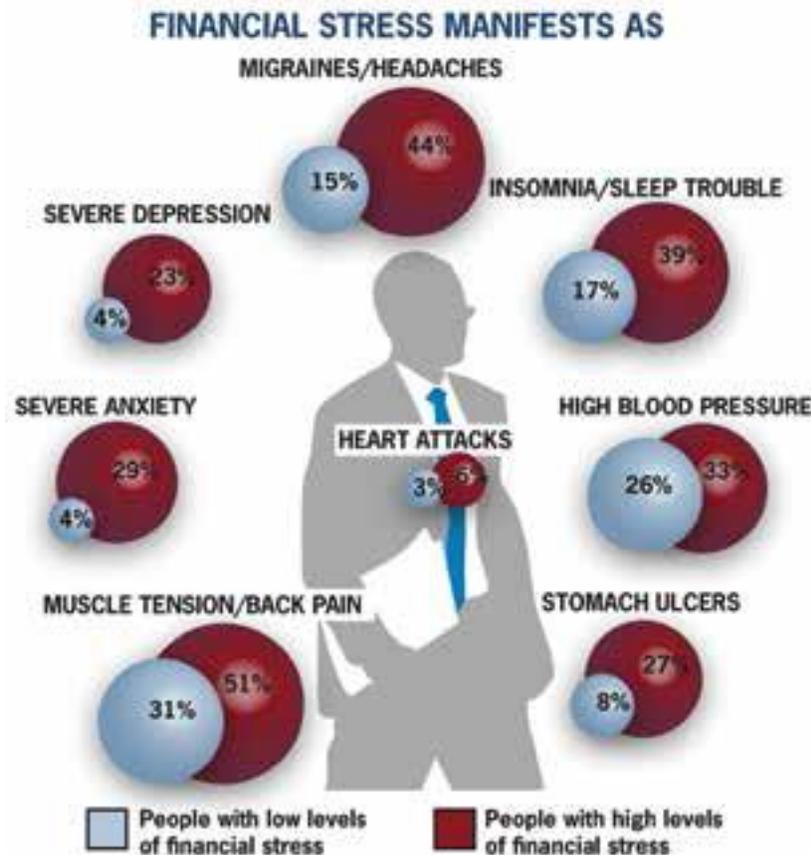


## How Much Does Financial Stress Affect Your Health?

Studies show that 83% of employees lack confidence in their ability to retire, and nearly the same amount (84%) report being financially stressed.<sup>7</sup> Not surprisingly, financial stress is the number one cause of stress-related illnesses, according to a 2009 Partnership for Workplace Mental Health report.

A positive way to tackle the financial stress you may be feeling is to take advantage of financial education offered by your employer, or consult with a qualified financial advisor. By putting together a financial game plan, you can set realistic goals and assumptions about your saving and spending habits.



Source for graphic: AP-AOL Health Poll, Debt Stress: The Toll Owing Money Takes on the Body, April 2009

## Living Longer, Living Better

*Creating lifelong financial health also means planning for greater longevity and potential healthcare needs as you get older. Long-term care is an important component of that plan.*

You've spent years contributing to your 401(k) plan, have held on to a diversified portfolio, and have followed the principles of sound personal finance. You've also stayed healthy by eating right and exercising. Still, can unexpected expenses or health setbacks surprise you in the future?

The answer, of course, is yes. Ask any financial advisor who manages money for retirees, and he or she will have many stories of the impact of healthcare costs on retirement savings. One advisor tells the story of a client who needed surgery for a heart condition just as his wife was being treated for cancer. Another retiree was surprised to discover that Medicare did not cover his dental work.

Today's older Americans enjoy longer lives and better physical health than did previous generations, although for some an increased burden in housing costs and rising obesity may compromise these gains, according to a federal study on aging.<sup>1</sup> Older Americans face financial challenges due to several factors:

- **Longevity.** Average life expectancy overall has increased about five years over the past two decades, but people are living longer in chronic pain and with physical and mental disabilities.<sup>2</sup> This means that most people need to plan for added healthcare costs.
- **Rising costs.** Climbing insurance premiums, advances in lifesaving medical technologies, and increased life expectancies are all driving increases in annual healthcare costs. In 2011, older consumers averaged out-of-pocket healthcare expenses of \$4,769, an increase of 46% since 2000.<sup>3</sup>
- **Smaller cost-of-living adjustments to Social Security.** Social Security benefits were expected to rise just 1.5% in January 2014,<sup>4</sup> giving millions of retired and disabled workers an average raise of \$19 a month to keep up with the cost of living. This increase, which is tied to the prevailing rate of inflation, is among the smallest since automatic adjustments to benefits were adopted in 1975.
- **Gaps in Medicare.** The Employee Benefit Research Institute (EBRI) estimates that a married couple who retired at 65 would need \$317,000 in 2012 to have a 75% chance of covering expenses not paid by Medicare.

Although the savings projection is lower than what the couple would have needed in 2011, individuals will need to save far more for health insurance premiums and out-of-pocket expenses. Most private and many public employers are not covering retirees as generously as they have in the past.<sup>5</sup> That said, workers who have access to flexible spending accounts offered by some employers will soon be allowed to carry over up to \$500 from one year to the next<sup>6</sup>—a big help in paying out-of-pocket healthcare costs.

Unexpected financial or physical-health issues shouldn't change the way you plan for retirement expenses. It's important to create a savings plan before retirement, and an income strategy during retirement. Costs such as insurance premiums, medical services, prescriptions and supplies and long-term care all need to be part of your planning each year. A financial advisor can help you create a realistic long-term care assessment that's tailored to your individual needs.



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- 1 National Institute on Aging (NIA), *Older Americans 2012: Key Indicators of Well-Being*, August 2012.
- 2 Lancet, *Global Burden of Disease Study*, 2010. Reported as of August 2013.
- 3 National Center for Health Statistics, *Bureau of Labor Statistics' Consumer Expenditure Survey*.
- 4 "Social Security Announces 1.5 Percent Benefit Increase for 2014," Social Security Administration press release, October 30, 2013.
- 5 Paul Fronstin, Ph.D., Dallas Salisbury, and Jack VanDerhei, Ph.D., "Savings Needed for Health Expenses for People Eligible for Medicare: Some Rare Good News," EBRI, October 2012.
- 6 Stephen Ohlemacher, "Rules loosened on funds left over in health care accounts," *Boston Globe*, November 1, 2013.
- 7 *2011 Research in Review*, Financial Finesse, February 2012.

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