

KNOW WHAT TO EXPECT WITH HEALTH CARE COSTS

Plan on rapidly rising expenses

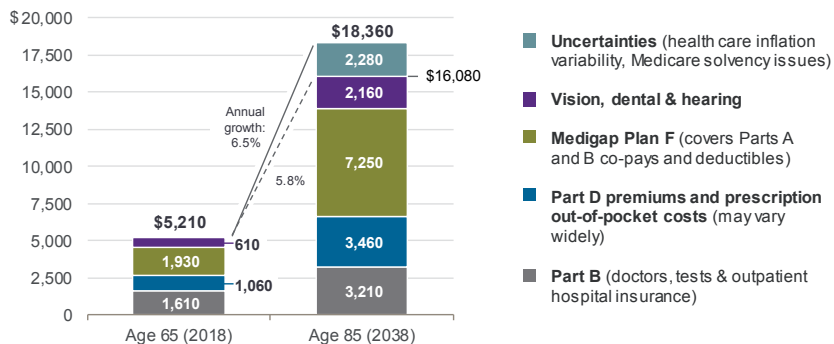
Medical expenses tend to rise sharply throughout retirement as we grow older and require more care at higher prices. Out-of-pocket costs for an average 65-year-old retiree on traditional Medicare are projected to more than triple from around \$5,200 this year to over \$18,000 by age 85.

These costs are averages *per person* and do not include most long-term care. Costs may be much higher if you have expensive prescriptions. And you'll pay more in Medicare premiums if your income is higher.

Include health care costs as a separate expense in your retirement plan and assume 6.5% annual inflation to be conservative. You may want to assess your long-term care alternatives when you are healthy, or as early as age 50, when the most options are available to you.

Rising annual health care costs in retirement

Traditional Medicare estimated median health care costs per person



A GROWING CONCERN

Given variation in health care cost inflation from year to year, it may be prudent to assume an annual health care inflation rate of 6.5%, which may require growth as well as current income from your portfolio in retirement.

2018 additional premium per person for Modified Adjusted Gross Incomes (MAGI) of:

FILING SINGLE	MARRIED FILING JOINTLY	ADDITIONAL PREMIUM	TOTAL MEDIAN COSTS
\$85,001 – \$107,000	\$170,001 – \$214,000	\$798	\$6,008
107,001 – 133,500	214,001 – 267,000	2,010	7,220
133,501 – 160,000	267,001 – 320,000	3,222	8,432
>160,000	>320,000	4,433	9,643

Notes: Age 85 estimated total median cost in 2018 is \$7,097. Medigap premiums usually increase due to age, in addition to annual inflation, except for most policies in the following states: AR, CT, MA, ME, MN, NY, VT, WA, AZ, FL, ID and MO. Analysis includes the most comprehensive and expensive plan available in each state.

Parts B and D additional premiums are calculated from federal tax returns two years prior; individuals may file for an exception on form SSA-44 if they reduce or stop work. For the definition of MAGI, please see slide 41.

Source: Employee Benefit Research Institute (EBRI) data as of December 31, 2017; SelectQuote data as of January 18, 2018; Centers for Medicare and Medicaid Services website, January 22, 2018; CMS Annual Release of Part D National Average Bid Amount, July 31, 2017; 2017 Medicare Trustees Report, July 13, 2017; Consumer Expenditure Survey data as of December 31, 2017; J.P. Morgan analysis.

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