



Planning for health care in retirement

A guide to covering your medical expenses

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Health care continues to be a concern

38%

of investors are concerned about not having enough savings to meet unexpected health care and long-term care costs later in life.¹

42%

of investors believe managing health care costs is the most important service a financial advisor can provide to support them later in life.²

5.1%

Projected annual growth in health care spending through 2030.³

¹ The 2022 Fidelity Investor Insights Study was conducted during the period August 8 through September 2, 2022. It surveyed a total of 2,490 investors, including 673 millionaires and 1,520 investors with advisors. The study was conducted via a 25-minute online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of investable assets (excluding retirement assets and primary residence), age, and income levels.

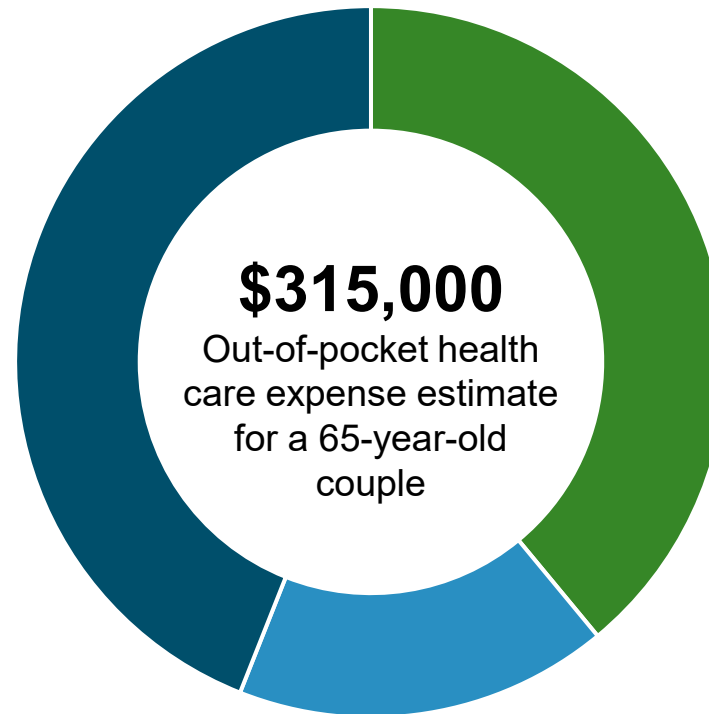
² Ibid.

³ Centers for Medicare and Medicaid Studies, National Health Expenditures Projections, 2021–2030.

Where does retiree health care money go?

44% Other medical expenses

Including copayments, coinsurance, and deductibles for doctor and hospital visits



39% Medicare Part B and Part D premiums

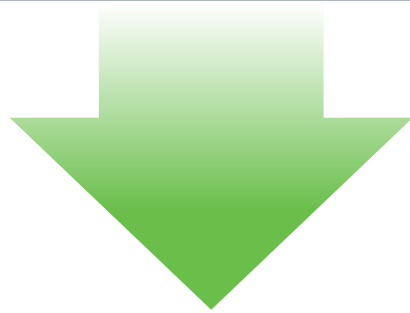
Doctor appointments and hospital visits

17% Generics, branded drugs, specialty drugs

Source: 2023 Fidelity Retiree Health Care Cost Estimate and Fidelity Benefits Consulting, 2022. See last slide for methodology.

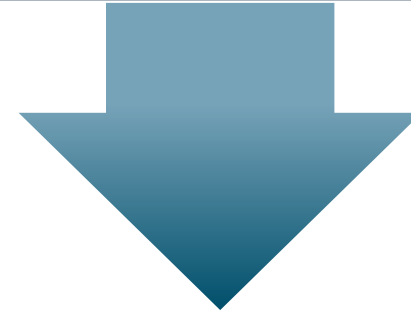
Your out-of-pocket costs may vary

INDIVIDUAL COSTS DEPEND ON:



Personal factors

- Age at retirement
- Years in retirement
- General health



Your risk comfort level

How much coverage
will you plan for?

What we'll cover today

STEPS YOU CAN TAKE RIGHT NOW

1	Get to know Medicare
2	Estimate your annual Medicare costs
3	Take stock of your funding sources
4	Create a health care plan with your financial representative

**The confidence of knowing your health care is covered
is one of the most valuable things you can take into retirement.**

Get to know Medicare

What are your Medicare options?

Part A	Hospital insurance
Part B	Medical insurance
Part D	Prescription drug coverage
Medigap	Medicare supplemental insurance
Part C	Medicare Advantage plans

Medicare Part A: Hospital insurance

In-hospital stay in 2024 (per benefit period)

Days 1–60	\$1,632 deductible
Days 61–90	\$408 per-day copayment
Days 91–150	\$816 per “lifetime reserve day”
Days 150+	All costs

Skilled nursing facility stay in 2024 (per benefit period)

Days 1–20	\$0 copayment
Days 21–100	\$204 per-day copayment
Days 101+	All costs

Source: <https://www.medicare.gov/coverage/inpatient-hospital-care>.
Benefit period is a period that begins on the day you are admitted to the hospital and ends when you have been out of the hospital for 60 consecutive days.

Medicare Part B: Medical insurance

IN 2024, INDIVIDUALS CAN EXPECT TO PAY:

\$240 deductible | **20%** coinsurance for doctors’ services and outpatient care

Individual Filer AGI	Joint Filer AGI	Standard Monthly Premium ¹
\$103,000 or less	\$206,000 or less	\$174.70
\$103,001 to \$129,000	\$206,001 to \$258,000	\$244.60
\$129,001 to \$161,000	\$258,001 to \$322,000	\$349.40
\$161,001 to \$193,000	\$322,001 to \$386,000	\$454.20
\$193,001 to \$499,999	\$386,001 to \$749,999	\$559.00
\$500,000 or above	\$750,000 or above	\$594.00

¹ Medicare Part B premiums are calculated based on the recipient’s adjusted gross income (AGI) from two years prior.
Source: <https://www.medicare.gov/basics/costs/medicare-costs>.



Medicare Part D: Prescription drug coverage

Higher-income beneficiaries pay higher Medicare Part B and Part D premiums¹

Individual Filer AGI	Joint Filer AGI	2024 Standard Monthly Premium ¹
\$103,000 or less	\$206,000 or less	Average plan premium = \$34.70 ²
\$103,001 to \$129,000	\$206,001 to \$258,000	Plan premium + \$12.90
\$129,001 to \$161,000	\$258,001 to \$322,000	Plan premium + \$33.30
\$161,001 to \$193,000	\$322,001 to \$386,000	Plan premium + \$53.80
\$193,001 to \$499,999	\$386,001 to \$749,999	Plan premium + \$74.20
\$500,000 or above	\$750,000 or above	Plan premium + \$81.00

¹ Medicare Part D premiums are calculated based on the recipient's adjusted gross income (AGI) from two years prior.

<https://www.medicare.gov/basics/costs/medicare-costs>

² Source: [Centers for Medicare & Medicaid Services](#).

Medigap (Medicare Supplement) vs. Medicare Advantage

ORIGINAL MEDICARE: PARTS A & B



Part A

Hospital Coverage



Part B

Outpatient



**Medicare Supplement
(Medigap)**



Part D

Prescription Drug
Coverage

MEDICARE ADVANTAGE: PART C



Part A

Hospital Coverage



Part B

Outpatient

Combines Parts A & B

Available with or without prescription drug coverage

Medigap: Supplemental Medicare Insurance

Ten standard plans offering different levels of coverage

Premium cost varies by insurance company and state	No coverage for dental, hearing, or vision									
Flexibility to see any doctor who accepts Medicare	No prescription drug coverage									
Medigap Benefits	Medigap Plans									
	A	B	C	D	F*	G*	K	L	M	N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Part B coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Blood (first 3 pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A hospice care coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled nursing facility care coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Part B deductible	No	No	Yes	No	Yes	No	No	No	No	No
Part B excess charge	No	No	No	No	Yes	Yes	No	No	No	No
Foreign travel exchange (up to plan limits)	No	No	80%	80%	80%	80%	No	No	80%	80%
Out-of-pocket limit	N/A	N/A	N/A	N/A	N/A	N/A	\$7,060	\$3,530	N/A	N/A

* Plans F and G also offer a high-deductible plan in some states. With this option, you must pay for Medicare-covered costs (coinsurance, copayments, and deductibles) up to the deductible amount of \$2,800 in 2024 before your policy pays anything. (Plans C and F aren't available to people who were newly eligible for Medicare on or after January 1, 2020.)

Source: <https://www.medicare.gov/health-drug-plans/medigap/basics/compare-plan-benefits>.

Medicare Part C: Medicare Advantage

MEDICARE ADVANTAGE PLANS

HMOs, PPOs, private fee-for-service plans, Medicare specialty plans

Costs may increase if you use **out-of-network doctors**

Address Part A and Part B expenses, and often others, such as prescription drugs

Hearing, dental, and vision (not covered under Medicare) may be covered

Which one is right for you?

Medigap

Original Medicare + Medigap Supplement

- May have higher premiums, but typically lower or no copays
- Freedom to choose doctors
- No referrals necessary
- Some routine services are not covered, such as vision and hearing
- Covered anywhere in the United States

Medicare Advantage

Medicare Advantage Plan

- Generally lower premiums, but has copays
- Usually includes prescription drug benefits
- May be restricted to network
- May need referrals for specialists
- May include extra benefits, such as vision, hearing, or fitness
- Emergency services only outside service area

It's not always easy to choose.

Questions to weigh when considering plan options

Do you have coverage for dental, hearing, and vision care—**services not covered by Medicare?**

Is it important for you to **continue seeing your current physicians?**

Have you estimated the total **out-of-pocket costs for prescription drugs?**

Do you want **flexibility to choose providers**—particularly specialists?

Do you have **protection from catastrophic illness?**

Create a health care coverage plan

Hypothetical example of Medicare costs for 65-year-old couple with income <\$206,000

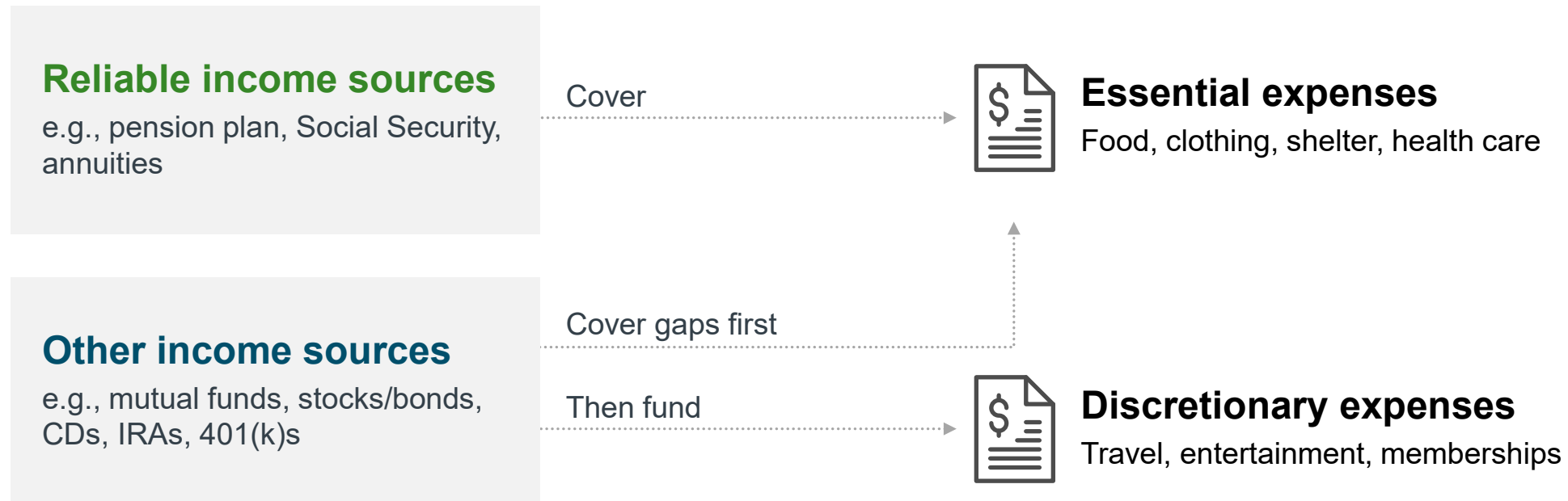
Medicare Part A	\$0 Deductible and copayments covered by Medigap Plan G
Medicare Part B	\$2,336.40 for premium Coinsurance covered by Medigap Plan G
Medicare Part D	\$ 3,300.00 for out-of-pocket average ¹
Medigap Plan G	\$1,776.00 for premium ²
Annual total	\$7,412.40 per person or \$14,824.80 per couple

¹ Actual monthly premiums paid by Part D enrollees vary considerably. In 2024, PDP monthly premiums range from \$0 (or less than \$1) for a PDP available nationwide to nearly \$200 for a PDP available in Pennsylvania and West Virginia (unweighted by plan enrollment). In addition to the monthly premium, Part D enrollees with higher incomes (\$103,000/individual; \$206,000/couple) pay an income-related premium surcharge, ranging from \$12.90 to \$81.00 per month in 2024 (depending on income). Source: An Overview of the Medicare Part D Prescription Drug Benefit, KFF.org.

² Average 2024 annual premium, ValuePenguin, "How Much Does Medicare Cost in 2024?"

Take stock of your funding sources

Use your sources of dependable income to cover health care and other essential expenses



For illustrative purposes only.

Create a health care plan with your financial representative

Your representative can help you:

Check health care expense estimates

Categorize essential and discretionary expenses

Review sources of income

Create a plan to ensure that health care and other essential expenses are covered

Develop a financial strategy for discretionary spending

Appendix

Additional health care topics

Key dates for Medicare

Parts A & B Regular Medicare

- Three months before reaching age 65 (seven-month enrollment window)
- Late enrollment penalty (some exceptions apply)

Part D Prescription drug coverage

- Initial enrollment deadline is the same as Parts A & B
- Annual enrollment window for changes:
October 15–December 7

Part C Medicare Advantage plans

- Similar to regular Medicare (Parts A & B)
- Window to add, drop, or change:
October 15–December 7
- Window to drop existing plan and switch to regular Medicare if plan is non-renewing:
January 1–March 31
- Calendar-year enrollment
- Limited ability to make changes

Medicare and working beyond age 65

What you need to know

Working at a company with fewer than 20 employees

Enroll in Medicare Parts A & B.

Medicare will now be your primary coverage, and your employer-based coverage will be secondary.

Working at a company with 20 or more employees

Are you already collecting Social Security?

Yes

You will be automatically enrolled in Medicare Parts A & B upon reaching age 65, but can opt out of part B.

No

You do not have to enroll in any parts of Medicare. You can enroll later during your special enrollment period and not be subject to late-enrollment penalties, provided you have had creditable health insurance.

If I'm not collecting Social Security and Medicare Part A is "free," shouldn't I go ahead and enroll in Part A?

Pro

You can enroll in Medicare Part A, and Part A may pick up some hospital expenses not covered by your employer-based coverage.

Con

Once enrolled in Medicare Part A (and/or B), you can no longer contribute to an HSA, as Medicare is not considered high-deductible insurance.

Medicare and Health Savings Accounts (HSAs)

- No contributions to HSA after enrollment in Medicare
- Once Social Security starts, Medicare (Part A) enrollment is automatic and HSA contributions must stop
- When you receive Social Security retirement benefits, your Part A coverage is backdated six months (but no earlier than the first month you're eligible for Medicare) to give you six months of backdated benefits. If you contribute to your HSA during those six months, you may face a 6% excise tax and an income tax for those contributions.
- If not receiving Social Security, you can defer Medicare to keep HSA
 - Compare HSA/High-Deductible Health Plan to Medicare (benefits and costs)



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2023 Retiree Health Care Cost estimate based on a single person retiring in 2023, 65 years old, with life expectancy that aligns with Society of Actuaries' RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2020 as of 2022. Actual assets needed 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 Cost 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 Medicare Part B base premiums and 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.

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