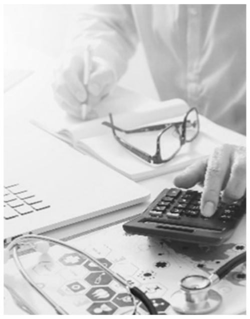

Build Health Care Expenses Into Your Retirement Planning

It's important to consider future health care expenses when planning for retirement.

Determining how much money you'll need to live comfortably after you retire is not an exact science. In general, you may need between 70% and 80% of what you were earning during your last working years to maintain the same standard of living in retirement.

However, as you age, you may find that you have to spend more on health care. How expensive could health care costs be in retirement? Very expensive, according to recent data. The Consumer Expenditure Survey* shows that average health care expenses for individuals between the ages of 65 and 74 were $6,966 in 2021 and averaged $7,123 for those age 75 and older. Of course, an individual's personal health and the cost of medical care in the particular location where the individual resides can impact the amount that will be spent.

What You Can Do

Planning for health care costs in retirement is critically important. Here are some steps that can help.

Get Healthy and Stay Healthy

Your working years are a good time to do what you can to improve your overall health. If exercise has not been a regular part of your life, start small and gradually increase your activity level over time. Eat healthfully and avoid smoking and drinking alcohol to excess. You'll improve the likelihood of living a longer, healthier life.

Consider Long-Term Care Insurance

A long-term care insurance policy helps cover the costs of home health aides, nursing home care, and assisted living facilities. If you buy a policy when you are relatively young and healthy, it's likely the policy premiums will cost less than if you wait until you're close to retirement. The size of the daily benefit amount you select and the length of time you are willing to wait to receive benefits will also affect the cost of a policy. Long-term care policies can be complex, and different policies cover different benefits, so it can be helpful to work with a professional to find one that meets your needs.

Boost Your Retirement Savings Rate

One way to blunt the impact of rising health care costs is to save more. It may be easier said than done, but you should try to maximize your savings, especially if you are at a high risk of chronic conditions because of your current health or because of your family's medical history.

Retirement planning can be complex, and the guidance of a financial professional can be invaluable in determining goals and setting priorities.

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Long-Term Investing 101

Investing for retirement can be intimidating for many people. Keeping these basic principles in mind can help you pursue your long-term goals.

Have Realistic Expectations

Be realistic about how well your investments will perform. If you are too optimistic, you could underestimate how much you should be contributing to your retirement account to reach your savings target. Instead of counting on big stock gains, it's generally smarter in the long run to diversify* your investments. And always contribute an adequate amount, regardless of how the investment markets are performing.

Avoid Hot Trends

Hot investing trends can catch the attention of inexperienced investors. However, trends tend to fizzle out as quickly as they started, leaving inexperienced investors with losses. Rather than chasing trends, choose investments that are an appropriate match for your risk tolerance, the amount of time you have to invest, and your investing objectives.

Learn to Live With Volatility

The stock market rises on some days and falls on others -- sometimes by a lot. When the market tumbles, you might be tempted to sell your stock funds or portfolios and buy less risky investments. However, periods of poor market performance are to be expected when you're investing to reach long-term goals. While downturns are discouraging, the stock market historically has recovered from every downturn.** Over time, periodic setbacks may be followed by periods of strong growth. Unless you'll need your money soon, it may be better to look beyond short-term volatility and stick with your investment strategy.

See the chart below for an illustration of investment returns over 20 years with market volatility during the time period shown.

**Diversification does not ensure a profit or protect against loss in a declining market.*

***Past performance does not guarantee future results.*

Staying Invested Through Up and Down Years Investors earned a 6% average annual return from stocks as measured by the S&P 500 stock index over 20 years despite significant market volatility during this time period.	
S&P 500: January 1, 2001-December 31, 2022	
Highest Average Annual Total Return	32.39% (2013)
Lowest Average Annual Total Return	-36.99% (2008)
20-Year Average Annual Return	9.80%
Source: DST Retirement Solutions, LLC, an SS&C company	