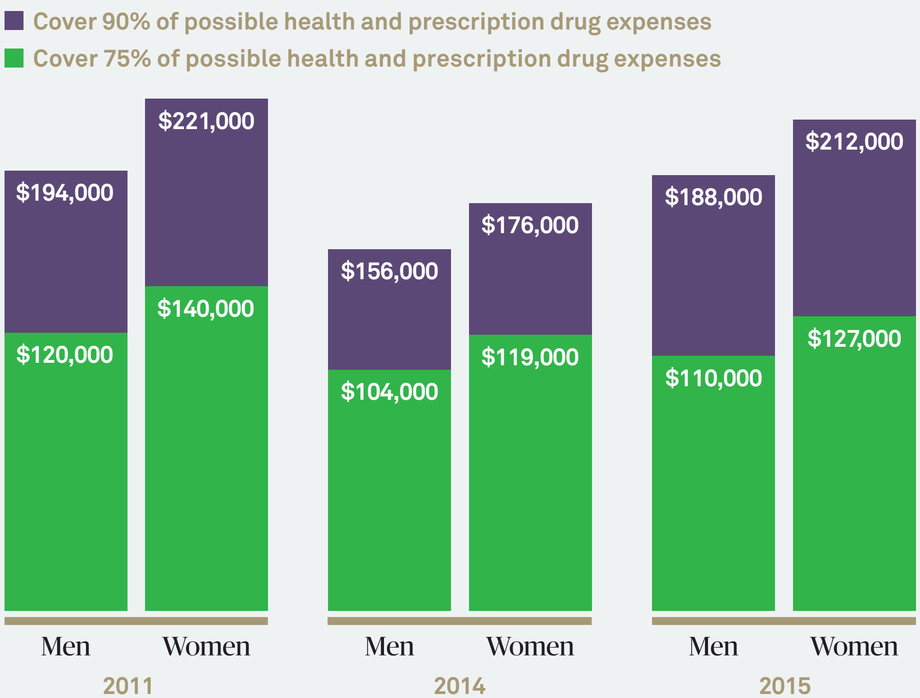
Brave Conversations on Personal Retirement

Insuring

Health Care Costs and Insurance

Annual Check-Up: Total health care cost estimates are rising again.

Savings needed to fund health insurance premiums and out-of-pocket expenses in retirement for a 65-year-old



From 2011 to 2014, the estimated out-of-pocket medical expenses in retirement steadily decreased with the passage of PPACA in 2010. However, from 2014 to 2015, the saving targets for a 65-year-old retiring in 2015 have increased anywhere from 6%–21%.

Source: Employee Benefit Research Institute (EBRI) Notes, October 2015. Monte Carlo simulation analysis performed to calculate with a 90% and 75% certainty that a retiree will have enough savings to cover medical costs for Medigap, Medicare Part B Premiums, Medicare Part D Premiums, and out-of-pocket health care costs for life, if retiring at age 65. This simulation does not include long-term care expenses. Please note that this saving target simulation is for illustrative purposes only. There is no guarantee that the figures shown would be sufficient to cover out-of-pocket medical expenses. Go to medicare.gov for more information about health care in retirement.

Medicare overlook — Medicare does not cover long-term care.
Most nursing home care is custodial care and is therefore not covered by Medicare.

U.S. Department of Health & Human Services, Long-Term Services & Supports for Older Americans — July 2015.

Why Should You Care?

After age 65, retirees are eligible for Medicare coverage. While this government medical insurance does cover many health care expenses, it was never designed to cover them all.

Future retirees may have to pay for a greater percentage of their medical expenses due to Medicare's tenuous financial position, exponential growth in medical costs, and projected increases in Medicare premiums.

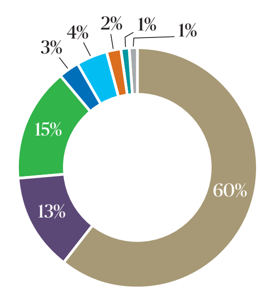
What's the Good News?

> Most substantial medical costs typically occur later in retirement. Therefore, you may have more time to plan and save for this risk.

> Medical advances may allow for a longer, healthier life.

Trending

Source of payment for incurred health care expenses, noninstitutionalized population of Medicare beneficiaries, ages 65 and older, 2012.



Source: EBRI Notes, October 2015.

Take Action! ▶ ▶ ▶

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Intensifying premiums

Plan for Medicare premiums which are tiered to income levels. Higher incomes pay higher premiums.

Premiums are deducted from Social Security benefits, meaning that premium increases reduce what you receive from Social Security.

Risk adjustment

Retirement **before** age 65:

- Obtain personal medical coverage until you become Medicare eligible at age 65.

Retirement **after** age 65:

- Learn about your Medicare choices at www.medicare.gov.
- Enroll in Medicare three months prior to turning age 65.
- Decide whether to buy a supplemental Medigap policy.

This concept is an excerpt from the *Brave Conversations on Personal Retirement* book. Financial advisors can obtain a copy of the book by speaking with their BNY Mellon Dreyfus Regional Sales Consultant.

It's Your 30

Because many investors will spend around 30 years in retirement, now is the time for you and your financial professional to plan for your future. This will be the time when pressures and responsibilities that once filled your days will diminish and you'll have more time to focus on you.

We believe

To achieve the retirement you desire, first **target an outcome** and then work with your financial advisor to **develop a financial plan.** Discuss the four interconnected financial behaviors — earning, spending, investing and insuring — because they will greatly impact your plan.

This information is general in nature and not intended to constitute tax or estate-planning advice. Please consult your tax or estate-planning advisor for more detailed information on these issues and advice on your specific situation.

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MARK-2016-07-15-0194

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