

# Do you need a strategy for your retirement **health care premiums?**

People today are living longer, healthier lives than previous generations. But along with increased life expectancy, you can also expect to incur increasing health care costs throughout retirement, even if you stay healthy. In short, **living longer means more years of paying for health care.**

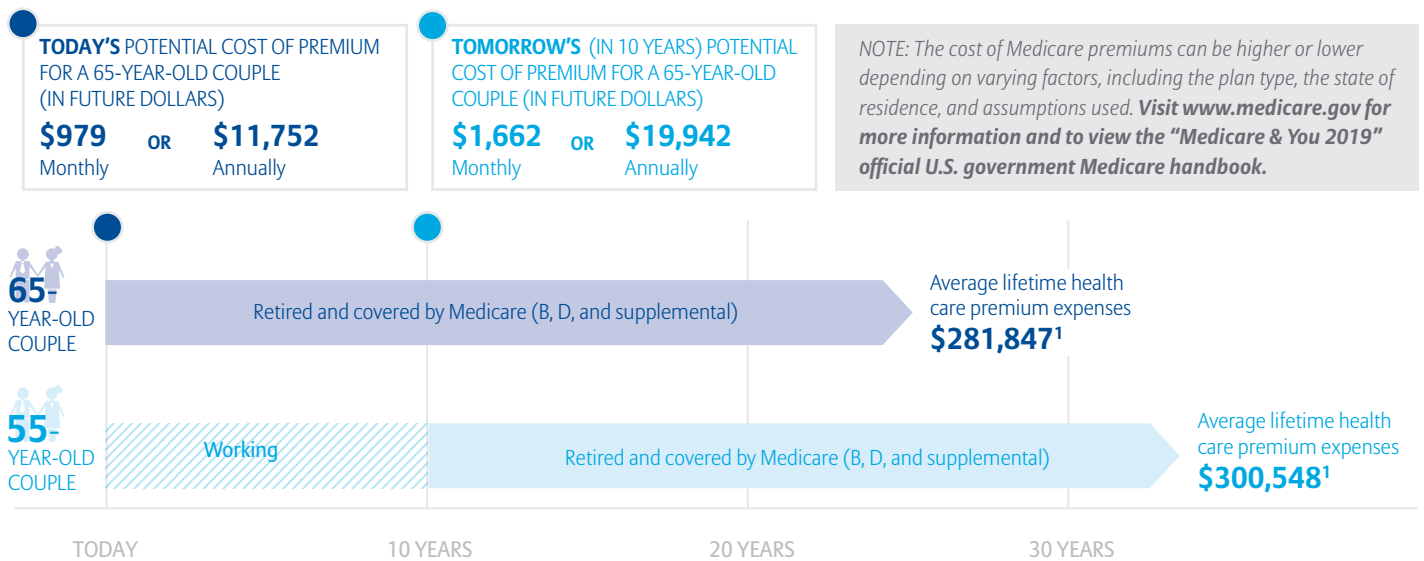
## How much will your health care premiums cost?

Planning for unexpected health care costs begins by choosing appropriate insurance.

The federal government's Medicare program can help make health care costs more predictable in retirement – but at an expense. You may be required to pay an ongoing monthly premium for Part B, Part D, and supplemental insurance coverage.

Keep in mind, Medicare doesn't cover all health care costs. You will have out-of-pocket expenses to consider – such as deductibles, co-pays, hearing, vision, and dental.

The chart below shows the potential Medicare premiums (i.e., monthly, annually, and lifetime) for a healthy 65-year-old couple retiring this year, as well as a healthy 55-year-old couple retiring in 10 years, at age 65.



Source: 2018 Retirement Health Care Costs Data Report, HealthView Services.

All calculations are based on assumptions that the male has a life expectancy of age 87 and the female of age 89, and will have a combined modified adjusted gross income under \$170,000.

<sup>1</sup>The average lifetime health care premium expenses is the present value of all lifetime premiums discounted back to today.

For all that's ahead.®



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Product and feature availability may vary by state and broker/dealer.

## Can Social Security cover the cost of a long retirement?

### 1<sup>st</sup> challenge: Expenses exceed income

Like many Americans, you may be counting on Social Security to help cover health care premiums and other basic living expenses for the rest of your life.

But while Social Security is critical to retirement income planning, it was never meant to be your only source of income. In fact, only 40% of an average wage earner's pre-retirement income is replaced by Social Security.<sup>1</sup>

As you can see in this hypothetical example, the average retired couple's annual **Social Security benefits alone will not be enough to cover their most basic day-to-day expenses throughout retirement.**

<b>Social Security<sup>1</sup></b>	<b>\$29,376</b>
<b>Basic expenses<sup>2</sup></b> Food, housing, transportation, and health care (including health insurance)	<b>– \$45,310</b>
<b>INCOME NEED</b>	<b>= \$15,934</b>

*This hypothetical example is provided for illustrative purposes only and is not representative of an actual client.*

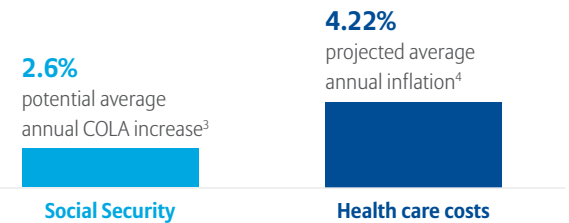
### 2<sup>nd</sup> challenge: Inflation exceeds income increases

As shown in the chart on the right, health care inflation is projected to continue rising at a faster rate than the average Social Security benefit.

Over time, Social Security cost-of-living adjustments (COLAs) will fall short of rising health care costs.

And as a result, **retirees could eventually see their Social Security income completely absorbed by health care costs.**

#### THE POTENTIAL IMPACT OF INFLATION FOR THE FORESEEABLE FUTURE



## Seeking more guaranteed income to help supplement Social Security?

You can help alleviate this uncertainty by adding a second source of guaranteed retirement income – such as a **fixed index annuity** – to your retirement income strategy.

Annuities are designed to meet long-term needs for retirement income by providing tax-deferred accumulation potential, a death benefit for beneficiaries, and a guaranteed stream of income for life.

#### THIS STRATEGY CAN HELP PROVIDE:

**Predictable income** that will not fluctuate based on market losses.

**Sustainable income** that will last as long as you live.

**Potentially increasing income** to help address inflation (offered through either built-in or additional-cost riders).

**Ask your financial professional** if an Allianz annuity may be a good fit for your overall retirement income strategy.

*You should carefully consider the features, benefits, limitations, risks, and fees that may be associated with an annuity. Always consider each of these and how they work when considering if a product is appropriate for your needs.*

*Any transaction that involves a recommendation to liquidate a securities product, including those within an IRA, 401(k), or other retirement plan for the purchase of an annuity or for other similar purposes, can be conducted only by individuals currently affiliated with a properly registered broker/dealer or registered investment advisor. If your financial professional does not hold the appropriate registration, please consult with your own broker/dealer representative or investment advisor representative for guidance on your securities holdings.*

<sup>1</sup> Social Security Administration, Understanding the Benefits, 2019.

<sup>2</sup> Consumer Expenditure Survey, 2017.

<sup>3</sup> Social Security Administration, 2018 Trustees Report.

<sup>4</sup> 2018 Retirement Health Care Costs Data Report, HealthView Services.

Since financial professionals are able to provide information, but not advice related to Social Security benefits, you should seek guidance from the Social Security Administration regarding your particular situation.

Products are issued by Allianz Life Insurance Company of North America.

Distributions are subject to ordinary income tax and, if taken before 59½, a 10% federal additional tax may apply.

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