?
Location of care	Does the policy cover care in different settings?
Inflation protection	Will your benefits keep up with rising costs?

Long-Term Care Insurance

Managing the Cost

- The younger you are when you buy a long-term care policy, the less expensive the premium
- Make sure you can afford the premium now and in the future
- Buy from a reputable company
- Choose features and benefits wisely

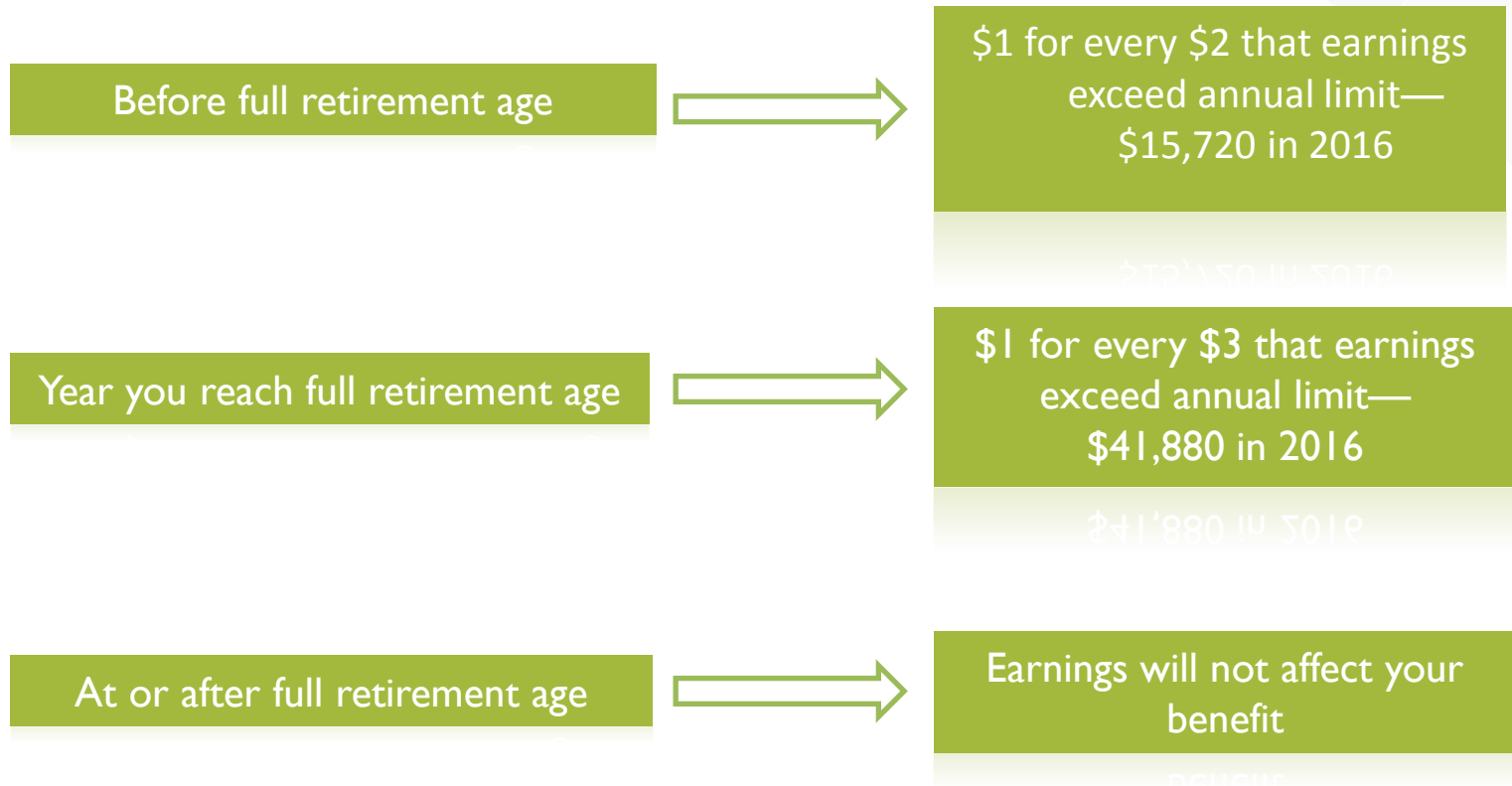


How long Will Retirement Last?

- According to the National Vital Statistics Report, a 65-year-old man can expect to live, on average, to **83** and a 65-year-old woman to **85**.
- According to the SSA, 1 out of 4 retirees will live **past age 90** and 1 out of 10 will live **past age 95**.



How Working Affects Benefits



Will Your Benefit be Taxable?

Up to 50% of benefit may be taxable if your combined income is*:

\$25,000 to \$34,000 and you file as single

\$34,000 to \$44,000 and you file as married filing jointly

Up to 85% of benefit may be taxable if your combined income is*:

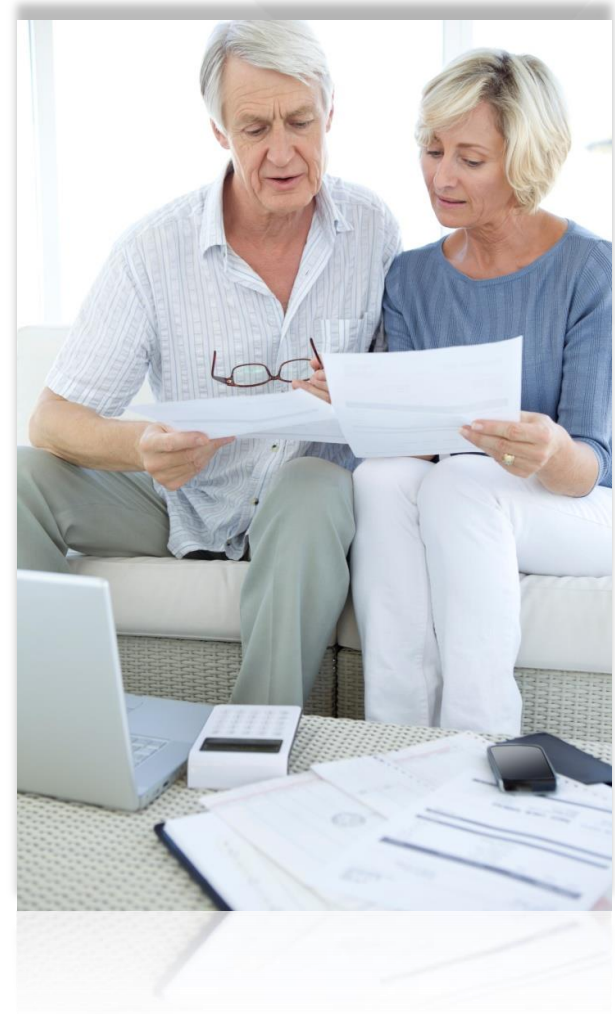
Over \$34,000 and you file as single

Over \$44,000 and you file as married filing jointly

*Combined income = adjusted gross income + nontaxable income + $\frac{1}{2}$ of Social Security benefit income

Retirement/Spousal Benefits

- Retirement benefits based on your earnings record—at full retirement age 100% of your full retirement benefit
- Spousal benefits based on your earnings record—as much as 50% of your full retirement benefit
- Reduction for filing for spousal benefits early—spouse can't file until retired worker files



Social Security Provisions

- **File & Suspend**
 - Eliminated as of 4/29/2016 must be Full Retirement Age by then.
- **Restricted Applications**
 - Must be age 62 by 1/2/2016 to still qualify for spousal benefits at age 66.

Source: For more information about your options and the benefit application process, contact the Social Security Administration at (800) 772-1213 or visit www.socialsecurity.gov.

Questions & Answers



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