

# Planning for Health Care in Retirement Worksheet

Many people underestimate their out-of-pocket health care expenses in retirement. In a Fidelity-sponsored research study, 33% of respondents do not have any idea of what their health care expenses could be in retirement.<sup>1</sup>

Given the number of years you'll probably spend in retirement, you want to make sure that your health care costs are covered. That means having dependable income sources that have the potential to provide guaranteed income\* and growth over time.

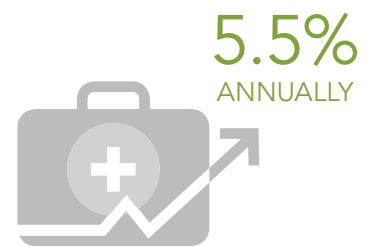
Complete this worksheet with your advisor to help you with your retirement income planning. Your advisor can help you identify the required dollar amounts and percentages. You may be asked to provide an expected growth rate for certain account types. Be sure to consider your personal situation, including your age, risk tolerance, and investing style, when deciding on an appropriate rate. The expectation of a higher annual growth rate may require you to invest in securities that are generally more volatile and would subject you to additional risks.

## Think about this:

- The number of years you'll spend in retirement
- The health care costs you could incur

## Then ask yourself:

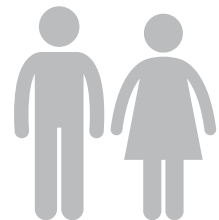
- Are you covered?



Spending on health care is projected to rise 5.5% annually through 2025.<sup>2</sup>

# \$285,000

Out-of-pocket health care expense estimate for a 65-year-old couple.<sup>3</sup>



\* Guarantees are subject to the claim-paying ability of the issuing insurance company.

**Not FDIC Insured • May Lose Value • No Bank Guarantee**

Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.

# Step 1

## Gather your personal data

Financial advisor:	Financial advisor's company name:
Your name:	Age:
Include a partner or spouse in your plan: <input type="checkbox"/> Yes <input type="checkbox"/> No	
Spouse/partner's name:	Age:

# Step 2

## Estimate your projected annual cost of health care coverage in retirement

Medicare.gov and other online sources noted on page 6 can be helpful resources:

Category		Annual out-of-pocket health care costs in retirement	
Medicare Part A—hospital insurance			\$
Medicare Part B—medical insurance		+	\$
Medicare Part C—Medicare Advantage Plans*		+	\$
Medicare Part D—prescription drug coverage		+	\$
Medigap Plan (or other supplemental insurance)*		+	\$
<b>Total annual out-of-pocket health care costs (for an individual)</b>	If you are an individual, you are done with Step 2. Get your total to the right and carry the figure forward.	=	\$ TRANSFER THIS AMOUNT TO ALL GRAY BOXES.
<b>Total annual out-of-pocket health care costs (for a couple)</b>	If you indicated yes to a spouse or partner, multiply the total above by 2 and carry THIS figure forward instead.	× 2 =	\$ TRANSFER THIS AMOUNT TO ALL GRAY BOXES.

Have you reached the required age to receive Medicare benefits or are you receiving Medicare benefits? Yes  No

If YES, fill out the "Medicare eligible" table on the next page—Step 3A.

If NO, proceed to "Step 3B, NOT Medicare eligible" on page 4.

\* Please note: A Medigap policy cannot be used in conjunction with Medicare Advantage Plans.

# Step 3A, Medicare eligible—

## Calculate investment needed to generate retirement income

Deferred variable annuity with a living benefit <sup>4</sup>		Total premium needed to cover annual out-of-pocket health care costs	
Estimated total annual out-of-pocket health care costs		\$	ENTER THE AMOUNT FROM THE STEP 2 GRAY BOX.
Percentage of out-of-pocket health care costs to be covered by the annuity (0–100)	×		%
Estimated annual income needed from deferred variable annuity	=	\$	TRANSFER THIS AMOUNT TO THE <b>STEP 4 YELLOW</b> BOX.
Guaranteed withdrawal percentage at age 65 <sup>5</sup>	÷		%
<small>This percentage is stated in the annuity prospectus or marketing material available from the issuing insurance company.</small>			
<b>Total</b>	=	\$	TRANSFER THIS AMOUNT TO THE <b>STEP 5 GREEN</b> BOX.

Mutual funds with a Systematic Withdrawal Plan		Total investment needed to cover annual out-of-pocket health care costs	
Estimated total annual out-of-pocket health care costs		\$	ENTER THE AMOUNT FROM THE STEP 2 GRAY BOX.
Percentage of out-of-pocket health care costs to be covered by the mutual funds (0–100)	×		%
Estimated annual income needed from mutual fund(s) with a Systematic Withdrawal Plan	=	\$	TRANSFER THIS AMOUNT TO THE <b>STEP 4 BLUE</b> BOX.
Systematic Withdrawal Plan percentage <sup>6</sup>	÷		%
<b>Total</b>	=	\$	TRANSFER THIS AMOUNT TO THE <b>STEP 5 ORANGE</b> BOX.

# Step 3B, NOT Medicare eligible—

## Calculate investment needed to generate retirement income

Deferred variable annuity with a living benefit <sup>4</sup>		Total premium needed to cover annual out-of-pocket health care costs	
Estimated total annual out-of-pocket health care costs		\$	ENTER THE AMOUNT FROM THE STEP 2 GRAY BOX.
Percentage of out-of-pocket health care costs to be covered by the annuity (0–100)	×		%
Estimated annual income needed from deferred variable annuity*	=	\$	TRANSFER THIS AMOUNT TO THE STEP 4 YELLOW BOX.
Guaranteed withdrawal percentage at age 65 <sup>5,*</sup>			%
Number of years until Medicare eligibility*			years
Expected or guaranteed annual growth rate <sup>5,*</sup>	÷		%
<b>Total Present Value Calculation†</b> This figure is derived from a present value calculation using the data marked with an asterisk (*) above.		=	\$ TRANSFER THIS AMOUNT TO THE STEP 5 GREEN BOX.

Mutual funds with a Systematic Withdrawal Plan		Total premium needed to cover annual out-of-pocket health care costs	
Estimated total annual out-of-pocket health care costs		\$	ENTER THE AMOUNT FROM THE STEP 2 GRAY BOX.
Percentage of out-of-pocket health care costs to be covered by the mutual funds (0–100)	×		%
Estimated annual income needed from mutual fund(s) with a Systematic Withdrawal Plan*	=	\$	TRANSFER THIS AMOUNT TO THE STEP 4 BLUE BOX.
Systematic Withdrawal Plan percentage <sup>6,*</sup>			%
Number of years until Medicare eligibility*			years
Expected average annual growth rate <sup>6,*</sup>	÷		%
<b>Total Present Value Calculation†</b> This figure is derived from a present value calculation using the data marked with an asterisk (*) above.		=	\$ TRANSFER THIS AMOUNT TO THE STEP 5 ORANGE BOX.

\* Please note: A Medigap policy cannot be used in conjunction with Medicare Advantage Plans.

† Your financial advisor may use the data entered in the table above to calculate the total present value or by requesting a hypothetical illustration provided by the insurance company.

## Step 4—

Determine if there is a shortfall between projected income from investments and annual out-of-pocket health care costs

Costs covered by projected annual income			Out-of-pocket health care costs gap
Estimated total annual out-of-pocket health care costs			\$ ENTER THE AMOUNT FROM THE STEP 2 GRAY BOX.
Annual income needed from deferred variable annuity	If you are Medicare eligible, refer to Step 3A for the figure to the right. If you are NOT Medicare eligible, refer to Step 3B.	–	\$ ENTER THE AMOUNT FROM THE STEP 3 YELLOW BOX.
Annual income needed from mutual fund(s) with a Systematic Withdrawal Plan	If you are Medicare eligible, refer to Step 3A for the figure to the right. If you are NOT Medicare eligible, refer to Step 3B.	–	\$ ENTER THE AMOUNT FROM THE STEP 3 BLUE BOX.
<b>Total</b>		=	\$

## Step 5—Estimate investments to cover annual out-of-pocket health care costs

Individual investments			Estimated total assets to cover out-of-pocket health care costs
Deferred variable annuity premium	If you are Medicare eligible, refer to Step 3A for the figure to the right. If you are NOT Medicare eligible, refer to Step 3B.		\$ ENTER THE AMOUNT FROM THE STEP 3 GREEN BOX.
Mutual fund investment(s)	If you are Medicare eligible, refer to Step 3A for the figure to the right. If you are NOT Medicare eligible, refer to Step 3B.	+	\$ ENTER THE AMOUNT FROM THE STEP 3 ORANGE BOX.
<b>Total</b>		=	\$

### Work with Your Advisor to Make a Plan:

- Review your potential health care coverage needs in retirement
- Estimate the additional income needed to offset costs for health care coverage
- Find a suitable deferred variable annuity with a living benefit, or determine an appropriate mutual fund lineup, to help provide sufficient income for long-term objectives

## Additional health care resources

- Medicare.gov
- State Health Insurance Programs (SHIP)
- Eldercare.gov
- Benefitscheckup.org
- AARP.org
- SocialSecurity.gov
- LongTermCare.gov

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**1.** Fidelity Investments Retirement Savings Assessment Survey, a national online survey of 3,182 working households earning at least \$20,000 annually with respondents age 25 to 74, from September 14 through October 3, 2017. All respondents expect to retire at some point and have already started saving for retirement. Data collection was completed by GfK Public Affairs and Corporate Communication using GfK's KnowledgePanel®, a nationally representative online panel. **2.** Centers for Medicare and Medicaid Studies, National Health Expenditures Projections 2018–2027. **3.** Fidelity Benefits Consulting estimate; 2019. Estimate based on a hypothetical couple retiring in 2019, 65 years old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuity rates with Mortality Improvements Scale MP-2016. Actual expenses may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care. **4.** All calculations assume that the deferred variable annuity includes a living benefit. A living benefit rider is an optional feature with a variable annuity for an additional charge that provides lifetime income that is protected against market risk. The Account Value of an annuity is a separate value from the living benefit, and has no guarantees, may fluctuate, and can lose value. **5.** May be found in the annuity prospectus or marketing material available from the issuing company. The guaranteed withdrawal percentage and/or guaranteed annual growth rate available with the living benefit varies by annuity product. Generally, the withdrawal percentage initially depends on the age at the time of the first lifetime withdrawal, and the guaranteed annual growth rate is available prior to lifetime withdrawals if certain conditions are met. Guarantees are subject to the claim-paying ability of the issuing insurance company. Please refer to the current variable annuity prospectus for details and more information. **6.** Systematic Withdrawal Plan percentage or the expected average growth rate reflects the percentage of the total assets that may be withdrawn annually by the investor. Consult your financial advisor to determine a suitable percentage. Note that it provides no protection for longevity or against poor market performance.

Before purchasing a deferred variable annuity there are a number of important factors that need to be reviewed with a licensed agent to determine if a deferred variable annuity is suitable. Investing in a variable annuity involves risk of loss, and investment returns and contract value are not guaranteed and will fluctuate. Guarantees are subject to the claim-paying ability of the issuing insurance company. The value of a variable annuity depends on the investment performance of the investment options included and the fees and charges imposed. There are fees associated with variable annuities and living benefits. Optional living benefits may have investment, holding period, and withdrawal limitations, and restrictions. Please refer to the current variable annuity prospectus for details and more information, including how the living benefit works. Variable annuities are long-term tax-deferred vehicles generally used as tax-favored retirement savings products. They offer three main benefits: tax-deferred treatment of earnings, guaranteed death benefit options, and guaranteed lifetime payout options. Withdrawals of taxable amounts from an annuity are subject to ordinary income tax, and, if taken before age 59½, may be subject to a 10% IRS penalty.

As with all of your investments, you must make your own determination whether an investment in any particular security or fund is consistent with your investment objectives, risk tolerance, financial situation, and your evaluation of the investment option. Fidelity is not recommending or endorsing any particular investment option by mentioning it in this presentation or by making it available to its customers. This information is provided for educational purposes only and should not be construed as investment, legal, or tax advice. You should bear in mind that laws of a particular state and your particular situation may affect this information. There is no guarantee the trends discussed here will continue. Investment decisions should take into account the unique circumstances of the individual investor. Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

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