



Insured Retirement Institute

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IRI Exclusive: Escalating Health Care Costs Threaten to Erode Americans' Retirement Savings

Nearly Two-Thirds of Baby Boomers are Not Confident They Will be Able to Cover Medical Expenses in Retirement

WASHINGTON, D.C. – The Insured Retirement Institute (IRI) today released its report, “Health Care Expenses and Retirement Income: How Escalating Costs Impact Retirement Savings.” This exclusive report examines the impact of rising medical expenses on Baby Boomers’ retirement income planning and strategies that may alleviate some of the financial burden. The report found that a healthy 65-year-old male can expect a total cost of health care expenses, including premiums, for the rest of his lifetime to top \$350,000, and a 65-year-old woman can expect at least \$417,000 in health care expenses—a 13% increase compared to her male counterpart. It also found that the average person on Medicare will have out-of-pocket medical expenses totaling more than \$4,300 per year.

Baby Boomers do not believe they are financially prepared to cover future medical expenses. IRI research has found that 63 percent of Baby Boomers lack confidence that they will have enough money for medical expenses they incur during retirement. This concern is especially strong among younger Boomers ages 50 to 54 with 72 percent stating they are lacking confidence that they will have enough money to take care of medical expenses during retirement.

“Health care costs are one of the biggest concerns for Boomers as they enter retirement and is also one of the largest threats to Americans’ overall retirement income security,” said IRI President and CEO Cathy Weatherford. “This report underscores the importance for Americans to properly plan for retirement and to consult with an advisor to ensure they will have enough money to cover health care costs and other necessary expenses in retirement. It also demonstrates the unique role insured retirement strategies can play in a holistic retirement plan and can help alleviate some of the financial burdens of covering health care costs.”

The report provides ways investors can plan for increased medical costs and Medicare premiums when developing their retirement financial plan. Annuities can help cushion health care costs and can reduce the investment needed to cover future health care costs. An annuity with a guaranteed minimum withdrawal

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benefit (GMWB) can provide a base level of guaranteed lifetime income and supplement income from Social Security.

The report also found that:

- The 2012 Social Security cost-of-living adjustment (COLA) of 3.6% represents an increase, on average, of \$42 per month, or approximately \$500 for the year.
- Per capita health care expenses increased by 5.75 percent in the twelve-month period ending September 2011.
- For 2012, Medicare Part B premiums will account for 8.2% of the average Social Security benefit, up from 5.1% in 2000.
- While the average Social Security check is 31 percent higher than it was in 2001, premiums for Medicare Part B have doubled.
- Although there is no decline in the COLA net of Part B premiums (net COLA) for 2012, Part B premiums have negatively impacted the COLA for 12 of the past 20 years.
- While 63% of all Boomers lack full confidence in their ability to cover medical expenses in retirement, the concern is most pronounced among younger Boomers with 72 percent of Boomers ages 50-54 concerned about their ability to cover medical costs in retirement, and middle-income Boomers (70 percent) compared to 52 percent of Boomers making more than \$75,000 per year. However, concern is consistent among men and women (63 percent) and marital status (63 percent among both married and single Boomers).
- A 55-year-old man can reduce the total investment needed to fund future health expenses by more than 70 percent by adding an annuity.

The full report can be found [HERE](#).

About the Insured Retirement Institute: The Insured Retirement Institute (IRI) is a not-for-profit organization that for twenty years has been a mainstay of service, commitment and collaboration within the insured retirement industry. Today, IRI is considered to be the authoritative source of all things pertaining to annuities, insured retirement strategies and retirement planning. IRI proudly leads a national consumer education coalition of nearly twenty organizations and is the only association that represents the entire supply chain of insured retirement strategies: our members are the major insurers, asset managers, broker dealers and more than 75,000 financial professionals. IRI exists to vigorously promote consumer confidence in the value and viability of insured retirement strategies, bringing together the interests of the industry, financial advisors and consumers under one umbrella. IRI's mission is to: encourage industry adherence to highest ethical principles; promote better understanding of the insured retirement value proposition; develop and promote best practice standards to improve value delivery; and to advocate

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before public policy makers on critical issues affecting insured retirement strategies and the consumers that rely on their guarantees. Visit www.IRIONline.org today to experience the vast resources of the Insured Retirement Institute for yourself.

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