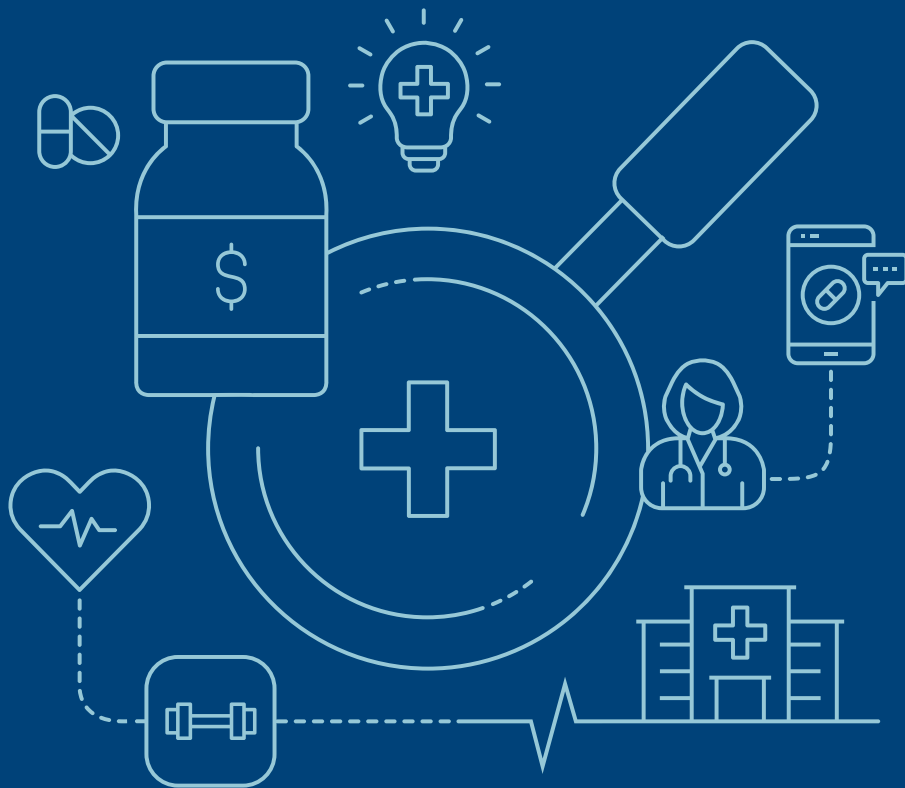


Taking control of health care in retirement

Planning can help you rein in medical expenses and keep you financially fit



WEALTH INSIGHTS

Analysis and insights into the trends, forces and factors shaping the world and your wealth



Wealth
Management

Wealth Insights

Taking control of health care in retirement

The fact is, retirement planning and health care are closely linked. The choices you make today will have an impact on how you live your retirement years. These choices will help determine your lifestyle, how you'll fund your care, the quality of that care and the downstream impacts on your family and legacy.

Taking the time now to understand the issues will better equip you for the future. This report will help you gain perspective, understand your options and define the actionable ideas that will deliver confidence for your journey.

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In retirement, health and wealth intersect



Planning for a happy and healthy retirement goes beyond just saving and investing; it requires you to navigate a progressively complex landscape and make informed decisions along the way. One of the most critical decisions to make is how you will pay for health care once you've left the workforce.

What once was a matter of a few years, life in retirement now can span decades thanks to advances in medical treatments and technologies that enable us to live longer. While this is good news, determining the cost of health care over an increasingly longer span of time can be a challenge—and one that most people aren't sure how to tackle.

To help you better plan ahead, we've devoted this edition of RBC Wealth Insights to the important topic of health care in retirement.

This paper examines the current health care landscape and considers how that landscape might change in the future. Our goals are to educate you on a range of health care topics, enable you to gain a better understanding of the real cost of care and provide you with specific actionable ideas that you can implement as you plan for your retirement future.

At RBC Wealth Management, we are devoted to bringing clarity and confidence to your everyday life through meaningful planning combined with professional guidance along the way. Talk to your financial advisor about your RBC WealthPlan and the important role health care plays in your financial future.

RBC survey: Health care in retirement

As part of an ongoing commitment to research, RBC Wealth Management commissioned a survey to shed light on perceptions of health care in retirement. The study included over 1,000 individuals across diverse demographic categories and asked them to share their level of preparation and expectations for the future. This included those still in primary careers as well as those already in retirement.

Cost concerns for the future

Across all categories in our survey, one major theme emerged: Respondents are overwhelmingly concerned about the future. While for most this concern manifested itself as worry about affording the cost of care, several additional questions about the future also emerged.

How much of my care will be covered by Medicare?

How can I protect my family with adequate medical coverage?

With insurance so costly, when can I afford to retire?

Is there an end to health insurance rate increases?

What are my options if I require advanced care?

Life planning

Holistic approach for life's journey

Reaching your destination requires a holistic approach to your financial life. Where you focus often depends on your life stage. It may require you to make trade-offs in your priorities. It is important to be proactive about your long-term well-being, no matter your age or wealth. At RBC Wealth Management, we believe financial wellness requires a wealth plan that always addresses each of these key financial pillars:



Accumulate and grow your wealth

From having an emergency fund to developing various ways to save for the future, it's important to focus on achieving long-term wealth. As you step through life's stages, there will be opportunities to accelerate wealth building through events such as home ownership, inheritance, liquidation events and income spikes.



Fund your lifestyle today and tomorrow

How you think about spending needs today versus in the future plays into lifestyle choices. Planning ahead to help ensure your essential needs are covered is a top priority. This requires a view into the future and understanding the impact of the market, inflation, taxes, interest rates and other risks that might impact your plan and how the impact changes as you age.



Protect what is important to you

Protecting your family and your wealth during your working years is foundational to sustaining wealth. As you age and your wealth grows, it is important to revisit the purpose and amount of coverage for your protection strategies, as well as explore other important considerations, including protecting your wealth for the next generation.



Create a lasting legacy

Tackling estate essentials is an important step that everyone should prioritize, regardless of age or wealth. Establishing key estate documents, including a current health care directive, will and power of attorney, are important first steps. Ensuring your assets are properly titled and beneficiary designations are current is a vital part of any basic estate plan.

A few key points stood out from our research

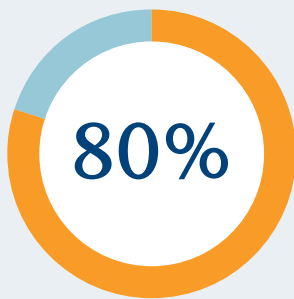
When it comes to planning for your retirement health care costs, the choices you make now can help you get a head start on having sufficient resources for the health care you may someday need.

Health care expenses may be one of the most underestimated yet significant challenges to living the lifestyle you envision.

Concern over the cost of care is nearly universal.

An overwhelming majority of respondents indicated worries over their ability to fund health care expenses in retirement.

Although this concern spanned all demographic categories, women and college-educated investors were more likely to be concerned.

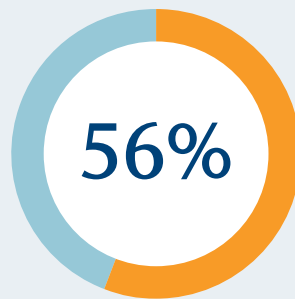


80% are concerned about funding the cost of care

Few are acting on their concerns.

Despite this anxiety, only about half of our survey group have taken the time to factor health care expenses into their plan.

Among the group that hasn't planned for health expenses, more than half say they have no wealth plan for retirement at all.

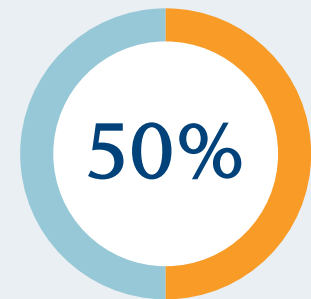


56% have factored the cost of care into their plan

Of those taking action, unease persists.

Of the group that took action to factor health care expenses into their plan, half believed they underestimated the true cost.

Due to longevity and prevalence of chronic diseases like dementia, women need to plan to spend more on health care as they age.

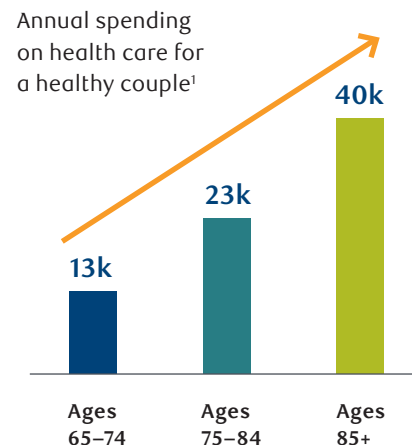


50% of those with a plan are likely underestimating costs

Overall costs are being underestimated

When asked what they expect to spend on routine health care in retirement, respondents to our survey anticipated relatively modest out-of-pocket spending: \$2,700 a year. In reality, the Bureau of Labor Statistics estimates that at age 65, annual spend on health care for a healthy couple is close to \$13,000 (\$6,500 per person).

The rise in the cost of care as people age is pronounced and expense projections compound into some truly daunting numbers. The chart at right shows how the average annual spending on health care for a healthy couple increases dramatically from age 65 to 85.¹



Examining key trends

One of the most powerful influences in today's health care landscape is generational change. The older Baby Boomers have already begun to leave the workforce and tap into the health care system via Medicare. As this continues, the sheer size of the 75 million strong Boomer generation² will tax the health care system and serve as a catalyst for innovation and economic growth, transforming how people age and how care is provided for generations to come. **Here are a few noteworthy trends:**



Taxing entitlements

The surge of enrollees will stress the Medicare Trust Fund, which is expected to be depleted by 2028 when Medicare-eligible Americans peak at 20 percent of the U.S. population.³ This will create a shortfall that will need to be addressed, likely through higher taxes, increases to the enrollment age or further means-testing. The largest changes could be seen in Medicare premiums, which impact Social Security benefits—likely disproportionately affecting higher-income earners.



Health professional shortage

As Boomers exit the workforce to enjoy retirement, they will be leaving a significant gap in the number of physicians and care providers in the health care system. This will occur at precisely the same time age-based demand for care is growing. An increased demand for geriatric and general physician care will lead the way. Addressing this shortage will require new and expanded roles and innovative ways to deliver care.



Silver economy

The “silver economy,” defined as age 50-plus, is expected to account for more than half of U.S. economic activity by 2032.⁴ Increased demand will fuel growth benefiting the health care sector, including pharmaceutical, biotech and senior care services. The health care system will also see a shift from acute to chronic care. Companies that focus on diseases like cancer, osteoporosis, arthritis, dementia and Alzheimer's are expected to grow. Demand will also rise for products and services for aging eyes, ears and teeth as well as incontinence.



The world is a different place than it was five years ago, and nowhere is this more evident than in health care.



The age of innovation

With this demographic shift, the demand for improvements and innovation in medicine and health care is expected to grow exponentially. Medical and care advancements are expected to shift from traditional and acute services to sustaining and therapeutic care. Technology will be center stage, enabling new ways to live independently, improve mobility, increase engagement, and exercise the mind and body.



Aging in place

By 2034 the number of Americans age 65+ will reach 77 million.⁵ Most of these seniors will own their own home and expect to “age in place.” This will be possible for most with the assistance of family and in-home care providers, up to a certain point, when physical and/or mental capacity diminish. The aging population will continue to drive demand for alternative living options, with impacts on the housing market, increasing demand for assisted living, skilled service facilities, home sharing and other hybrid options.



Increased use of analytics

As models for care evolve and patient pools age, health systems will increasingly rely on group data. Looking across electronic health records will allow providers to identify risk factors and implement preventive treatments. Group data can help predict which elderly people will need what kind of care and when; help monitor an individual’s health to catch problematic patterns before they develop into a major health issue; and assist in identifying better ways to protect vulnerable seniors from financial fraud.



Innovations in medical technology are expected to grow exponentially. Some examples include:

- Alert/safety tracking
- Fall and wander detection
- Ride sharing and delivery services
- Telehealth
- Vitals monitoring
- Medication alerts
- Smart home engagement
- Cognitive fitness
- Dementia therapy
- Virtual assistance

Projecting the real cost of care

With seniors more active than ever and lives stretching longer, maintaining good health as you age is a top priority. Yet as the cost of care continues to rise, growing expenses bring significant risk.

\$683,306

Projected lifetime health care costs for a 65-year-old couple retiring in 2022⁶

Know the cost

Increases to the cost of care have led to some staggering numbers across a full retirement period, creating a price tag of over \$680,000 for the future cost of care for an average 65-year-old couple in retirement.

This increase in cost is largely due to greater demand driven by longevity and advances in treatment and technology. For example, so-called maintenance procedures like joint replacement and cataract surgery are increasingly common, but carry significant price tags as they impact greater numbers of Baby Boomers.

These cost increases are particularly challenging for women, who face higher lifetime care costs due to a life expectancy that is longer than men. These additional years are significant, resulting in costs that are typically one third higher than for men overall.

Wage and Social Security cost of living adjustments (COLAs) have consistently lagged behind the rise in health care costs, creating a need to plan and fund health care as a separate goal. With the cost of premiums growing three and four times faster than wage and COLA increases, you should factor in an inflation rate of 5 percent annually.

Your share of the cost

The burden of paying for health care is falling increasingly on the individual through cost sharing. Not only have premiums skyrocketed, but deductibles, copays and out-of-pocket costs are also on the rise.

Even factoring in Medicare coverage, experts estimate that by age 65 it is likely your health care expenditures will amount to 15 percent of your overall spending—and then nearly double by 2040.⁸

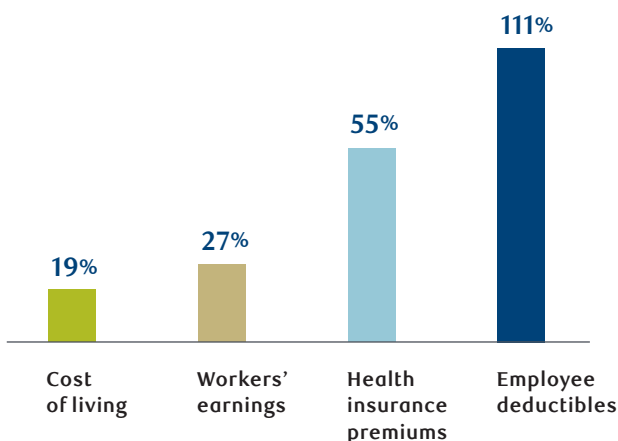
Far from a comprehensive solution, Medicare has significant gaps, limits, and increasingly higher premiums and copays. This requires supplemental insurance to help fill the void and provide coverage for additional items like dental care, hearing aids and vision.

These factors combine to make health care likely your second highest expense category in retirement, trailing only housing. This sobering reality makes planning ahead and properly projecting the cost of care using a higher growth rate a crucial part of your overall wealth plan.

- Medicare covers **less than 2/3 of health care expenses** in retirement.⁹
- **Over half of your total Social Security benefit (68%) is needed to fund care.** This percentage is expected to grow.¹⁰

Increases that matter

Since 2010, wage growth has been moderate while premiums have skyrocketed.⁷



TAKE ACTION







- Discuss the impact of health care expenses with your financial advisor, and model costs into your wealth plan
- Ask to include health care expenses as a separate category in your plan, with an inflation rate of at least 5 percent
- Review your plan over time, reviewing it at least annually

Getting a head start: The age advantage

As the total cost of health care continues to escalate, it is increasingly important to begin planning for these costs early in your working life. For younger savers, time and smart choices provide a healthy head start.



Tips for planning ahead

- 
Recognize your most valuable asset—time
 For younger savers time is truly on your side, as your human capital from now until retirement represents a valuable asset in addressing care and expense concerns for the future. By taking a long-term planning view and being strategic, you can invest and grow assets, avoid costly missteps, and help drive outcomes for the future.
- 
Benefits that matter
 Today's benefit packages include a variety of powerful resources that can bolster your physical and financial fitness and build a strong base for the future. With an increased focus on managing health care costs, employers are also offering wellness programs that address physical and emotional well-being, and in some cases offer incentives to promote healthy behavior changes.
- 
Choosing the right health care plan
 The challenge of affordability remains a top issue for most Americans. For those still in their working years, many have health care benefits through their employer, often with important annual elections to make. Most employers offer both a traditional higher-cost, low deductible option and a lower-cost high deductible option. Understanding the impact and overall cost of each option often depends on your family and health situation. Many employers have tools to help evaluate these options and make a more informed decision.
- 
Invest in a Roth 401(k)
 If your employer offers a Roth option for 401(k) savings, you should consider the benefits. Rather than deferring taxes on assets, a Roth allows the holder tax-free growth and tax-free withdrawals in retirement. For younger workers the tax savings on compounding returns can be significant. In addition, using tax-free withdrawals from your Roth 401(k) or IRA will help reduce your taxable income used in determining Medicare premiums.
- 
Life and disability insurance coverage
 An early death or disability can be devastating to families who lack insurance protection. One in four of today's 20-year-olds will become disabled before they retire.¹¹ For working-age adults, especially those with specialized skills (physicians, pilots, nurses, athletes), a disability can be catastrophic, interrupting paychecks and permanently altering long-term wealth. Employer-provided group life and disability insurance are often a smart choice in your younger years.
- 
Important legal matters
 Heightened privacy concerns make it nearly impossible to help a loved one who is incapacitated or dealing with an unexpected death without proper legal documents such as a health care directive, durable power of attorney and a will. Young adults with simple estates and young families just starting out can often benefit from employer-provided legal services to establish these basic legal documents.

If you and your family are not heavy consumers of health services, consider a high deductible health care plan that provides the added benefit of a Health Savings Account. See page 10 to learn more.

HSAs: Strategic savings

The triple tax benefit of an HSA puts it in a league of its own

HSAs (Health Savings Accounts) offer a unique, tax-free method to save and grow assets to fund the cost of care in the future.

Getting the most out of this benefit requires an early start and disciplined investing over time.

HSA basics:

A powerful tool

Many employers offer HSAs for employees who select a high-deductible health care plan. These accounts offer a powerful method to invest continually and strategically grow assets to fund health care expenses in the future. Note: anyone with an HSA-qualified health plan can contribute.

Triple tax benefit

HSAs offer an incredibly tax-efficient method to build reserves by delivering a rare “triple tax benefit.”

- Contributions are made on a pretax basis, potentially reducing current taxable income
- Investments grow tax-free for qualifying withdrawals for health care
- Withdrawals for qualified health care are 100% tax-free. This includes both the initial contribution and any growth.

A long-term approach

While many individuals use these accounts to fund their current-year expenses, real value comes as an investment vehicle for the future.

Unlike flexible spending accounts, HSAs permit owners to carry balances across calendar years and invest the assets. By paying for current health care expenses out-of-pocket instead of paying from the HSA, investors are able to invest and grow balances, building significant resources for the future.

By consistently contributing the maximum annual amount, and investing the balance for future health care costs, one can accumulate a nice tax-free reserve to fund future health care costs. For example, an investment of just \$100 per month over 20 years can turn \$24,000 into over \$56,000 (assumes a 5.5 percent rate of return).

Limits and restrictions

HSAs have contribution limits that are periodically adjusted by the IRS. For 2023, you are able to contribute up to \$3,850 for individual health coverage or \$7,750 for family health coverage. Like most retirement accounts, there is also a catch-up contribution. Individuals age 55 and older can contribute an additional \$1,000, putting the total family contribution at \$8,750 for families with one member age 55 or older.¹²

Dependents

Qualified medical expenses for your spouse and dependents you claim on your tax return are eligible for tax-free distribution treatment (assuming they are also covered by your health plan). It is important to note that even though a dependent is eligible to be covered under your high deductible health plan, they may not be eligible for tax-free distributions from your HSA if they claim themselves as a dependent on their own tax return.

HSA qualifying expenses



The range of HSA qualifying medical expenses is quite broad and includes most common health care costs. Additionally, funds may be used for insurance deductibles, dental and vision care. The list of qualifying expenses is expansive and includes:

- Medical insurance premiums while unemployed
- Hospital services
- Some long-term care insurance
- Dental care
- Medical devices
- Mental health services
- Doctor's visits
- Preventive care
- Eye exams, glasses or contact lenses
- Hearing aids
- Home care
- Smoking cessation



Many employers offer HSAs for employees who select a high-deductible plan. These accounts offer a powerful way to continually invest and grow assets to fund future health care expenses.

Timing of payments

All qualifying expenses are eligible so long as the expenses occur after establishing the account. The balance in your account does not have to be large enough to cover the expense at the time it was incurred. In this manner a hospitalization or other large expense can be reimbursed after the fact if an account balance is run to zero but is still being funded.

Age 65 and beyond

Following Medicare enrollment, you are no longer eligible to contribute to an HSA, but may continue to fund your care with HSA dollars, including paying for long-term care and Medicare premiums. For added flexibility, seniors are allowed withdrawals from their account for nonqualifying expenses after age 65. These are available without a penalty but will trigger normal income tax.

Note: If one spouse is not enrolled in Medicare, yet is still eligible for an HSA, they can contribute to an HSA.

Unused balance

If an account holder passes away prior to exhausting the balance in their HSA, the surviving spouse is eligible to inherit the account. They may continue to use the balance of the account with the same benefits and restrictions as the account holder. However, if passed on to a nonspousal beneficiary, the benefits will be subject to tax.

Funding your HSA

• Salary deferral

Contributions to your account may be made by pretax salary deferral. This can be set up during your annual enrollment period as a simple way to begin to invest pretax dollars.

• Direct contributions

Additional and ongoing contributions may be made at any time outside of salary deferral and in most cases may be deducted from taxable income.

• Employee incentives

Many employers offer incentives in the form of direct payments to an HSA to encourage participation in health and wellness programming.

• IRA rollover

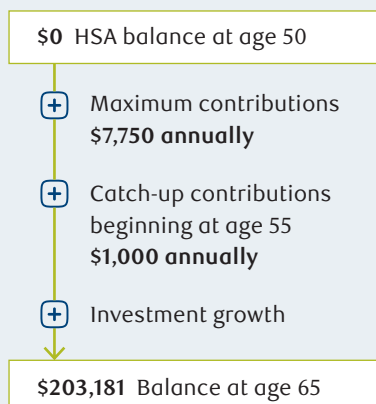
Your account may also be funded via a one-time tax-free rollover from an IRA. The amount of the rollover is limited by annual HSA contribution limits, but this can serve as an effective way to jump-start investing.

Catching up after a late start

Even with a late start, a 50-year-old can build a meaningful reserve within an HSA prior to Medicare enrollment.

When the maximum amount is invested each year, balances can grow to over \$200,000 in the 15 years prior to Medicare eligibility.

This projection is helped by investment growth of 5.5%.



For illustration purposes only

TAKE ACTION

- Review your benefit elections annually, using online tools to project costs
- Consider saving in an HSA and systematically saving the maximum contribution over time to build flexibility for the future
- Leverage the power of time to bolster your resources across all your employee benefits

Take your life expectancy into account



As people are living longer, retirement planning as we know it is being replaced by longevity planning

One of the more important projections for your plan is the length of your retirement period. While this requires an estimate, attempting to quantify a realistic number is important.

Actuarial tables can offer guidance to help inform planning for the length of your post-working life; however, these measures can sometimes be misleading. While current life expectancy statistics indicate that men can expect to live to 76 and women to 81, those numbers are taken from birth and increase as you age.

Said another way, the longer you live, the longer your life expectancy. This means that statistically, a man celebrating his 65th birthday can expect to surpass age 87 and a similarly aged woman, age 90.

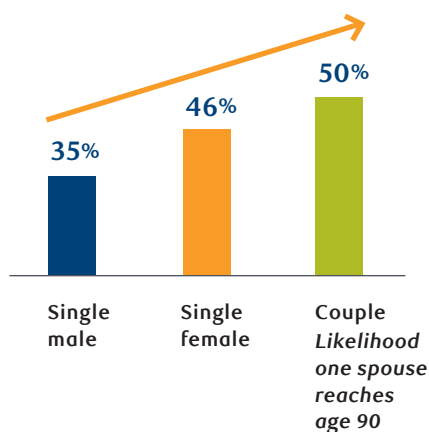
Joint longevity

Another component that is frequently missed is the concept of joint longevity. While a 65-year-old man may have only a 35 percent likelihood of reaching age 90, a similarly aged couple has

a 50 percent chance one spouse will reach that milestone and a 20 percent chance that one will live past age 95.¹³

This means that planning for the future should be structured to support various first-to-die scenarios and the

Probability of living to age 90
Life expectancy of today's 65-year-old



unique considerations inherent in each of them. This should include a survivor plan that addresses care and housing preferences, which is typically overlooked in the planning process. Another best practice is to revisit life projections as you reach milestone birthdays to ensure you are adjusting and using accurate numbers.

Your health legacy

Family history and even racial and ethnic factors can predispose us to a variety of health outcomes. This makes connecting with family members to understand the health history of previous generations a crucial component to early detection, preventive measures and risk management.

Your doctors can assess your risk factors and help you decide what is actionable, but a clear grasp of the genetic hand you were dealt can help inform their approach.

Gender differences

Because of women's increased longevity they are often the caregivers to their male spouse and then widowed prior to their own decline. Due to this "survivor factor," not only are they more likely to experience a long-term care event, but the length of stay in a nursing home is typically longer, adding to the overall cost of care.

Women are also at increased risk of dementia and Alzheimer's requiring memory care, which further contributes to this increased cost.

These factors unique to women will impact not only the length of their retirement, but also the need to plan individually for their care in later years.

Women:

- Live an average of 5 years longer¹⁴
- Are 80% more likely to be impoverished after 65¹⁵
- Make up 70% of nursing home residents¹⁶

TAKE ACTION

- Use your health history, including your gender, family and lifestyle, to inform projected life expectancy
- Consider joint longevity when building a plan and budgeting for the future
- Model multiple scenarios, and include a survivor plan that addresses the needs of the surviving spouse

Planning for the unexpected

Maintaining your independence for as long as possible remains a top priority for most Americans. While it may be unsettling to consider a long-term care event, it is increasingly a reality for many Americans.

Prepare for the possibility of long-term care

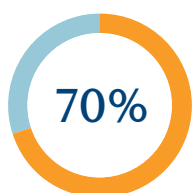
With so many unknowns about potential care needs in the future, it can be easy to backburner planning. This can be a costly mistake, as proactive choices now can protect your health and finances in the future.

Understanding the progression and funding of care as you age is an important component of a plan for the future. While it may be disconcerting to consider a care event, a failure to do so can be exponentially worse, placing assets at risk and an unfair burden upon heirs and loved ones.

Home care

Often in-home care is the first option. Today about 80% of this care is delivered by family members or nonprofits. This model may bring added flexibility and help managing expenses, especially early on in a progression of care.

While more cost-effective than institutional care, home health care can raise further concerns. In addition to limitations in medical training, unpaid family caregivers providing care can present family dynamic challenges, impact careers, stress relationships and lay an emotional burden on caregivers.



70% of 65-year-olds will need some form of long-term care¹⁷

There are also impacts on the care receiver. For many, the thought of becoming a burden on family in their later years is unsettling.

Hybrid options

Several alternatives have emerged, offering hybrid services that blur the lines between home care and nursing homes. These include a flexible array of offerings like skilled nursing visits, short-term nursing home stays for acute care, independent living and assisted living.

The key with a hybrid plan is active case management, including understanding the needs of the care receiver and finding a cost-effective method for delivering their care.

Nursing home care

For many, the thought of a long-term care event brings to mind a prolonged stay in a skilled nursing facility. This residential option offers patients health and personal care delivered in a medical setting by licensed nurses and support staff. This high-touch model comes at a significant expense, however, and long-term stays are not funded by Medicare.

Funding options

Self-funding: Self-funding long-term care may be an option. The crucial component with this option is to fully understand the potential costs, the potential risks to your other goals and the impact on your family. Estate planning solutions can help mitigate some of the risks, but the time to address issues is long before a care event arises.

\$108,405

National annual median cost for a private room in a nursing home. The average length of stay is 2.5 years.¹⁷

Traditional or hybrid insurance:

Another option may be to purchase an insurance policy or annuity rider. These can help fund your care and protect assets, but costs vary and this may represent an expensive choice depending on your age and health.

Medicaid: The federal government offers Medicaid as a safety net for those with fewer assets and few other options, making Medicaid a last resort for most individuals.

Decision making

Another proactive step is to determine your advanced care wishes. This includes identifying who should make medical and financial decisions for you when you are no longer able to do so. This requires legally establishing a health care directive and a power of attorney. These documents provide direction on who will make these decisions, in addition to when and under what circumstances these decisions will be made. Ensure these documents are reviewed on a regular basis and kept current.

TAKE ACTION

- Understand your options, and build a care plan before an event occurs
- Carefully consider the impacts of your decision beyond finances, to include family dynamics, level of care and quality of life
- Explore hybrid services to determine if one meets your specific needs

Medicare basics

Medicare coverage can be a confusing topic with an alphabet soup of options. Understanding Medicare’s coverage, limits and gaps is crucial to managing costs at age 65 and beyond.



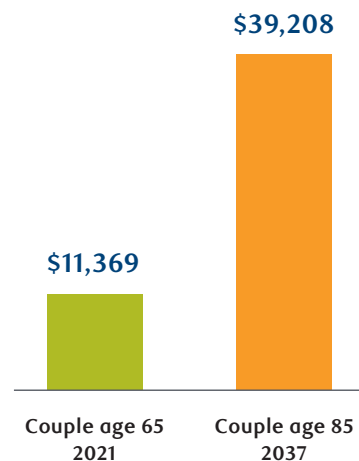
Coverage, costs and key gaps

The federal Medicare program represents an important resource to help manage care for Americans age 65 and over. Yet the program is not all-inclusive and contains many cost-sharing provisions such as premiums, deductibles and copays. These can lead to large out-of-pocket surprises for those unfamiliar with the program’s structure and limits. Supplemental insurance can help, but it’s important to first understand the costs and gaps of traditional Medicare (Parts A and B).

Your share of costs

Average annual out-of-pocket expenses to cover the gaps for a couple at age 65 and then at age 85¹⁸

Part A	Part B	
<p>Covers short-term hospitalization, hospice and skilled nursing facility</p> <ul style="list-style-type: none"> • Spending cap: None • Premiums: None, assuming 10 years of taxes paid • Deductible: \$1,600 for each inpatient hospital benefit period 	<p>Covers preventive care as well as doctor and outpatient care</p> <ul style="list-style-type: none"> • Premiums: \$165–\$561 per month (depending on income) • Deductible: \$226/year • Copay: Typically 20% of the cost of services 	<p>Gaps in Part A and Part B</p> <ul style="list-style-type: none"> • Prolonged hospitalization and long-term care • Prescription drugs • Dental care and dentures • Hearing aids and vision coverage



Retiring before 65: health coverage considerations

When retirement comes early or is unexpected, it raises additional issues to consider. With corporate downsizing, business transitions and other factors, this is increasingly a reality for many older workers.

- 47% leave the workforce earlier than planned¹⁹
- 32% cite health as the reason for retirement¹⁹

When retirement comes early, bridging the gap between employer care and Medicare is important. Several options may be a fit:

- **Transition to your spouse’s plan** If available, your likely least expensive option is to transition to your spouse’s employer-sponsored plan. Plans generally allow changes outside of open enrollment for a variety of circumstances such as job loss.
- **COBRA benefits** COBRA coverage allows you to stay on your existing plan for up to 18 months following your last day of work. This can be expensive, however, as you’ll pay the entire premium (including the employer portion). This can lead to rates that may be four times higher than you are used to paying.
- **Affordable Care Act (ACA) exchange plans** Depending on your household income, plans on the ACA exchange may be subsidized, which can lead to more cost-effective options, albeit with smaller provider networks that can limit your flexibility.
- **Private health insurance** Some retirees opt for private insurance, seeking flexibility in deductibles, provider networks and other factors. The benefit here is the ability to find a plan that works for you, but costs and availability can vary greatly.

Medicare: Which path will you take?

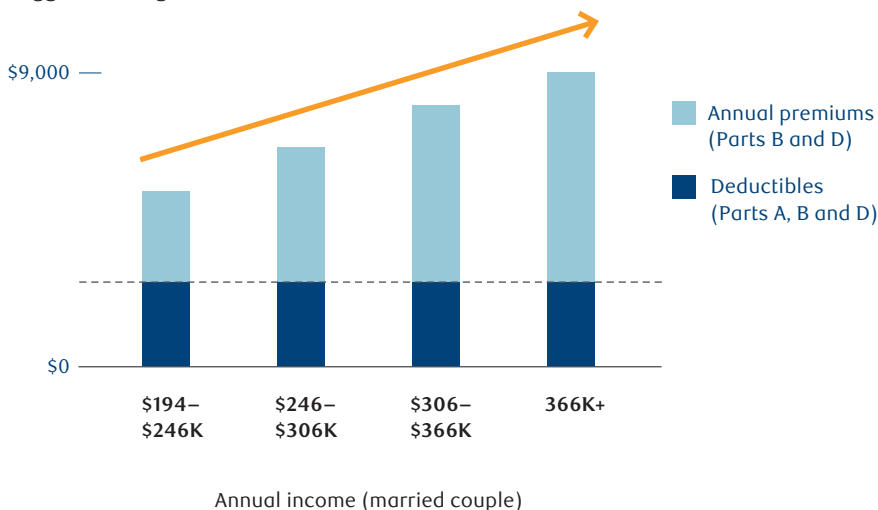
With limits to the scope of traditional Medicare, enrollment in supplemental insurance has become more popular than ever. By understanding the role private insurance may play, you can select the coverage that helps you manage costs, coverage and care as you age. Understanding the choices includes knowledge of two specific paths to coverage.

PATH 1: Medicare Parts A and B, with options to add Part D and private Medigap coverage	
Part A	Limited-duration stays in the hospital, hospice, nursing facilities
Part B	Supplemental preventive as well as doctor and outpatient care
+ Part D	Prescription drug benefit administered by private insurance companies
+ Medigap	Supplemental insurance designed to fill some of the gaps of Parts A and B
<p>Best fit if you:</p> <ul style="list-style-type: none"> • Don't mind higher premiums • Seek freedom to select doctors and clinics • Prefer low out-of-pocket costs • Are managing a chronic condition <p>52% of enrollees choose Medigap or traditional Medicare most, with some supplemental coverage.²⁰</p>	

PATH 2: Medicare Advantage Plan	
Part C	Medicare Advantage plans (also called Part C) behave more like employer-sponsored health insurance, combining coverage for hospital stays and preventive and outpatient care in a single plan administered by an insurance company
+ Part D	Most plans include optional prescription drug coverage. If not, a prescription drug benefit should be purchased
+ Options	Some plans add services for vision, hearing and others
<p>Best fit if you:</p> <ul style="list-style-type: none"> • Prefer a structure like an employer-sponsored plan • Are willing to stay in a network • Seek cost-efficiency with catastrophic coverage • Don't mind copays, deductibles and managing costs <p>48% of enrollees of enrollees choose a Medicare Advantage Plan. This number is growing.²⁰</p>	

Steep rise in premiums for higher-income earners²¹

Equally important as understanding the scope of Medicare and coverage gaps is planning for premium expenses. Premiums are determined annually based on a person's Modified Adjusted Gross Income (two years trailing). This makes managing income, including qualified distributions from 401(k)s and IRAs important as even one dollar above a new threshold triggers the higher rates.



TAKE ACTION

- Understand your options and gaps within Medicare and the impact those may have on your care, and review annually
- Model health care costs into your retirement plan, including common scenarios such as a knee or hip replacement, chronic illness, and a long-term care event
- High-income individuals should factor the impact of Income-Related Monthly Adjustment Amounts (IRMAA) into their plans as they will pay significantly more for Medicare Parts B and D than other enrollees.

Addressing memory decline and dementia



After age 65, 1 in 5 women will develop Alzheimer's²³ versus 1 in 11 for breast cancer

The number of Americans living with Alzheimer's or other forms of dementia is growing rapidly, particularly among women. While there is no cure yet, recognizing the warning signs and active management can help reduce the impact.

Declining mental capacity may impact your or a family member's independence in later years. Increasingly common, a dementia diagnosis can be financially devastating.

A hefty price tag

The average nursing home stay is 5 years for a patient with Alzheimer's—with an estimated \$450,000 price tag.²²

Alzheimer's is the most common form of dementia, affecting over 5.8 million Americans, and the numbers are growing. Projections show that the condition is expected to double by 2040, according to the Alzheimer's Association.

Impact on women

Cognitive decline disproportionately impacts women, who make up nearly two-thirds of Alzheimer's patients and represent two-thirds of the caregivers.

While there is no cure for dementia or Alzheimer's yet, managing quality of life and protecting seniors requires recognition of the issue and a plan to take action.

Warning signs

Dementia can be tough to discern from simple memory lapses or forgetfulness as we age. Changes may be subtle and vague and increase slowly over long periods. Often changes in one's ability to handle financial matters is an early indicator of a problem.

Experts list several warning signs that may signal its onset:

- Disorientation, getting lost even in familiar places and difficulty understanding spatial relationships
- Difficulty with everyday tasks like preparing a meal or balancing a checkbook

- Mood and personality changes or swings that impact social interactions
- Poor judgment with everyday tasks like dressing for the weather

Prevention management

Increasing evidence points to a possible ability to delay the onset of dementia or improve one's ability to manage a decline. Scientists tell us that aerobic exercise, sleep, hygiene and cardiovascular factors all play a role.

Additionally, living with a purpose and learning new things later in life can help us build the brain like a muscle, increasing its capacity to respond to aging.

Protecting the vulnerable

Dementia or decreased mental capacity can lead to serious financial missteps and make seniors with dementia frequent targets of fraud and financial abuse.

Warning signs include:

- A sudden change in a financial or caregiver relationship
- Unfamiliar credit card transactions, unexplained money transfers or withdrawals, and changes in the mailing address for financial documents.

Prevention involves:

- Asking a family member or friend to review financial statements and transactions on a regular basis.
- Providing your financial institution with a trusted contact, which helps facilitate discussions in cases where there is suspected fraud or a decline in judgment due to memory decline.

Once a diagnosis is made, a plan for protecting assets and safely transitioning financial and legal capacity should be put into motion.

TAKE ACTION

- Understand the early warning signs of dementia, and be proactive
- If you have concerns about your own or a family member's ability to manage finances, contact the appropriate financial and legal professionals
- Ensure loved ones have a power of attorney, an advance health care directive and a trust in place to address care and financial matters as the disease progresses
- Update your wealth plan to include additional funding and care needs

Retaining independence: Housing and care options

Where you spend your golden years is likely to change as you age, moving along a continuum of care options. Finding the right fit at each stage requires understanding the choices and their impact on your quality of life and care.

Aging in place

Even as independent and senior living facilities are booming, more and more people are choosing to stay in their homes and “age in place” for as long as possible.

While costs are certainly a consideration for many, others who choose to age in place may be simply taking advantage of flexible care and service options. Increasingly our service economy has scaled to meet the needs of our nation’s aging population.

Health care, dining and transportation services, along with innovations

in technology and safety, have increased independence and offer options to keep seniors living active and healthy lives in their homes.

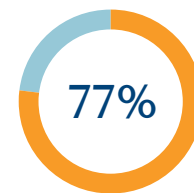
Changing needs

While your retirement journey often begins in your current home, your evolving needs are likely to drive change over time.

Identifying housing options at each stage requires recognizing how your needs are changing and balancing considerations like level of care, personal preference and costs.

50%

Of adults lack a plan for their later years. Additionally, 50% of adult children have not talked to their parents about the costs associated with senior housing.



Of seniors prefer to stay in their homes with assistance if they could no longer live on their own.²⁴

Today’s seniors have a variety of choices for housing and care options:

Private residence

Staying in a single-family dwelling can be a fit for seniors in good health who are still independent and seek a cost-effective solution.

However, even a plan to stay in a home or townhome may require some accommodations. A few of the more popular items include:

- Single-level living
- Safety amenities like a walk-in bathtub, hand rails, larger doorways
- Home maintenance services such as lawn/snow service or meal service
- A shift in geography closer to family and friends or better health systems

Independent or assisted living community

As you age you may find that you prefer help with day-to-day tasks like preparing meals, laundry or housekeeping. Eventually you may even require personal services like help with bathing and dressing.

Today’s senior living communities offer options that can adapt as your needs change as well as deliver social outlets and structure to keep you active and engaged.

Costs are largely impacted by size of residence and assistance required, but typical expenses are \$1,500–\$4,250 per month, with dementia or Alzheimer’s care offered at a significant premium above these rates.²⁵

Long-term care facility/nursing home

A nursing home offers the highest level of care—and with it, the largest price tag.




Stays at a nursing home can involve short-term issues like rehabilitation following a fall, or treatment for chronic and complex conditions, memory care, or end-of-life services.

Care is delivered by licensed nurses available around the clock, with most facilities offering special memory care units for those with dementia and Alzheimer’s.

Costs range from around \$4,000 to \$7,750 per month.²⁵

Life stage checklist

Taking action can greatly affect your health outcomes at all stages of your life, helping you stay healthy, manage costs and protect your future.

	20s and 30s	40s and 50s	60s, 70s and beyond
 <p>Staying healthy</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Wellness exam every 1–3 years <input type="checkbox"/> Exercise at least 30 minutes, three days per week <input type="checkbox"/> Document your family health history, know your risk factors, discuss them with your doctor <input type="checkbox"/> Explore employee wellness programs 	<ul style="list-style-type: none"> <input type="checkbox"/> Wellness exam every 1–3 years, with regular cancer screenings and blood work <input type="checkbox"/> Introduce strength training to prevent bone density loss and muscle loss 	<ul style="list-style-type: none"> <input type="checkbox"/> Annual wellness exam with regular cancer screenings, blood work, and hearing and vision screening <input type="checkbox"/> Continue exercise plan, with focus on low-impact activities, range of motion and flexibility <input type="checkbox"/> Work your brain <p>Monitor cognitive abilities</p>
	Maintain a healthy weight and monitor fluctuations		
 <p>Managing costs</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Start saving for retirement and consider the benefits of a Roth 401(k) <input type="checkbox"/> Consider a flexible spending or Health Savings Account to take advantage of pretax dollars 	<ul style="list-style-type: none"> <input type="checkbox"/> Increase savings to a Health Savings Account for future medical costs <input type="checkbox"/> Establish a retirement plan that includes a plan for health care 	<ul style="list-style-type: none"> <input type="checkbox"/> Strategically time Medicare enrollment <input type="checkbox"/> Take steps to identify and understand your options and fill the gaps in Medicare coverage
	Participate in health screenings to reduce insurance costs		Review benefit options annually and adjust as your situation changes
 <p>Protecting your future</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Review beneficiary designations annually <input type="checkbox"/> Consider the need for life and disability insurance 	<ul style="list-style-type: none"> <input type="checkbox"/> Make sure of proper life insurance coverage 	<ul style="list-style-type: none"> <input type="checkbox"/> Strategically time Social Security enrollment to optimize benefit <input type="checkbox"/> Make sure important estate plans are in place
	Document a plan for minor children in the event of your incapacitation or death		
	Obtain basic estate docs: will, advance health care directive and power of attorney		
	Manage disability risk, consider income-replacement insurance		
	Review your wealth plan annually and rebalance investments to make sure you are on track to fund your goals		
Build a plan for a long-term care event			

Healthy best practices

Preparing for and funding your care as you age is one of the most important steps you can take in the wealth planning process, especially as you approach and live in retirement. While most investors are aware and concerned about the escalating cost of care, few have done anything about it.

At RBC Wealth Management, your financial advisor is prepared to help you navigate important topics like health care and make sure your RBC WealthPlan reflects your preference for care and includes a realistic plan for funding your care.

If you are interested in learning more about how you can take control of your health care in retirement, the process begins with a simple conversation. Contact us today to get started.



Focus on the big picture

By capturing your goals for the future and applying metrics to track your progress, you will start to see the big picture more clearly. This should include a specific goal for health care that includes a realistic budget for your care and smart strategies to save for and fund your care in the future.



Stay informed

Planning for the future is not a one-time event. Your care needs will evolve over time, as will the health care landscape. It is important to be involved, stay informed and revisit your health plan on a regular basis. This means you must be diligent in actively managing your care and your plan as circumstances change.



Manage risk

Protecting yourself and your family requires anticipating issues and proactively addressing them before they arise. This means making informed decisions about your preference for care and funding that care as you age. This also includes having your will, health care directive and power of attorney current. Estate and insurance strategies can also play an important role in managing risk.



Be ready to pivot

As you age your health circumstances can change quickly, shifting priorities and objectives. This may mean adjusting your plan or changing course. The key is to stay nimble and work with an advisor who is informed and engaged and can help you navigate these turns in your journey.

About Wealth Insights

Your financial journey is informed by a clear understanding of both where you are today and the strategic options that can fuel your tomorrows.

At RBC Wealth Management we are committed to delivering insights that educate, equip and engage you for that journey.

An important component in delivering on that commitment is ongoing research on those already in retirement and those who are preparing.

Along with Ipsos, our most recent survey sought to understand perceptions and preparedness for health care in retirement. For this survey, a sample of 1,002 Americans aged 50+ from Ipsos' online panel was interviewed online.

The results not only helped fuel this report, but also offer a glimpse into the realities of our changing world.

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