



Managing Retirement Risks HEALTHCARE



Our healthcare calculator will help you examine why healthcare is an important retirement risk.

Welcome to Managing Retirement Risks – an interactive tool which will help you solve the challenges and issues of retirement planning. You’ve spent decades accumulating your savings and assets, so it makes sense that you spend some time learning about the most critical risks you face – and how to address them. The time spent could mean the difference between success and failure. Take control of your financial destiny today!

Why Is Healthcare Risk So Important?

With health care costs rising faster than the core rate of inflation (as measured by the Consumer Price Index), the risk of unfunded medical expenses threatens the financial security of an ever-increasing number of retirees. While the average core inflation rate over the last 30 years has been less than 5%, medical expenses have been increasing between 6 and 7%.

Retirees already on Medicare can attest to the fact that it does not cover all of their expenses – as is often the misconception. Medicare enrollees must pay for deductibles, co-pays, co-insurance, and the full cost of procedures that are not covered at all.

While the burden of healthcare costs might not be significant at the beginning of your retirement, healthcare costs generally go up as you grow older. Think of healthcare risk as ***out of money for out of pocket.***



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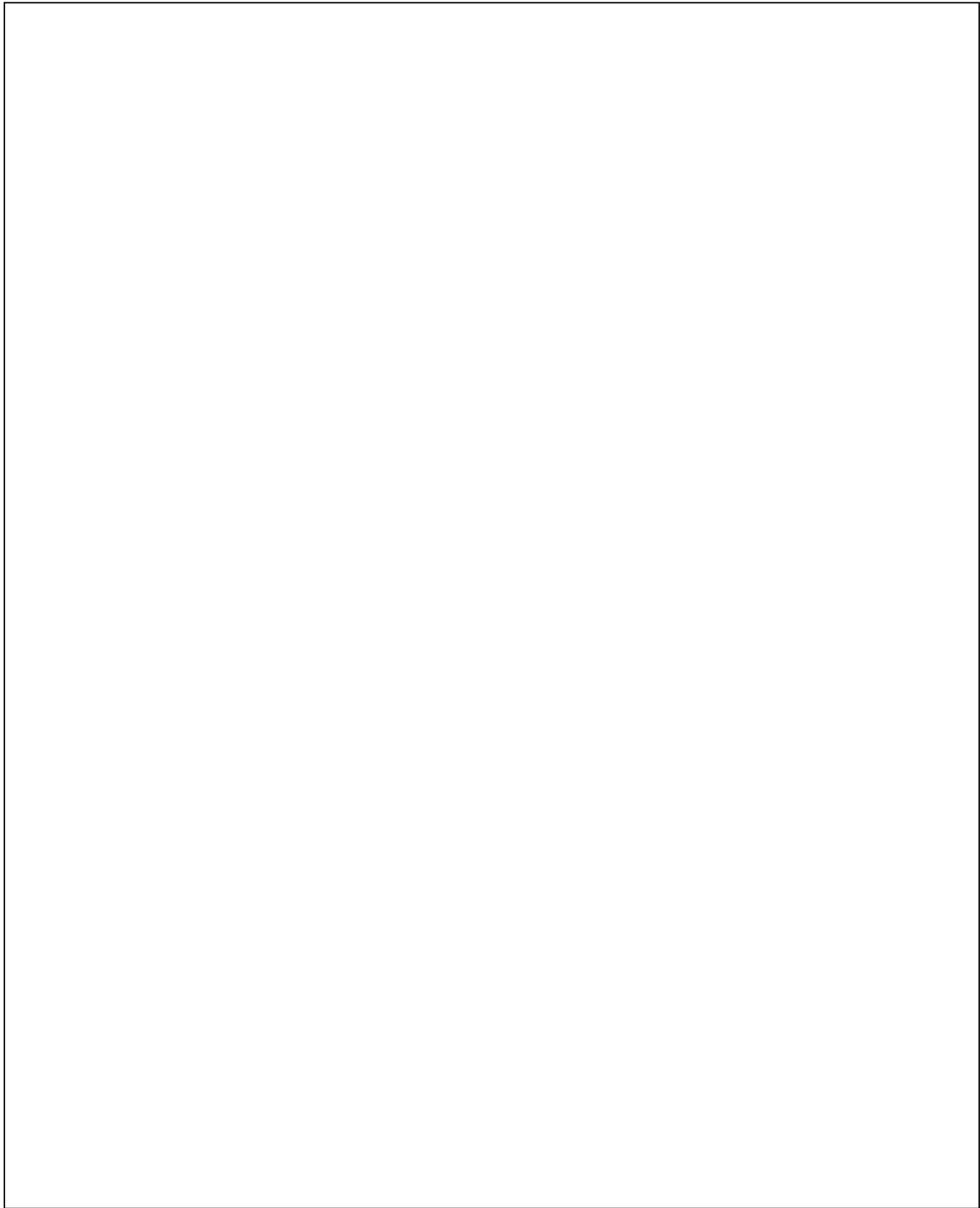
What Do I Need to Know?

Use the tool on the next page to:

- Estimate your annual and lifetime medical expenses in retirement.
- See that medical expenses rise over time due to inflation and age.
- Approximate the amount you'd need today to fund those expenses, using two different funding mechanisms.

Here's what to do:

- Use your own information to set the *Medical Assumptions*.
- Look at the chart to see the predicted pattern of your medical expenses, broken down between insurance premiums (blue) and out-of-pocket costs (yellow).
- See these annual expenses added up in the *Total of your potential future health expenses* box.
- Estimate the lump sum you'd need today for those expenses, if you earned a 5% annual return and lived to 100 by looking at *What it might cost today to fund your future health care expenses using conservative investments only*.
- Assess how a lifetime payout vehicle could reduce the amount you need by looking at *What it might cost today to fund your potential future health expenses using insurance-based lifetime payout vehicles*.
- Move the *Medical Inflation* slider to see how the costs are affected by inflation assumptions.





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What Should I Do Now?

Remember these key points about healthcare:

- Healthcare costs will continue to rise during retirement, at a rate faster than most other expenses.
- Medicare doesn't cover all healthcare expenses.

Consider taking these actions:

- Understand what Medicare does and doesn't cover.
- Evaluate supplemental medical insurance options.
- Plan for medical expenses as part of your retirement income plan.
- Work with your financial advisor to determine the right amount to set aside and the best funding solutions.

DISCLOSURES

This calculator has been designed for educational purposes only and is not intended to provide investment or financial advice.

The calculator does not recommend a specific rate of inflation for medical expenses, or a specific investment mix, investment program or medical expense funding program. These are choices that you make.

We use the A2000 Annuitant Mortality Table to estimate the chance that you will live to various ages in future. We adjust the mortality tables by a factor or percentage depending on your self-assessment of your health status. The following describes the assessment choices and corresponding factors: Excellent 100%; Very Good 150%; Good 200%; Fair 300%; Poor 400%. For example, if you select Good health, we assume that you will experience a rate of mortality that is 200% of the A2000 table. However, the mortality that you will experience may be higher or lower than that which is assumed in this calculator.

The A2000 table is published by the Society of Actuaries. The Society of Actuaries has not endorsed this calculator.

We used the US Department of Health and Human Services, Agency for Healthcare Quality Research's Medical Expenditure Panel Survey (http://www.meps.ahrq.gov/mepsweb/about_meps/survey_back.jsp) to estimate the cost of medical care and insurance coverage. Although the average medical expenses and insurance premiums used in the model are consistent with observed historical averages from the public information, **past performance is not a guarantee or indicator of future results.** The health expenses you experience and the insurance premiums you pay may thus be higher or lower than we indicate. The funding amounts indicated may thus also be higher or lower than those indicated. We express or imply no warranties that we have accurately transcribed or used the public data. The US Department of Health and Human Services has not endorsed this calculator.

You should consult a financial advisor for investment or financial advice or to assist you with your financial planning needs.