Inflation and rising health care costs can be big issues for retirees.

However, when you've followed up on the items in our list, you will have taken a big step toward managing those issues.

This document is for general informational purposes only. It is not intended to provide fiduciary, tax, or legal advice and cannot be used to avoid tax penalties; nor is it intended to market, promote, or recommend any tax plan or arrangement. Allianz Life Insurance Company of North America, Allianz Life Insurance Company of New York, their affiliates, and their employees and representatives do not give legal or tax advice. Clients are encouraged to consult with their own legal, tax, and financial professionals for specific advice or product recommendations.

Your financial professional can provide you with more guidance on how you can plan a retirement that aligns with your income and spending goals.

True to our promises … so you can be true to yours.®

As leading providers of annuities and life insurance, Allianz Life Insurance Company of North America (Allianz) and its subsidiary, Allianz Life Insurance Company of New York (Allianz Life® of NY), base each decision on a philosophy of being true: **True to our strength** as an important part of a leading global financial organization. **True to our passion** for making wise investment decisions. And **true to the people we serve**, each and every day.

Through a line of innovative products and a network of trusted financial professionals, Allianz and Allianz Life of NY together help people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz, together with Allianz Life of NY, is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

While we are proud of our financial strength, we are made of much more than our balance sheet. By being true to our commitments and keeping our promises we believe we make a real difference for our clients. It's why so many people rely on Allianz and Allianz Life of NY today and count on us for tomorrow – when they need us most.

Guarantees are backed by the financial strength and claims-paying ability of the issuing company. Variable annuity guarantees do not apply to the performance of the variable subaccounts, which will fluctuate with market conditions.

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com. In New York, products are issued by Allianz Life Insurance Company of New York, 28 Liberty Street, 38th Floor, New York, NY 10005-1422. www.allianzlife.com/new-york. Variable products are distributed by their affiliate, Allianz Life Financial Services, LLC, member FINRA, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com. Only Allianz Life Insurance Company of New York is authorized to offer annuities and life insurance in the state of New York.

• Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

Follow Allianz Life Insurance Company of North America at:

AllianzLife @AllianzLife AllianzUS (R-1/2018)

Inflation and rising health care costs

Why inflation is a retirement concern and how you can prepare for it

For all that's ahead.®

Allianz

AMK-278-N

Allianz Life Insurance Company of North America
Allianz Life Insurance Company of New York

Why does inflation matter to retirees?

Over the last few years, the inflation rate in the United States has been fairly low. The average Consumer Price Index (CPI) has been 0.1% in 2015, 1.3% in 2016, and 2.1% in 2017.[1] Though the general economic outlook on inflation by the Federal Reserve is relatively stable, when you take a closer look at the economic data and potential impact of inflation on retirees, inflation and rising costs are a bigger concern for those in retirement than the general population.

This is because retirees have spending habits that are different from those of the general population. The "consumption basket" (a collection of goods and services used to measure inflation or spending trends) for retirees (those individuals age 65 and older) shows that they spend more of their money on health care costs and medical services than the general population. In fact, when compared to younger age groups (ages 55-65), retirees aged 65+ spend 13.6% of their income on health care expenses versus only 8% for all ages.[2]

Health care spending grew 4.3% in 2016, accounting for 17.9% of the nation's GDP.[3]

In 2016, U.S. health care spending increased 4.3% following growth of 5.8% in 2015. In 2016 health spending accounted for 17.9% of the nation's gross domestic product (GDP).[3]

Now more than ever, retirees need to consider the number of years they might be in retirement. With better health care and longer life expectancies, someone retiring today at age 65 could expect to live another 20 years, based on life expectancy tables. Even with a modest inflation rate of only 2.5%, costs would double after about 28 years.

So how can you prepare for these increasing expenses during your retirement?

How to prepare for rising health care costs and other expenses

Fortunately, you can utilize certain strategies today to help you deal with the impacts of inflation in the future.

1. **Understand how inflation could impact your retirement expenses.** Determine your potential retirement income expenses and consider the impact of inflation on your consumption basket.
2. **Estimate how many years you may be retired.** Consider your current health status and your potential life expectancy. If you are married, consider the possibility that one of you may live for 30 years or more in retirement.
3. **Familiarize yourself with Medicare options.** Keep in mind that Medicare does not cover everything and supplemental insurance may be necessary for you, which would add to your monthly expenses.
4. **Begin a review of your retirement income sources.** Determine whether cost-of-living adjustments or increasing income opportunities apply to those sources of income.
5. **Consider the impact of low interest rates and high inflation rates during retirement.** Your total rate of return may be different than anticipated.
6. **Manage your overall expectations of the impacts of inflation and focus on what you can control.** Be realistic when you plan for your retirement income.
7. **Work with a financial professional** to see what products, such as annuities, can help address the risk of inflation and rising health care costs during retirement.

[1] U.S. Inflation Calculator, Historical Inflation Rates: 1914-2017.
[2] U.S. Bureau of Labor Statistics, BEYOND THE NUMBERS, a closer look at spending patterns of older Americans, March 2016.
[3] Centers for Medicare & Medicaid Services, National Health Expenditure Data, 2016, Historical.