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Helping Employees Avoid Retirement Healthcare Sticker Shock



For most retirees, certain types of line items, such as housing and life insurance, are predictable and factored into their monthly budget. The situation changes dramatically when it comes to healthcare. These expenses are often unpredictable and underestimated, disrupting an otherwise carefully planned retirement. This

uncertainty leaves senior citizens feeling vulnerable.

According to Fidelity's 2024 Retiree Health Care Cost Estimate Study¹, a 65-year-old who is retiring this year can anticipate spending an average of \$165,000 on health care throughout retirement. This reflects a nearly 5% increase over 2023 and more than doubled from its original estimate in 2002.

This year's estimate reflects a continuing upward trend in healthcare costs that has lasted for decades. Despite these rising expenses, retirees still have unrealistic expectations about their healthcare spending compared to the actual costs they are likely to face. Fidelity recently reported that the average American expects to spend only about \$75,000, which is less than half of Fidelity's estimate.

Although uncertainty remains, there are strategies to help employees better predict — and plan for — medical costs in retirement.

Fully leverage Health Savings Accounts (HSAs). Promote the use of HSAs for tax-advantaged savings on eligible healthcare expenses. Consider auto-enrolling employees in HSAs where possible and offer matching contributions to further incentivize saving.

Demystify Medicare. Simplify decision-making by addressing concerns and complexities surrounding Medicare plans. Offer regular workshops and resources to guide employees'

¹ [Fidelity Study](#)



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understanding of enrollment and coverage options. Online tools can also assist employees through the process of selecting the most suitable Medicare plan based on their needs and budget.

Integrate Social Security planning. Discuss how healthcare expenses can impact the timing and value of Social Security benefits. Health problems can push retirees to claim benefits earlier, reducing their monthly check for life. Providing educational materials can assist employees in making informed decisions and aligning Social Security timing with individual healthcare needs.

Encourage employee well-being programs. Health problems can lead an employee into early retirement. Promoting outside wellness programs such as smoking cessation, fitness classes, and regular health screenings can help reduce the risk of future illness, which could result in reduced long-term healthcare costs.

Offer one-on-one financial advice. Healthcare planning can involve sensitive topics that employees may be hesitant to discuss in group settings. Personalized financial counseling allows employees to receive tailored advice in a more private and supportive environment.

Timing retirement. Employees who choose to work beyond the typical retirement age of 65 may face higher healthcare expenses if they delay enrolling in Medicare. Employees may face late enrollment penalties if they don't sign up for Medicare during their initial eligibility period. Additionally, working longer could mean higher income, increasing Part B and Part D premiums.

Begin the Conversation Early

Discussing future healthcare costs at an early stage can help employees enjoy a more financially secure and predictable retirement.

Sources

[The Latest HSA Trend: Automatic Enrollments](#)

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