

Don't forget retirement health care costs



Sooner is better than later when it comes to planning your retirement budget. While you're still receiving a paycheck, figure out how much you'll need for a financially stable retirement.

Spending in retirement

Once you retire, you won't have the day-to-day expenses you had while working. However, you will still have to pay for items like utilities, insurance and transportation, as well as for groceries and other everyday expenses. And don't forget the one item that could have the biggest impact on your retirement budget – health care.

Getting real about health care expenses

You may be happy with the health care coverage you currently receive through your employer. But will that coverage continue after you retire? Even if your spouse's employer provides retiree health coverage, you will still have to pay a variety of out-of-pocket costs – deductibles, copayments and part of the total premiums.

According to data from the U.S. Bureau of Labor Statistics, a U.S. consumer unit (which averages 2.5 people) spent an average of \$5,850 on health care in 2022.¹ Of course, you'll spend less if you are young and healthy. However, you can see from the chart in the next column that spending on health care tends to increase as you get older.

Health care costs (per consumer unit)^{1,2}

Age group	Annual amount spent on health care
25 - 34	\$3,560
35 - 44	\$5,329
45 - 54	\$6,081
55 - 64	\$6,699
65 - 74	\$7,422
75 and older	\$7,708

Medicare will cover some of your health care expenses once you become eligible. But not all expenses are covered by Medicare. You may choose to buy supplemental insurance to cover expenses that Medicare won't. If you add up the cost of Medicare premiums, supplemental insurance and out-of-pocket health care costs, you could be looking at a large annual expense for your health care.

What the future holds

You can't predict how much or how little health care you will need in the future. You can predict, however, that you will have to spend a portion of your retirement budget on health care. The smart way to prepare is to create a budget using realistic estimates of all your expenses – and to keep putting as much money as you can in your retirement account.



If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.

¹ Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2023 (2022 data).

² Amounts are "consumer units," which average 2.5 people.

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