SOLVING THE RETIREMENT PUZZLE WITH CONFIDENCE

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CHAPTER 1

Longevity

You would think the prospect of the grave would loom more frightening as we age, yet many retirees say their number one concern is actually running out of money in their twilight years.[1] Unfortunately, this concern is justified because of one significant factor: We're living longer.

According to the Social Security Administration's 2011 Trustee Report, in 1950, the average life expectancy for a sixty-five-year-old man was seventy-eight, and the average for a sixty-five-year-old woman was eighty-one.[2] In the 2023 Trustees Report issued by the SSA, those averages were eighty-six and eighty-three, respectively.[3]

The bottom line of many retirees' budget woes comes down to this: They just didn't plan to live so long. Now, when we are younger and in our working years, that's not something we necessarily see as a bad thing; don't some people fantasize about living forever or, at least, reaching the ripe old age of 100?

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[1] Brett Arends. MarketWatch. June 5, 2023. "Americans are 'more afraid of running out of money than death'" https://www.marketwatch.com/story/americans-are-more-afraid-of-running-out-money-than-death-ee5e22e9

[2] Social Security Administration. 2024 "Actuarial Publications: Cohort Life Expectancy" https://www.ssa.gov/oact/TR/2011/lr5a4.html

[3] Kay Dee Cole. claritywealthdevelopment.com. July 6, 2022. "What is the Average Life Expectancy for a 65-year-old?" https://claritywealthdevelopment.com/blog/what-is-the-average-life-expectancy-for-a-65-year-old

However, with a longer lifespan, we face a few snags as we retire. Our resources are finite — we only have so much money to provide income — but our lifespans can be unpredictably long, perhaps longer than our resources allow. Also, longer lives don't necessarily equate with healthier lives. The longer you live, the more money you will likely need to spend on health care, even excluding long-term care needs like nursing homes.

You will also run into inflation. If you don't plan to live another twenty-five years but end up doing so, inflation at an average of 3 percent will approximately double the price of goods over that time period. To put a harsh twist on that, the buying power of a ninety-year-old will be half of what they would have possessed if they had retired at sixty-five.[4]

Because we don't necessarily get to have our cake and eat it, too, our collective increased longevity hasn't necessarily increased the healthy years of our lives. Typically, our life-extending care most widely applies to the time in our lives when we will need more care in general. Think of common situations like a pacemaker at eighty-five, or cancer treatment at seventy-eight.

"Wow, Eric and Jennifer," we can hear you say. "Way to start with the good news first."

We know, we've painted a grim picture, but all we're concerned about here is cost. It's hard to put a dollar sign on life, but that is essentially what we're talking about when discussing longevity and finances. Living longer isn't a bad thing; it just costs more, and one key to a sound retirement strategy is preparing for it in advance.

As mentioned in the preface, Eric's grandmother lived to be ninety-six, while his grandfather passed away twenty years earlier. We often share this information to highlight the importance of planning for longevity. Statistically, if you are sixty-five or older and married, the average life expectancy is

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[4] Bob Sullivan, Benjamin Curry. Forbes. April 28, 2021. "Inflation And Retirement Investments: What You Need to Know" https://www.forbes.com/advisor/retirement/inflation-retirement-investments/

eighty-four for men and eighty-six for women. Marriage increases life expectancy, and there's a 47 percent chance that one of you will reach at least age ninety.[5] Eric's grandparents almost perfectly matched these expectations.

None of us can predict exactly how long we'll live, so it's crucial to plan for the possibility of living into your late eighties or even nineties. Longevity is a key factor in retirement planning, as it amplifies risks like long-term care needs, inflation, and market volatility.

Living longer may be more expensive, but it can be so meaningful when you plan for your "just-in-cases."

Retiring Early

A key part of planning for retirement revolves around retirement income. After all, retirement is cutting the cord that tethers you to your employer — and your monthly check. However, that check often comes with many other benefits, particularly health care. Health care is often the thing that can unexpectedly put dreams for an early retirement on hold. Some employers offer health benefits to their retired workers, but that number has declined drastically over the past several decades.

In 1988, among employers who offered health benefits to their workers, 66 percent offered health benefits to their retirees. That number has since dwindled to 21 percent.[6] So, with employer-offered retirement health benefits on the wane, this becomes a major point of concern for anyone who is looking to retire, particularly those who are looking to retire before age sixty-five, when they would become eligible for Medicare coverage.

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[5] RBC Wealth Management. 2024. "How to plan your health care and life expectancy." https://www.rbcwealthmanagement.com/en-us/insights/how-to-plan-your-health-care-and-life-expectancy

[6] Henry J. Kaiser Family Foundation. October 27, 2022. "2022 Employer Health Benefits Survey" https://www.kff.org/report-section/ehbs-2022-section-11-retiree-health-benefits/

Fidelity estimates that the average retired couple at age sixty-five will need approximately $315,000 for health care expenses in retirement, not including long-term care.[7] Do you think it's likely that cost will decrease?

Even if you are working until age sixty-five or have plans to cover your health expenses until that point, we often have clients who incorrectly assume Medicare is their golden ticket to cover all expenses. That is simply not the case.

Retiring Later

Planning for a long life in retirement partly depends on when you retire. While many people end up retiring earlier than they anticipated — due to injuries, layoffs, family crises, and other unforeseen circumstances — continuing to work past age sixty (and even sixty-five) is still a viable option for others and can be an excellent way to help establish financial comfort in retirement.

There are many reasons for this. For one, you obviously still earn a paycheck and the benefits accompanying it. Medical coverage and beefing up your retirement accounts with further savings can be significant by themselves, but continuing to generate income should also keep you from dipping into your retirement funds, further allowing them the opportunity to grow.

Additionally, for many workers, their nine-to-five job is more than just clocking in and out. Having a sense of purpose can keep us active physically, mentally, and socially. That kind of activity and level of engagement may also help stave off many of the health problems that plague retirees. Avoiding a sedentary life is one of the advantages of staying plugged into the workforce, if possible.

[7] Fidelity. June 21, 2023. "How to plan for rising health care costs" https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs

Let me introduce you to Mike. Mike was a longtime client of ours, and we had been working closely with him on his retirement plan for years. He was in his early sixties, a highly successful engineer who had built a solid career, provided for his family, and was approaching the stage where many people are ready to walk away from the daily grind. We had everything set for him—a carefully crafted retirement plan, a projected retirement date, and a clear financial path to follow.

The day finally came when he could have retired. But instead of celebrating with a farewell party, Mike walked into our office with a smile and said, "I'm still having fun. My company wants me to stay, and you know what? I think I will." We weren't surprised—this happens more than people expect.

Mike had reached what we call the "one bad day away from retirement" stage. He didn't need the paycheck anymore. His plan was solid, his finances were secure, and if he wanted to, he could leave his job that afternoon. But instead of feeling that weight of "having" to work, Mike realized he still *wanted* to work. The stress had lifted, and his outlook on his career shifted entirely. Each morning, he woke up knowing he wasn't trapped in the routine; he was free to leave whenever he chose.

For three years, Mike continued working, each time coming into our office with the same upbeat attitude. “I'm still just one bad day away from retirement,” he'd say, chuckling, “but I haven't had that bad day yet.” Work had become enjoyable in a way it hadn't been in years. The pressure was gone, and the decision was always his. If a day came along when the challenges outweighed the joys, he knew he could simply walk away, get lunch, and not return. But that day never came.

What we've found with many of our clients is that knowing they can retire shifts their mindset entirely. When work is a choice, it feels different. The sense of obligation is replaced by a sense of purpose. And it's that feeling of purpose that kept Mike going. His company valued him, his colleagues respected him, and he enjoyed the challenges his work presented—so why stop?*

But not everyone's story is like Mike's. While he thrived on the structure and purpose that work provided, others sometimes struggle when that daily rhythm disappears. Not too long ago, we sat down with another client, David, who had retired on schedule. After a few months of playing golf, relaxing, and tackling projects around the house, he came to us and said, "I think I might go back to work part-time. I don't need to, but honestly, you can only play so much golf. I miss having something to do."

And that's a crucial part of the retirement planning process that often goes unnoticed: What will give you purpose in this new chapter? It's not just about having enough money to retire—it's about figuring out what your life will look like without the routines and commitments that have filled it for decades. Some clients transition easily into hobbies, travel, or spending more time with family. Others find it harder to adjust.

That's why we spend time helping clients like Mike and David think through not only their financial future but also their personal future. What's the new focus going to be? What will get them out of bed in the morning when the office no longer calls?

For Mike, it was continuing to work because he enjoyed it. For David, it was discovering that he needed to stay active and engaged, even after retiring. Every person's path is unique, and that's why building a retirement plan goes beyond just numbers—it's about creating a life plan. And when clients like Mike find that balance between financial freedom and personal fulfillment, we know we've done our job well. And, as studies have shown, people who have purpose and fulfillment in

* The above example is for illustrative purposes only. Past performance does not represent future results. Personal and individual situations may differ.

retirement also tend to enjoy better health and overall well-being.

Health Care

Take a second to reflect on your health care plan. Although working up to or even past age sixty-five could allow you to avoid a coverage gap between your working years and Medicare, that may not be an option for you. Even if it is, when you retire, you will need to make some decisions about what kind of insurance coverage you may need to supplement your Medicare. Are there any medical needs you have that may require coverage in addition to Medicare? Did your parents or grandparents have any inherited medical conditions you might consider using a special savings plan to cover?

These are all questions that are important to review with your financial professional so you can be sure you have enough money put aside for health care.

Long-Term Care

Longevity means the need for long-term care is statistically more likely to happen. If you intend to pass on a legacy, planning for long-term care is paramount, since most estimates project nearly 70 percent of Americans who reach age sixty-five will need some type of it.[8] However, this may be one of the biggest, most stressful pieces of longevity planning we encounter in our work. For one thing, who wants to talk about the point in their lives when they may feel the most limited? Who wants to dwell on what will happen if they can no longer toilet, bathe, dress, or feed themselves?

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[8] Claire Samuels. A Place for Mom. September 13, 2023. "Long-Term Care Statistics: A Portrait of Americans in Assisted Living, Nursing Homes, and Skilled Nursing Facilities" https://www.aplaceformom.com/senior-living-data/articles/long-term-care-statistics

We get it; this is a less-than-fun part of planning. But a little bit of preparation now can go a long way!

When it comes to your longevity, just like with your goals, one of the important things to do is sit and dream. It may not be the fun, road-trip-to-the-Grand-Canyon kind of dreaming, but you can spend time envisioning how you want your twilight years to look.

For instance, if it is important for you to live in your home for as long as possible, who will provide for the day-to-day fixes and to-dos of housework if you become ill? Will you set aside money for a service, or do you have relatives or friends nearby whom you could comfortably allow to help you? Do you prefer in-home care over a nursing home or assisted living? This could be a good time to discuss the possibility of moving into a retirement community versus staying where you are or whether it's worth moving to another state and leaving relatives behind.

These are all important factors to discuss with your spouse and children, as *now* is the right time to address questions and concerns. For instance, is aging in place more important to one spouse than the other? Are the friends or relatives who live nearby emotionally, physically, and financially capable of helping you for a time if you face an illness?

Many families we meet with find these conversations very uncomfortable, particularly when children discuss nursing home care with their parents. A knee-jerk reaction for many is to promise they will care for their aging parents. This is noble and well-intentioned, but there needs to be an element of realism here. Does "help" from an adult child mean they stop by and help you with laundry, cooking, home maintenance, and bills? Or does it mean they move you into their spare room when you have hip surgery? Are they prepared to help you use the restroom and bathe if that becomes difficult for you to do on your own?

We don't mean to discourage families from caring for their own; this can be a profoundly admirable relationship when it works out. However, we've seen families put off planning for late-in-life care based on a tenuous promise that the adult children would care for their parents, only to watch as the support system crumbles. Sometimes, this is because the assumed caregiver hasn't given serious thought to the preparation they would need, both in a formal sense and regarding their personal physical, emotional, and financial commitments. This is often also because we can't see the future: Alzheimer's disease and other maladies of old age can exact a heavy toll. When a loved one reaches the point where they are at risk of wandering away or need help with two or more activities of daily living, it can be more than one person or a family can realistically handle.

If you know what you want, communicate with your family about both the best-case and worst-case scenarios. Then, hope for the best, and plan for the worst.

Realistic Cost of Care

Included in your planning should be a consideration for the cost of long-term care. The potential costs for such care and treatment can be underestimated, especially by those who have maintained robust health and find it difficult to envision future declines in their condition.

Another piece of planning for long-term care costs is anticipating inflation. It's common knowledge that prices have been and keep rising, which can lower your purchasing power on everything from food to medical care. Long-term care is a big piece of the inflation-disparity pie.

While local costs vary from state to state, the following table shows the national median for various forms of long-term care (plus projections that account for a 3 percent annual inflation, so you can see what we are referencing):[9]

[9] Nationwide. 2024. "Compare Long-term Care costs from state to state" https://nationwidefinancialltcmap.hvsfinancial.com/

Long-Term Care Costs: Inflation				
	Informal Care	Home Care	Assisted Living	Nursing Home (semi-private room)
Annual 2025	$43,299	$39,749	$67,085	$109,628
Annual 2035	$58,190	$53,420	$90,157	$154,641
Annual 2045	$78,202	$71,791	$121,163	$218,137
Annual 2054	$102,036	$93,672	$158,090	$297,298

Fund Your Long-Term Care

One common mistake we see occurs in those who haven't planned for long-term care because they assume the government will provide everything. But that's a big misconception. The government has two health insurance programs: Medicare and Medicaid. These can greatly assist you in your health care *needs* in retirement but usually don't provide enough coverage to cover all your health care *costs* in retirement. Our firm isn't a government outpost, so we don't get to make decisions regarding policy and specifics about either of these programs. We're going to give an overview of both, but if you want to dive into the details of these programs, you can visit www.Medicare.gov and www.Medicaid.gov.

Medicare

Medicare covers those aged sixty-five and older and those who are disabled. Medicare's coverage of any nursing-home-related health issues is limited. It might cover your nursing home stay if it is not a "custodial" stay and isn't long-term. For example, if you break a bone or suffer a stroke, stay in a nursing home for rehabilitative care, and then return home, Medicare may cover you. However, if you have developed dementia or are looking to move to a nursing facility because you can no longer bathe, dress, toilet, feed yourself, or take care of your hygiene, etc., then Medicare is not going to pay for your nursing home costs.[10]

You can enroll in Medicare anytime during the three months before and three months after your sixty-fifth birthday. Miss your enrollment deadline, and you could risk paying increased premiums for the rest of your life.11 On top of prompt enrollment, there are a few other things to think about when it comes to Medicare, not least among them being the need to understand the different "parts," what they do, and what they don't cover.

Part A

Medicare Part A is what you might think of as "classic" Medicare. Hospital care, some types of home health care, and major medical care fall under this. While most enrollees pay nothing for this service (as they likely paid into the system for at least ten years), you might have to, based on either work history or delayed signup. In 2025, a hospital stay does have a deductible — $1,676.[12] Also, if you have a hospital stay that surpasses sixty days, you could be looking at additional costs;

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[10] Medicare. "What Part A covers" https://www.medicare.gov/what-medicare-covers/part-a/what-part-a-covers

[11] Medicare. "When can I sign up for Medicare?" https://www.medicare.gov/basics/get-started-with-medicare/sign-up/when-can-i-sign-up-for-medicare

[12] Centers for Medicare & Medicaid Services. November 8, 2024. "2025 Medicare Parts A&B Premiums and Deductibles" https://www.cms.gov/newsroom/fact-sheets/2025-medicare-parts-b-premiums-and-deductibles

keep in mind, Medicare doesn't pay for long-term care and services.

Part B

Medicare Part B is an essential piece of wrap-around coverage for Medicare Part A. It helps pay for doctor visits and outpatient services. This also comes with a price tag: Although the Part B annual deductible is only $257 in 2025, you will still pay 20 percent of all costs after that, with no limit on out-of-pocket expenses. The Part B monthly premium for 2025 ranges from the standard amount of $185 to $594.[13]

Part C

Medicare Part C (more commonly known as a Medicare Advantage plan) is an alternative to a combination of Parts A, B, and sometimes D. Administered through private insurance companies, these have a variety of costs and restrictions, and they are subject to the specific policies and rules of the issuing carrier.

Part D

Medicare Part D is also offered through a private insurer and is supplemental to Parts A and B, as its primary purpose is to cover prescription drugs. Like any private insurance plan, Part D has its quirks and rules that vary from insurer to insurer.

The base Part D beneficiary premium is $36.78 in 2025.[14] The Inflation Reduction Act passed in 2022 caps annual prescription drug costs to $2000 as part of Medicare Part D coverage. Previously, Americans on Part D private drug

[13] Ibid.

[14] Shawn Radcliffe. Healthline. November 12, 2024. "5 Changes to Medicare in 2025 Will Affect Part D Coverage, Drug Costs" https://www.healthline.com/health-news/medicare-part-d-2025-changes-drug-costs-plan-coverage

insurance adhered to a coverage gap named the Donut Hole. The coverage gap allowance in the Donut Hole forced Americans to pay up to 25 percent out of pocket for all covered medications. The Donut Hole no longer exists.

If drug costs reach the $2,000 gap, you do not have to pay a copayment or coinsurance for Part D drugs for the remainder of the calendar year. You can also spread your drug costs into monthly payments throughout the year.

Medicare Supplements

Medicare Supplement Insurance, MedSupp, Medigap, or plans labeled Medicare Part F, G, H, I, J ... Known by a variety of monikers, this is just a fancy way of saying "medical coverage for those over sixty-five that picks up the tab for whatever the federal Medicare program(s) doesn't." Again, costs, limitations, etc., vary by carrier.

Does that sound like a bunch of government alphabet soup to you? It certainly does to us. And did you read the fine print? Unpredictable costs, varied restrictions, difficult-to-compare benefits, donut holes, and coverage gaps. That's par for the course with health care plans throughout our adult lives. What gives? We thought Medicare was supposed to be easier, comprehensive, and at no cost!

The truth is there is probably no stage of life when health care is easy to understand.

People planning to retire before becoming eligible for Medicare often overlook the cost of health insurance. In our area, we're fortunate to have many large employers, that often cover a substantial portion of their employees' health care premiums. This corporate safety net can create a shock for those who plan to retire early. For instance, someone retiring at sixty-three often knows they'll need to cover their health insurance for two years — but they're often stunned when they see the actual out-of-pocket costs.

That's why one of the first steps we take when helping someone retire early is to educate them about the reality of health care expenses. It's easy to underestimate just how high those costs can be without employer support. But the good news is, there are alternatives, and that's where we come in. We explore every option with our clients, from short-term health insurance solutions to Christian health care plans, plans offered through the exchange, or even COBRA coverage if they qualify. We make sure they're informed about their choices, so they can make the best decision for their situation.

Health care is complex — and that complexity doesn't disappear with age. Even once you reach Medicare eligibility, there are still decisions to be made. Medicare alone is confusing enough but add in the options for supplemental coverage like traditional Medicare supplements and Medicare Advantage plans, and it can become overwhelming. That's why we have a dedicated specialist in our office who focuses specifically on health insurance, with an emphasis on Medicare Supplements.

When our clients are approaching sixty-five or considering early retirement, they have someone they already know and trust to guide them through these decisions. Our specialist walks them through all their plan options, helping them choose coverage tailored to their individual needs and goals. Since health care is one of the most significant expenses retirees face, proactive planning in this area is absolutely essential.

One of the best things you can do for yourself is to scope out the health care field early, compare costs often, and prepare for out-of-pocket costs well in advance — decades, if possible.

Income-Related Monthly Adjusted Amount (IRMAA)

High-income earners who are on Medicare must be aware of the Income-Related Monthly-Adjusted Amount (IRMAA) the federal government imposed in 2007 on Medicare Part B and in 2011 on Medicare Part D.

Medicare beneficiaries who earn more than $106,000 in 2025 must pay an IRMAA surcharge on their Part B and Part D premiums. A "hold harmless" provision preventing Social Security check from decreasing from one year to the next does not apply to those paying the IRMAA surcharge. In 2025, the average Social Security benefit will increase by about $50 per month, while the Part B premium will increase by approximately $10.

The determination to impose an IRMAA surcharge is based on your tax return filed two years earlier. So, for 2025 premiums, your 2023 tax return will determine whether you must pay an IRMAA surcharge. If that return reflected more than $106,000 in income ($212,000 for a married couple), an IRMAA surcharge will be imposed.[15]

[15] Medicare Resources. October 15, 2024. “What is the income-related monthly adjusted amount (IRMAA)” https://www.medicareresources.org/medicare-eligibility-and-enrollment/what-is-the-income-related-monthly-adjusted-amount-irmaa/

2025 IRMAA premiums			
Single	**Joint**	**Part B IRMAA surcharge**	**Part D IRMAA surcharge**
Less than or equal to $106,000	Less than or equal to $212,000	$0 (no IRMAA).	$0 (no IRMAA)
$106,001-$133,000	$212,001-$266,000	$74.00	$13.70
$133,001-$167,000	$266,001-$334,000	$185.00	$35.30
$167,001-$200,000	$334,001-$400,000	$295.00	$57.00
$200,001-$499.999	$400,001-$749,999	$406.90	$78.60
Greater than or equal to $500,000	Greater than or equal to $750,000	$443.90	$85.80

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Medicaid

Medicaid is a program the states administer, so funding, protocol, and limitations vary. Compared to Medicare, Medicaid more widely covers nursing home care, but it targets a different demographic: those with low incomes.

If you have more assets than the Medicaid limit in your state and need nursing home care, you will need to use those assets to pay for your care. You will also have a list of additional state-

[16] Centers for Medicare & Medicaid Services. November 8, 2024. "2025 Medicare Parts A & B Premiums and Deductibles" https://www.cms.gov/newsroom/fact-sheets/2025-medicare-parts-b-premiums-and-deductibles

approved ways to use or spend some of these assets over the Medicaid limit, such as pre-purchasing burial plots and funeral expenses or paying off debts. After that, your remaining assets fund your nursing home stay until they are gone, at which point Medicaid will jump in.

Some people aren't stymied by this, thinking they will just pass on their financial assets early by gifting them to relatives, friends, and causes so they can qualify for Medicaid when they need it. However, to prevent this exact scenario, Uncle Sam has implemented what's called the "look-back period." Currently, if you enroll in Medicaid, you are subject to having the government scrutinize the last five years of your finances for large gifts or expenses that may subject you to penalties, temporarily making you ineligible for Medicaid coverage.

So, if you're planning to preserve your money for future generations and retain control of your financial resources during your lifetime, you'll probably want to prepare for the costs of longevity beyond a "government plan."

Self-Funding

One way to fund a longer life is the old-fashioned way, through self-funding. There are a variety of financial tools you can use, and they all have their pros and cons. If your assets are in low-interest financial vehicles (savings, bonds, CDs), you risk letting inflation erode the value of your dollar. If you are relying on the stock market, you have more growth potential, but you'll also want to consider the possible implications of market volatility. What if your assets take a hit? If you suffer a loss in your retirement portfolio in early or mid-retirement, you might have the option to "tighten your belt," so to speak, and cut back on discretionary spending to allow your portfolio the room to bounce back. But if you are retired and depend on income from a stock account that just hit a downward stride, what are you going to do?

HSAs

These days, you might also be able to self-fund through a health savings account (HSA) if you have access to one through a high-deductible health plan (you will not qualify to save in an HSA after enrolling in Medicare). In an HSA, any growth of your tax-deductible contributions will be tax-free, and any distributions paid out for qualified health costs are also tax-free. Long-term care expenses count as health costs, so if this is an option available to you, it is one way to use the tax advantages to self-fund your longevity. Bear in mind if you are younger than sixty-five, any money you use for non-qualified expenses will be subject to taxes and penalties, and if you are older than sixty-five, any HSA money you use for non-medical expenses is subject to income tax.

LTCI

One slightly more nuanced way to pay for longevity — specifically for long-term care — is long-term care insurance (LTCI). As car insurance protects your assets in case of a car accident and home insurance protects your assets in case something happens to your house, long-term care insurance aims to protect your assets in case you need long-term care in an at-home or nursing home situation.

As with other types of insurance, you will pay a monthly or annual premium in exchange for an insurance company paying for long-term care down the road. Typically, policies cover two to three years of care, which is adequate for an "average" situation: it's estimated that 70 percent of Americans aged sixty-five and older will need long-term care of some kind.[17]

Now, there are a few oft-cited components of LTCI that make it unattractive for some:

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[17] Claire Samuels. A Place for Mom. September 13, 2023. "Long-Term Care Statistics: A Portrait of Americans in Assisted Living, Nursing Homes, and Skilled Nursing Facilities" https://www.aplaceformom.com/senior-living-data/articles/long-term-care-statistics

- Expense — LTCI can be expensive. It is generally less expensive the younger you are, but a sixty-five-year-old man would pay about $2,749 annually for a $4,000 monthly benefit and 3-year benefit period with a 3% lifetime inflation protection rider, while a woman that age would pay about $4,599 annually for a similar policy, assuming standard rates.[18] And the annual cost typically increases from there the older you are.
- Limited options — LTCI may be expensive for consumers, but it can also be expensive for companies that offer it. With fewer companies willing to take on that expense, the market narrows, limiting opportunities to price shop for policies with different options or custom benefits.
- If you know you need it, you might not be able to get it — Insurance companies offering LTCI are taking on a risk that you may need LTCI. That risk is the foundation of the product — you may or may not need it. If you know you will need it because you have a dementia diagnosis or another illness for which you will need long-term care, you will likely not qualify for LTCI coverage.
- Use it or lose it — If you have LTCI and are in the minority of Americans who die having never needed long-term care, all the money you paid into your LTCI policy is gone.
- Possibly fluctuating rates — Your premium rate is not locked in on LTCI. Companies maintain the ability to raise or lower your premium amounts. This means some seniors face an ultimatum: Keep funding a policy at what might be a less affordable rate *or* lose coverage and let go of all the money they have paid so far.

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[18] Joshua Rodriguez. CBS News. May 1, 2024. "How much does long-term care insurance cost for a 65-year-old?" https://www.cbsnews.com/news/how-much-does-long-term-care-insurance-cost-for-a-65-year-old/

After that, you might be thinking, "How can people possibly be interested in LTCI?" But let me repeat myself — it's anticipated that as many as 70 percent of Americans will need long-term care. And although only one in ten Americans aged fifty-five-plus has purchased LTCI, keep in mind the high cost of nursing home care. Can you afford $7,000 a month to put into nursing home care and still have enough left over to help protect your legacy?

This is a genuine concern, which is underscored by a 2024 report released by the Alzheimer's Association. It stipulates that 6.1 percent of Americans aged sixty-five and over suffered from Alzheimer's disease in 2020. It projects that 13.8 percent of Americans in that age group will be affected by the disease in 2050. It's worth noting that baby boomers, a generation born from 1948-64, will all turn sixty-five by 2030.[19]

While longevity means enjoying a longer life, it also increases the likelihood of encountering health care-related issues, especially in our later years. Many people, when we talk about long-term care, immediately think of nursing homes and often say, "I'm not going to live in one." The reality is that a long-term care event doesn't necessarily mean ending up in a nursing home. It simply means needing assistance with two of the six activities of daily living: bathing, continence, dressing, eating, toileting, and transferring. You can still live at home but will require someone to help you because you can no longer manage these tasks independently. Unless a family member can provide all the needed care, this assistance comes at a cost — which can significantly increase your expenses.

When we sit down with clients, we help them understand it's important to proactively decide how to manage this financial risk. A popular option for many has been to purchase long-term care insurance. However, it has been our experience that the traditional long-term care policies available today present several challenges. One major issue is the lack of guarantees

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[19] Alzheimer's Association. 2024. "Alzheimer's Disease Facts and Figures" Page 32. https://www.alz.org/alzheimers-dementia/facts-figures

when it comes to the premium cost over your lifetime. For instance, you might purchase a policy costing $2,000 to $3,000 a year in your fifties or sixties, but you're unlikely to need it until your eighties. This means making premium payments for fifteen to twenty years or longer. Often, every few years, you'll receive a notice about premium increases, forcing you to decide whether to increase your payment or reduce your benefits to keep the payments manageable. Over twenty years, these incremental changes can accumulate significantly.

We frequently meet people in their late seventies or early eighties who are nearing the time when they could use their policy but are frustrated with the rising premiums. Many consider canceling the policy, which could mean losing all the money they've invested in it over the years. For those on fixed incomes, the higher premiums can become a real burden, sometimes forcing them to reduce benefits they'll soon need.

Some of our clients who bought their policies decades ago, prior to working with us, are now faced with a tough choice — do they keep paying the increasingly expensive premiums, or do they let go of the policy they've already poured so much into?

That's why we often recommend a hybrid insurance policy as an alternative for covering long-term care costs. With a hybrid policy, you know exactly what you're paying and for how long — whether it's a lump sum or spread over five to ten years. The premiums are contractually guaranteed, so there's no surprise hikes. Hybrid policies also typically include a life insurance component, meaning if you never use the long-term care benefits, your beneficiaries will receive the value of the policy. You're not throwing money away—there's a safety net, whether or not you need the care.

Our biggest piece of advice when planning for long-term care is to be proactive. With 70 percent of people over sixty-five likely to need some form of long-term care, it's not a matter of if, but when. It's far better to plan ahead than to face a crisis unprepared.

This year, we proudly partnered with the Alzheimer's Association as one of our charitable initiatives and sponsored a

Lunch & Learn event for our clients. The focus was on Alzheimer's and dementia, where they shared eye-opening statistics from 2023 — revealing that one in three seniors currently passes away with Alzheimer's or another form of dementia. These staggering odds highlight just how important it is to be prepared for such possibilities.

A personal story that brings these statistics to life is that of Jennifer's great-aunt Margaret. She was an integral part of our family, having never married or had children of her own. During a weekend visit to our home, she became disoriented in the middle of the night, accidentally trapping herself in a closet. We found her confused and distressed, which was a pivotal moment for our family. Shortly after, we made the difficult decision to move her into a cognitive care facility, where she lived for the next eight years with Alzheimer's. Though she remained physically healthy, her inability to live independently meant that she eventually exhausted her life savings. Toward the end of her life, our family had to face the challenge of figuring out how to continue paying for her care.*

Margaret's story serves as a reminder of the importance of planning for long-term care, not just for your own peace of mind, but for your family's security as well. Planning ahead ensures that you're ready, financially and emotionally, for whatever may come. While none of us want to think about needing significant care in our later years, taking the steps now can offer peace of mind and protection for both you and your loved ones.

A few relevant statistics to keep in mind:

- The longer you live, the more health care you will likely need to pay for.
- The median cost of a private nursing home room in the United States between 2022 and 2023 was $9,034 a

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* The above example is for illustrative purposes only. Past performance does not represent future results. Personal and individual situations may differ.

month.[20] But keep in mind that is just the nursing home — it doesn't include other medical costs, let alone pleasantries like entertainment or hobby spending.

- As referenced earlier, Fidelity calculated in a 2022 study that a healthy couple retiring at age sixty-five could expect to pay around $315,000 over the course of retirement to cover health and medical expenses.

We know. "Whoa, there, Eric and Jennifer, I was hoping to have a realistic idea of health costs, not be driven over by a cement mixer!"

The good news is, while we don't know these exact costs in advance, we know there *will* be costs. And you won't have to pay your total Medicare lifetime premiums in one day as a lump sum. Now that you have a good idea of health care costs in retirement, you can *plan* for them! That's the real point here: Planning in advance can keep you from feeling nickel-and-dimed to your wits' end. Instead, having a sizeable portion of your assets earmarked for health care can allow you the freedom to choose health care networks, coverage options, and long-term care possibilities that you like and think offer you the best in life.

Product Riders

LTCI and self-funding are not the only ways to plan for the expenses of longevity. Some companies are getting creative with their products, particularly insurance companies. One way they are retooling to meet people's needs is through optional product riders on annuities and life insurance. Elsewhere in this book, we talk about annuity basics, but here's a brief overview: Annuities are insurance contracts. You pay the insurance company a premium — either as a lump sum or as a

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[20] Merritt Whitley. A Place for Mom. May 19, 2023. "How Much Do Nursing Homes Cost? A State-By-State Guide" https://www.aplaceformom.com/caregiver-resources/articles/nursing-homes-cost

series of payments over a set amount of time — in exchange for guaranteed income payments.

One of the advantages of an annuity is it has access to riders, which allow you to tweak your contract for a fee, depending on the type and length of the coverage. On average, these FIA rider fees cost up to 1.25 percent annually.[21] One annuity rider some companies offer is a long-term care rider. If you have an annuity with a long-term care rider and are not in need of long-term care, your contract behaves as any annuity contract would — nothing changes. Generally speaking, if you reach a point when you can't perform multiple functions of daily life on your own, you notify the insurance company, and a representative will turn on those provisions of your contract.

Like LTCI, different companies and products offer different options. Some annuity long-term care riders offer coverage of two years in a nursing home situation. Others cap expenses at two times the original annuity's value. It greatly depends. Some people prefer this option because there isn't a "use-it-or-lose-it" piece; if you die without ever having needed long-term care, you still will have had the income benefit from the base contract.

Still, as with any annuities or insurance contracts, there are the usual restrictions and limitations. Withdrawing money from the contract will affect future income payments, early distributions can result in a penalty, income taxes may apply, and, because the insurance company's solvency is what guarantees your payments, it's important to do your research about the insurance company you are considering purchasing a contract from.

Understandably, a discussion on long-term care is bound to feel at least a little tedious. Yet, this is an important piece of planning for income in retirement, particularly if you want to leave a legacy.

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[21] Shawn Plummer. The Annuity Expert. 2024. "A Guide To Annuity Fees" https://www.annuityexpertadvice.com/types-of-annuities/annuity-fees/

Ray's story is one that truly stays with us. Years ago, he had purchased a long-term care policy — not through us — and as the years went by, his premiums steadily increased. Each year, when the bill came, Ray struggled to justify paying it. We understood his hesitation. It's never easy to see those numbers climb, but we gently reminded him that he had already put so much into the policy. At his age, the possibility of needing care was growing, and we urged him to keep the policy since he had the means to do so. He reluctantly agreed, even though it was a decision that weighed heavily on him.

Over time, though, we noticed something unsettling. Ray began asking the same questions during our meetings, over and over again, and it became clear that something wasn't right. Ray was unmarried, with no children, but he had his brother listed as his emergency contact. Concerned for his well-being, we reached out to his brother, who confirmed our fears — he, too, had noticed changes in Ray and had already scheduled a doctor's appointment. A week later, we received the heartbreaking news: Ray had been diagnosed with Alzheimer's.

For the next four years, Ray lived in a memory care facility. Though Ray himself was unaware of the depth of his condition toward the end, his brother expressed how grateful he was that Ray had held onto that long-term care policy. It covered his care, lifting the financial burden from his family during an already incredibly difficult time. We, too, felt a sense of relief that Ray had continued to make those payments, despite the reluctance he had felt.

Ray's diagnosis was devastating but knowing that he was taken care of brought a measure of peace. In moments like these, having that financial safety net isn't just about dollars and cents — it's about dignity, comfort, and ensuring that, even in the hardest times, there's one less thing to worry about.[*]

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[*] The above example is for illustrative purposes only. Past performance does not represent future results. Personal and individual situations may differ.

Spousal Planning

Here's one thing to keep in mind no matter how you plan to save: Many of us will be planning for more than ourselves. Look back at all the stats on health events and the likelihood of long life and long-term care. If they hold true for a single individual, then the likelihood of having a costly health or long-term care event is even higher for a married couple. You'll be planning for not just one life, but two. So, when it comes to long-term care insurance, annuities, self-funding, or whatever strategy you are looking at using, be sure you are funding longevity for the both of you.

The subprime-mortgage housing bubble burst of 2008 collapsed the economy, crushed the housing market, and devastated real estate owners. Adding to the turmoil, careers were derailed, and droves of people fled the Sunshine State. Eric, a thriving commercial real estate broker, and Jennifer, a multinational mortgage company founder, faced the aftermath both personally and professionally. Witnessing the heart-wrenching daily destruction as friends, clients, and colleagues lost their financial and real estate holdings, many nearing retirement convinced the Lahaies that there had to be a better investment approach. They refocused their careers dedicating themselves to helping people diversify investments and plan for secure retirements. In 2016, they boldly followed their hearts, relocating their family and business to Upstate, South Carolina.

In their book, *Solving the Retirement Puzzle with Confidence*, Eric and Jennifer share their comprehensive retirement planning approach through engaging anecdotes and strategies. Their "Fiscal House" methodology provides a structured framework for navigating retirement complexities, ensuring a sturdy foundation for any challenges. Central to their philosophy are the five core areas of retirement planning:

- Planning for **investment** growth
- Determining sustainable **income** streams
- Addressing **health care** needs and financing options
- Strategizing **tax** management techniques
- Crafting **estate** plans for a lasting legacy

Eric and Jennifer break down these core areas into digestible concepts, emphasizing their importance in achieving financial security during retirement. They stress the significance of having a clear roadmap in place, likening the process to solving a puzzle without a guiding image—daunting and prone to costly mistakes.

With nearly fifteen years of experience guiding pre-retirees and retirees, Eric and Jennifer bring a wealth of knowledge and expertise to the table. Their journey from the 2008 economic collapse to becoming trusted advisors underscores their commitment to helping others navigate retirement with confidence and clarity.