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INCREASING COSTS – Inflation (using the "consumer price index") advanced +2.95% on a year-over-year basis ending 7/31/18, inflation's largest annual increase since December 2011. The consumer price index (CPI) is a measure of inflation compiled by the US Bureau of Labor Studies (source: Department of Labor).

MORE THAN SIXFOLD - Foreigners have increased their holdings of US Treasury securities from $1 trillion in 2000 to more than $6.2 trillion in 2018 (source: St. Louis Federal Reserve Bank).

Back to Basics: Planning for Health Care Expenses

Take a moment to think about the future. What do you see yourself doing? Traveling the world? Starting a new business? Playing with grandkids? Or maybe just relaxing and reading a book. Whatever it is that you see, the future probably looks pretty exciting!

Unfortunately, there is something else the future holds that no one can avoid. Maybe it won't happen for a few more decades. Maybe it's already happening. But at some point your body will start to slow (and even break) down.

They say age is a state of mind, but it's also a fact of life – and this fact means inevitable changes to both your health and your pocket book. Make no mistake, your medical expenses will go up as you get older. But many people fail to plan for these costs.

Those that do plan often underestimate exactly how much their medical expenses will cost. For example, a recent study found that the average couple retiring at age 65 will need at least $280,000 to pay for their health-care costs in retirement.[1] Another study done by the Employee Benefits Research Institute found that "a 65-year-old man and woman would need $127,000 and $143,000, respectively, if they want a 90% chance of covering all their health care costs…in retirement."[2]

That is a lot of money. There are just so many aspects to health care that you may need to pay for some day. There are regular visits to your doctor, medicine, surgeries, hospital stays, long-term care, and more.

Hopefully this gives you a little glimpse of how important it is to plan for your health care expenses. But how do you pay for them?

The obvious answer is "work longer and retire later," but let's delve a little deeper.

1. Start familiarizing yourself with the intricacies of Medicare now.

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The Federal government's health insurance program for seniors is often referred to as a single plan, but in reality, it's many types of plans rolled into one. From the basic level of coverage (Part A) to "Medicare medical insurance" (Part B) which covers outpatient hospital care, physical therapy, and home health care, to the more elaborate "Medicare Advantage" plans, most retirees are confronted with too many options, some of which are more appropriate than others. Choosing the best type of coverage for you will be crucial when it comes to paying for your medical expenses.

2. Start saving and investing – now. One of the smartest financial decisions you'll ever make is to set up a rainy-day fund. This is where you regularly set aside a portion of your income for dealing with the unexpected. Whether that's losing your job, dealing with a natural disaster – or yes, paying for unexpected medical expenses – a rainy day fund can make all the difference.

Similarly, if you invest wisely and consistently, you have the potential to grow your money for the future. That means you'll have a better chance of being able to afford any health care costs that pop up in the future.

3. Consider long-term care insurance. Important disclaimer: not everyone will need long-term care or assisted living in their lives. That said, many people do, and long-term care (LTC) insurance is one of the best ways to pay for it. It can be beneficial to purchase LTC insurance sooner rather than later, as premiums can get higher as you grow older. However, LTC is expensive in and of itself, so give the subject a lot of careful consideration before making a decision.

4. Keep your body healthy. I'm a financial advisor, not a doctor or trainer, so I'm not in the business of providing tips on healthy living. But this tip is just common sense, and it is amazing how often it gets overlooked. Keeping yourself healthy now can save you a lot of money in the future.

I've tried to share a few basic tips on how to plan for and secure a bright financial future as it pertains to health care expenses. They may seem overly simple, but they are fundamental to your financial health. Remember:

"Winners don't just learn the fundamentals, they master them. You have to monitor your fundamentals constantly, because the only thing that changes will be your attention to them."
– Michael Jordan

By mastering the fundamentals of financial planning, you will get yourself much closer to achieving the future you've always dreamed of.

1 Elizabeth O'Brien, "Here's How Much the Average Couple Will Spend on Health Care Costs in Retirement," Time Magazine, April 19, 2018. http://time.com/money/5246882/heres-how-much-the-average-couple-will-spend-on-health-care-costs-inretirement/

2 Sudipto Banerjee, "Cumulative Out-of-Pocket Health Care Expenses After the Age of 70," Employee Benefits Research Institute, April 3, 2018. https://www.ebri.org/pdf/briefspdf/EBRI_IB_446.pdf

BIG UP, BIG DOWN - In the last 10 years, the largest increase of the yield on the 10-year Treasury note during any quarter was 0.85 percentage points in the 4th quarter 2016. In the last 10 years, the largest decrease of the yield on the 10-year Treasury note during any quarter was 1.60 percentage points in the 4th quarter 2008 (source: Treasury Department).

WHO NEEDS A MALL? - Less than 10% of annual retail spending in the United States is completed as an online purchase, less than half of the 23% of retail spending done online by Chinese consumers (source: Bloomberg).

GREEN ACRES - The average "farm real estate value" is $3,140 an acre in 2018, including land and buildings, an increase of +3.8% per year over the last 10 years (source: Department of Agriculture).

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