

Security in Retirement SERIES

in partnership with

CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

JACKSON®

RESEARCH, ANALYSIS AND INSIGHTS ON ADDRESSING

Healthcare Risk

SUMMARY OF KEY FINDINGS

Part three of Jackson's Security in Retirement Series conducted in partnership with the Center for Retirement Research at Boston College

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About our Security in Retirement Series

Jackson is committed to ensuring more Americans in or nearing retirement can benefit from greater clarity and confidence in their financial futures. To better support this critical goal, we have partnered with leading academic experts at the Center for Retirement Research at Boston College to launch the Jackson Security in Retirement Series. This multiphase research effort takes a look at a range of potential threats to financial security with the goal of helping financial professionals and retirement investors more effectively identify and manage these risks.

We have arrived at a critical time for financial well-being in retirement with an estimated 4.1 million baby boomers turning 65 each year through 2027, which is more than 11,200 per day.[1] Meanwhile, rapid advances in healthcare and the science of aging—along with evolving attitudes on what retirement can look like—are redefining what it means to live well longer.

Providing useful, actionable, research-based insights during this confluence of events is essential. Our work with the Center for Retirement Research can help retirement investors and financial professionals better navigate financial challenges in this unprecedented era—one that will have lasting impacts on the economy, workforce, healthcare and government.[2]

To access details and up-to-date findings relative to this research series, as well as other proprietary research materials developed by Jackson on topics that affect the saving and spending habits of Americans, please visit **jackson.com/researchcenter**.

Research methodology

Research, analysis and insights on addressing healthcare risk, the third installment of our Security in Retirement Series with the Center for Retirement Research at Boston College, was conducted in partnership with Greenwald & Associates. The research approach involved:

An online survey of 508 investors conducted from July 12 through July 23, 2024

- Respondents were between the ages of 48 and 78 and, if married or partnered, at least shared financial decision-making responsibilities in their household.
- Respondents were either retired, employed for pay or not employed and not seeking work.
- Of the respondents, 105 had investable assets from $100,000 to $199,999, and 403 had assets of $200,000 or more.

An online survey of 401 financial professionals fielded from July 22 through August 2, 2024

- Respondents were financial professionals in a client-facing role with at least 75 clients. They had three or more years of experience at a firm with at least $30 million in assets under management and at least 40% of their clients were aged 50 or older.

Some percentages in the tables and charts from the research in this report may not add up to 100% due to rounding error.

1 Jason J. Fichtner, Retirement Income Institute, Alliance for Lifetime Income, "The Peak 65 Zone Is Here – Creating a New Framework for America's Retirement Security," January 2024.
2 Jessica Hall, Morningstar, "As baby boomers hit another milestone next summer, Social Security will feel the strain," August 7, 2023.

Summary of key findings

Managing healthcare risk

Longer life expectancies have extended retirement,[3] reshaping how investors perceive and plan for it.

Retirement is no longer considered a final chapter marked by inactivity. It's now widely viewed instead as an exciting intermediate phase of life filled with new opportunities and second careers. Unlike in past decades, retirees today may live another 20 or 30 years in good health, provided they stay active physically and mentally[4] and have access to adequate medical care.

Healthcare plays a critical role as retirees will need additional care over longer, active retirements.[5] They also will face rising costs driven by new technologies and treatments that are effective but costly, climbing prescription medication prices,[6] and more chronic conditions to manage associated with advanced ages.[7] These and other expenses can increase healthcare risk—the possibility for unexpected medical expenses or long-term care costs to drain retirement savings.

Healthcare risk is closely linked to longevity risk—the potential to outlive one's savings—which we cover in detail in the first part of our Security in Retirement Series. Together, they are the top two financial risks retirees can face due to the high level of uncertainty both involve. For longevity risk, this relates to the planning horizon. For healthcare risk, it's due mostly to the unpredictability of healthcare expenses later in life, particularly long-term care.[8]

Our research shows that while investors worry about healthcare risk, many are underprepared for it, often underestimating not only the cost of healthcare, but long-term care and the likelihood they will need it. **More than 60% of investors we surveyed are relying on or considering Medicaid as a long-term care financing solution, possibly without fully understanding the impacts.**

While our research affirms the many benefits of collaborating with a financial professional, including improved management of healthcare risk, it also suggests that many professionals are concerned about the ability of their clients to afford healthcare in retirement. For instance, **over half of financial professionals surveyed consider the inability to afford quality long-term care a major risk for their clients.** This is notable because **almost three out of four investors will require long-term care at some point.[9]**

In this guide, we'll outline key research highlights and provide practical information to help financial professionals and investors manage healthcare risks, close planning gaps and bring greater clarity to retirement planning. This will help more investors take advantage of the exciting possibilities that modern retirement offers.

We will present our summary of key findings in four sections:

SECTION I
The facts about long-term care: expectations vs. reality

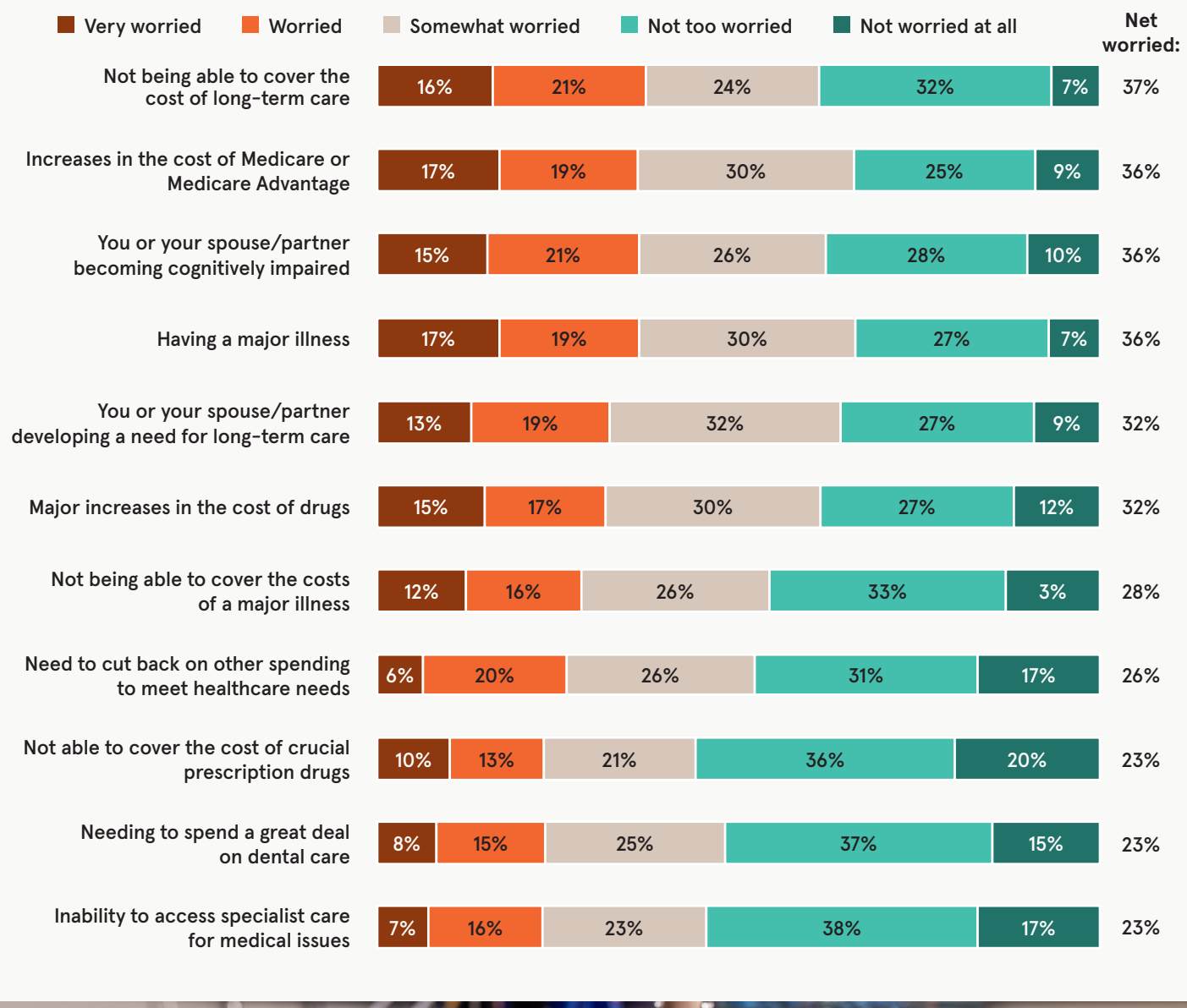
SECTION II
Sticker shock: retirees face rising healthcare costs

SECTION III
Less worry, more wellness: the impact of collaborating with a financial expert

SECTION IV
Securing your future: navigating healthcare costs with confidence

3 American Academy of Actuaries, "Raising the Social Security Retirement Age," February 2022.
4 Graham Ward and Isabelle Lebbe, Yahoo Finance, "Retirement is becoming just the 'third half' of life. Here are the 4 key mindsets we've identified among the new generation of retirees," March 7, 2024.
5 Fidelity Investments, "Fidelity Investments Releases 2024 Retiree Health Care Cost Estimate As Americans Seek Clarity Around Medicare Selection," August 8, 2024.
6 Kutika Amin, et al., Peterson-KFF Health System Tracker, "Health Cost and Affordability Policy Issues and Trends to Watch in 2024
7 Charles H. Jones and Mikael Dolsten, NPJ Aging, "Healthcare on the brink: navigating the challenges of an aging society in the United States," April 6, 2024.
8 Wenliang Hou, Center for Retirement Research at Boston College, "How Well Do Retirees Assess the Risks They Face in Retirement?" July 2022.
9 Christine Benz, Morningstar, "100 Must-Know Statistics about Long-Term Care: 2023 Edition," March 29, 2023.

Ranking investor healthcare concerns in retirement





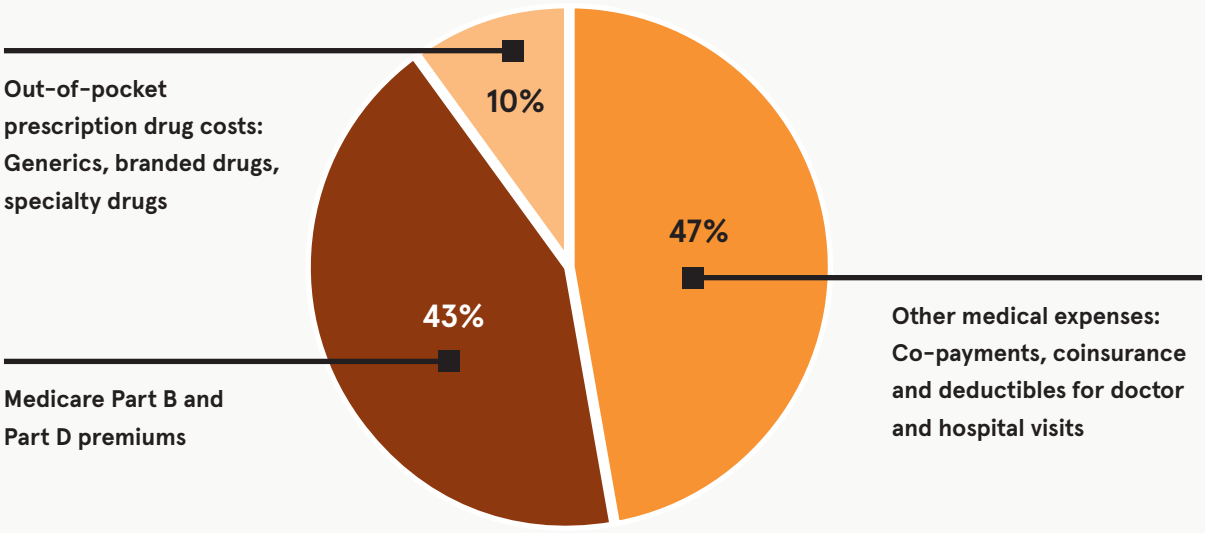
Healthcare in retirement: expenses overview

$165,000 is the average amount a 65-year-old retiring in 2024 can expect to spend for healthcare and medical expenses throughout retirement, according to Fidelity's 2024 Retiree Health Care Estimate.[10†]

For a couple the total cost could approach $330,000.

- That breaks down to **nearly $8,600 per year** for one person over the course of an 84.2-year average life expectancy from the age of 65.[11]
- Assuming continued increases at a very conservative 3% per year, the cost will jump to **$221,746 in 10 years**. Based on historical data from the American Medical Association, average annual growth in U.S. healthcare spending will be closer to 4% or higher.[12]
- Given these estimates, Jackson's research suggests **many investors are likely underestimating or unsure of their healthcare costs in retirement**. We examine this further in Section II.

Average healthcare cost breakdown



Source: Fidelity, "Fidelity Investments® Releases 2024 Retiree Health Care Cost Estimate as Americans Seek Clarity Around Medicare Selection," Aug. 8, 2024.

† Considers a single person retiring in 2024 who does not have employer-provided retiree healthcare coverage but qualifies for the federal governments original Medicare program.
[10] Fidelity Investments, "Fidelity Investments® Releases 2024 Retiree Health Care Cost Estimate as Americans Seek Clarity Around Medicare Selection," August 8, 2024.
[11] Social Security Administration, "2024 OASDI Trustees Report," 2024.
[12] AMA, "Trends in health care spending," July 9, 2024.

Medicare: the basics on cost and coverage

- Fidelity's healthcare cost estimate assumes enrollment in traditional Medicare, which includes Parts A and B—to cover most hospital care and doctor visits—and Part D for prescription drugs.[13]
- Retirees must pay for Medicare premiums, over-the-counter medications, dental and vision care, and other costs Medicare doesn't cover. **Medicare does not cover most long-term care services,**[14] a topic we will examine more closely in Section I.
- Determining the right costs and coverage can be complex and our goal is merely to provide an overview. Investors should rely on an expert to identify the coverage they need and their financial professional to understand how Medicare fits into their financial strategy.
- The table below provides an overview of Medicare coverage and costs as reported by *Forbes Health,*[15] except where otherwise noted.

Medicare—often called original Medicare—is a federally funded health insurance program for U.S. adults aged 65 and older. Some people may qualify earlier due to certain disabilities or illnesses. It's divided into parts A, B and D. Beneficiaries also can choose to enroll in a plan from a private insurer called Medicare Advantage—or Medicare Part C—that bundles the coverage from all three parts.

Medicare Part A		
Coverage • Hospital stays • Short-term skilled nursing facility care • Hospice care • Some home healthcare costs	**Costs** • Free to most people due to Medicare taxes paid while working • $1,632 deductible per benefit period for inpatient hospital stays • 80% of inpatient medical equipment like wheelchairs are covered, patient pays remaining 20%	**Additional details** • Hospital stays: After 60 days, beneficiaries pay $408 per day for days 61 through 90, $816 per day for days 91 through 150. After that, beneficiary pays all costs. • Skilled nursing facility stay: After 20 days, beneficiaries pay $204 per day for days 21 through 100. After 100 days, beneficiaries pay all costs
Medicare Part B		
Coverage • Medical expenses including doctor's appointments • Outpatient care • Durable medical equipment for use in home. May include items like oxygen equipment • Other services Medicare defines as medically necessary	**Costs** • Unlike Part A, there is no premium-free version • Monthly premiums depend on income, with most people paying $174.70 per month, typically deducted from Social Security payments • $240 annual deductible	**Additional details** • People with an annual income over $103,000 as an individual or $206,000 as a couple pay between $244.60 and $594 monthly for their premium. • Without a Medicare Supplement plan, beneficiaries pay 20% of healthcare costs as coinsurance.

[13] Fidelity Investments, "Fidelity Investments® Releases 2024 Retiree Health Care Cost Estimate as Americans Seek Clarity Around Medicare Selection," August 8, 2024.
[14] Medicare.gov, "Long-term care," accessed November 6, 2024.
[15] Angela Myers, Forbes Health, "How Much Does Medicare Cost? (Parts A, B, C And D)," August 20, 2024.

Medicare Part D		
Coverage • Prescription drugs • Coverage is optional and all Medicare beneficiaries are eligible. • It's best to sign up during the initial enrollment period, which is seven months long and begins three months before the beneficiary turns 65.	**Cost** • There are two options: Enroll in a separate Part D plan or choose a Medicare Advantage plan that includes drug coverage. • Average monthly premium in 2024 was projected at $55.50.[†] • Premium prices also vary when enrolling in a separate Part D plan. Premium prices are separate from Part A and B premiums.	**Additional details** • Enrolling in Part D after the initial enrollment period can come with a hefty penalty charged monthly for as long as a person is enrolled in Medicare. • Depending on whether a pharmacy is in network, out of network or preferred, there can be significant differences in drug costs.
Medicare Part C—or Medicare Advantage		
Coverage • Type of plan offered by private insurers like Blue Cross Blue Shield and Aetna • Required to offer the same benefits provided by Parts A and B and usually offer Part D as well • Many plans offer additional coverage for hearing, vision and dental care, as well as other benefits.	**Cost** • It varies. While private insurance companies follow regulations determined by Medicare, they determine out-of-pocket costs and set rules on how beneficiaries receive services. • Like employer-sponsored care, plans bundle all expenses into one monthly premium.	**Additional details** • Some plans offer a "Medicare Part B reduction," in which the insurer covers all or some of the beneficiary's Part B premium. • An expert quoted by *Forbes Health* says the plan can be a good option for those with less disposable income since premiums can be lower and more predictable.
Medicare Supplement—Medigap		
Coverage • Parts A and B come with out-of-pocket costs that can be unpredictable • To help cover these costs, a person can purchase this type of plan through a private insurer. • These plans cover copayments, coinsurance and deductibles not covered by original Medicare.	**Cost** • Varies, but to get the best price, it's important to enroll during the initial enrollment period • During this time, you have a "guaranteed right of issue," which means you can't be underwritten for any pre-existing conditions. • Medigap often costs more than Medicare Advantage and a person cannot have both.	**Additional details** • Plan can provide upfront knowledge of costs. Instead of paying individual copays and deductibles, beneficiaries pay a set monthly amount. • Coverage specifics depend on which of 10 Medigap plan types chosen. They're lettered "A" through "N," and each must provide the same base care. • Plan makes financial sense when someone needs robust healthcare coverage

[†] CMS.gov, "CMS Releases 2024 Projected Medicare Part D Premium and Bid Information," July 31, 2023.



SECTION I

The facts about long-term care: expectations vs. reality

It's clear from our research investors are concerned about the need for long-term care, but misconceptions abound that could increase their healthcare risk. The fact is that about 70% of the 4.1 million Americans reaching age 65 each year[16] are likely to need long-term care at some point.[17] Yet only about a quarter of investors we surveyed believe they will require such care.

We should note that certain demographic differences can make the need for long-term care more likely. For instance, because women tend to live longer than men, they are often left alone and may need assistance after the death of a spouse. As a result, more than 70% of nursing home residents are women.[18] Also, certain ethnic and racial groups have higher rates of chronic conditions that may require long-term care.[19]

Whether from optimism bias—the tendency for some people to think they are less likely to experience negative events—or simple unawareness, **denying the realities of long-term care can lead to under-preparation and put investors at significant financial risk in retirement.**

There is a

43%

point gap between investor perception and reality regarding long-term care. Only 27% of those surveyed believe they'll need such care, but 70% likely will.

[16] Jason J. Fichtner, Retirement Income Institute, Alliance for Lifetime Income, "The Peak 65 Zone Is Here – Creating a New Framework for America's Retirement Security," January 2024.
[17] Christine Benz, Morningstar, "100 Must-Know Statistics about Long-Term Care: 2023 Edition," March 29, 2023.
[18] American Association for Long-Term Care Insurance, "Long-Term Care – Important Information for Women," accessed November 6, 2024.
[19] Georgetown University Health Policy Institute, "Cultural Competence in Health Care: Is it important for people with chronic conditions?" accessed November 6, 2024.

Family experience guides long-term care perceptions and planning

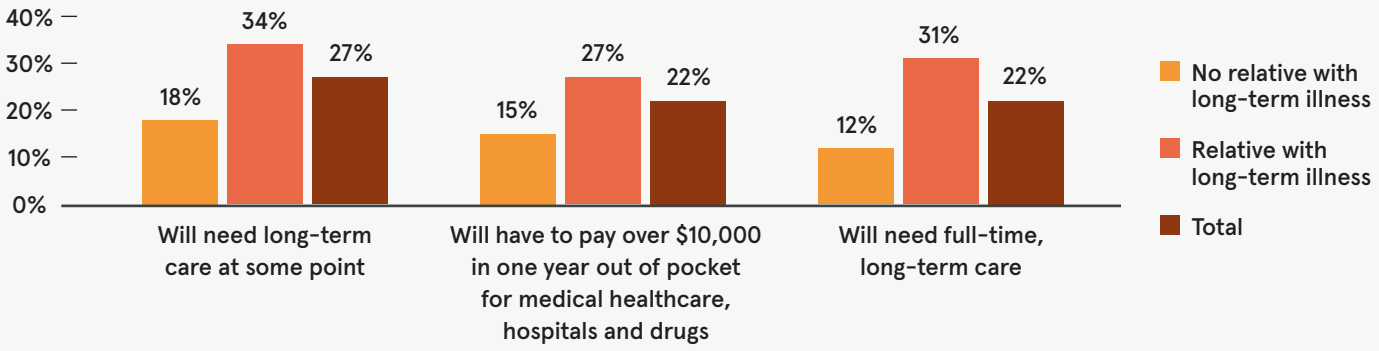
One notable difference in long-term care projections observed in our research concerns respondents who have experienced parents or grandparents requiring long-term care. Not only are they almost twice as likely to believe they will need such care themselves, but more than twice as likely to anticipate needing full-time, long-term care.

Another variation is in their estimates of the associated costs, which tend to be more accurate than investors without family members who required such care. They also are nearly twice as likely to predict they will have to pay at least $10,000 in one year for out-of-pocket medical expenses.

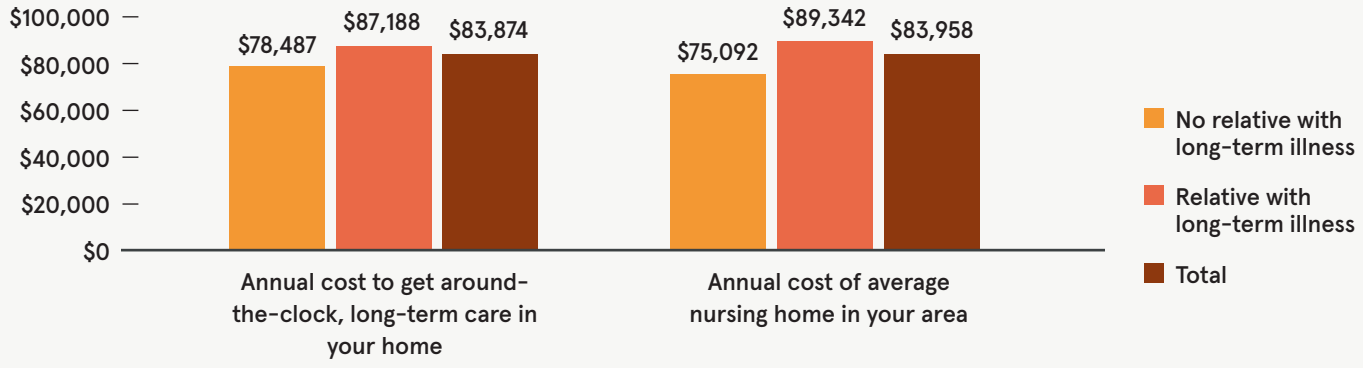
Additionally, they are more likely to have taken certain retirement planning steps—particularly related to affording long-term care. For example, they are far more likely than other investors to have decided when they want to retire and to have explored the costs of assisted living facilities.

Investors surveyed with parents or grandparents who required long-term care are more than twice as likely to predict they will need long-term care themselves eventually or need to pay over $10,000 in one year for out-of-pocket medical costs. They also provide higher estimates, on average, for long-term care costs.

Investor predictions about personal healthcare-related outcomes by family long-term care history (percentage likely or very likely)



Investor estimates for annual long-term care expenses



Planning for the future: the facts about long-term care

- **High likelihood of need:** Americans turning 65 have a 70% chance of requiring some type of long-term care, with women needing care about a year and a half longer than men, on average.[20]
- The **average age** for people entering care facilities is 84. Their entry is usually preceded by escalating caretaking at home, usually by unpaid family members.[21]
- **Extended care:** About 20% of seniors will require care for more than five years.[22]
- **Median annual cost of long-term care nationally:**[23*]
  - **Assisted living facility: $64,200**
  - **Home health aide,** which includes direct assistance with activities like bathing: **$75,500**
  - **Homemaker services,** which includes hands-off tasks such as cleaning and running errands: **$68,600**
  - **Skilled nursing:**
    - **Semi-private room: $104,000**
    - **Private room: $116,800**

* The cost of long-term care varies based on factors like geographic location and level of care required.[24] For example, nursing home costs are typically higher in the northeastern United States than in the Southeast.[25] In Maine, for instance, the median monthly cost of a shared room in a nursing home is $12,197 but it's $7,939 in Georgia. Costs also can vary within states. Nursing home costs in Portland, Maine, start at $13,303 per month, while in Lewiston, less than an hour away, they start at $10,996.[26] It's possible to calculate the cost of care by ZIP code at genworth.com/aging-and-you/finance/cost-of-care.†

† Jackson is providing the above link solely for informational purposes and as a convenience to you. Jackson makes no representations concerning the content of the third party site. The provision of a link to a third party site does not constitute an endorsement, authorization, recommendation, sponsorship, or affiliation by Jackson with respect to the third party site.

Investors are unclear on the cost of skilled nursing care

Most investors we surveyed are significantly underestimating the cost of skilled nursing care. In fact, the accommodations and level of care they could reasonably expect based on their estimates might surprise them. Additionally, **29% of investors say they are unable to estimate a cost,** which is notable in itself and supports the opportunity for greater education on the topic.

The annual median cost for care in a skilled nursing facility in the U.S. is $104,000 for a shared room and $116,800 for private accommodations.[27] As median costs, these represent the midpoint between the highest and lowest costs. There are regional and state differences in the cost of care, which is more expensive in the Northeast than the Southeast—except Florida, which ranges higher. The West Coast also tends to be more expensive in a range much like the Northeast.[28]

Survey respondents estimate the annual cost of a skilled nursing facility much lower at $83,958 on average, which is about $20,000 lower than the national median cost for a semi-private room. That amount would cover the cost of a semi-private room in Texas, as shown in the chart below, but not in the nine other popular retirement states listed. It also would pay for a private room in Texas, at a median annual cost of $80,304, but not in any of the other states.

[20] LongTermCare.gov, "How Much Care Will You Need," accessed November 7, 2024.
[21] Greg Glasgow, Anschutz School of Medicine, "What is the Average Age and Disability Level of Older People Moving Into Long-Term Care," November 8, 2023.
[22] LongTermCare.gov, "How Much Care Will You Need," accessed November 7, 2024.
[23] Genworth, "Genworth Releases Cost of Care Survey Results for 2023: Twenty Years of Tracking Long-Term Care Costs," March 12, 2024.
[24] Genworth.com, "Cost of Care Survey," accessed November 7, 2024.
[25] Bonnie Berkowitz, et al., Washington Post," Calculator: How much does elder care cost where you live?" December 5, 2023.
[26] National Council on Aging, "Nursing Home Costs and Payment Options," Sept. 16, 2024.
[27] Genworth, "Genworth Releases Cost of Care Survey Results for 2023: Twenty Years of Tracking Long-Term Care Costs," March 12, 2024.
[28] Bonnie Berkowitz, et al., Washington Post," Calculator: How much does elder care cost where you live?" December 5, 2023.

Long-term care by the numbers

A look at the monthly median cost of various levels of long-term care in 10 historically popular states for retirement

State	Homemaker services	Home health aide	Assisted living facility	Nursing home—semi-private room	Nursing home—private room
Florida	$5,625	$5,720	$4,750	$9,885	$11,406
Arizona	$6,292	$6,864	$5,500	$7,604	$9,429
South Carolina	$5,434	$6,101	$4,650	$8,669	$9,368
North Carolina	$5,339	$5,339	$5,769	$8,365	$9,125
Texas	$4,290	$5,339	$4,915	$5,323	$6,692
Tennessee	$5,911	$6,101	$4,900	$8,654	$9,277
Nevada	$6,197	$5,720	$5,000	$10,205	$12,395
Georgia	$4,767	$5,148	$4,120	$7,939	$8,365
New Mexico	$8,580	$5,720	$5,450	$8,760	$10,007
California	$6,864	$7,055	$6,250	$11,406	$13,231

Source: Genworth, Cost of Care Survey, accessed November 7, 2024.

Investors with close family members who required long-term care more accurately estimate the average annual cost of nursing home care at $89,342. This comes closer to the annual median cost, but still is short by $27,458 when pricing a private room. Referring to our table, this higher amount would again only cover a semi-private or private room in Texas. It also would come close to covering a semi-private room in Arizona, at an annual median cost of $91,248. It would not pay for a private room in any of the other retirement states shown.

A far more affordable strategy for meeting long-term care needs is relying on family members for assistance. Family-provided care often precedes the transition to skilled nursing care[29] and is another area where investors with relatives who required long-term care vary from other respondents. Not only are they more likely to discuss their own long-term care plans with their children, but to rely on their offspring for various types of assistance.

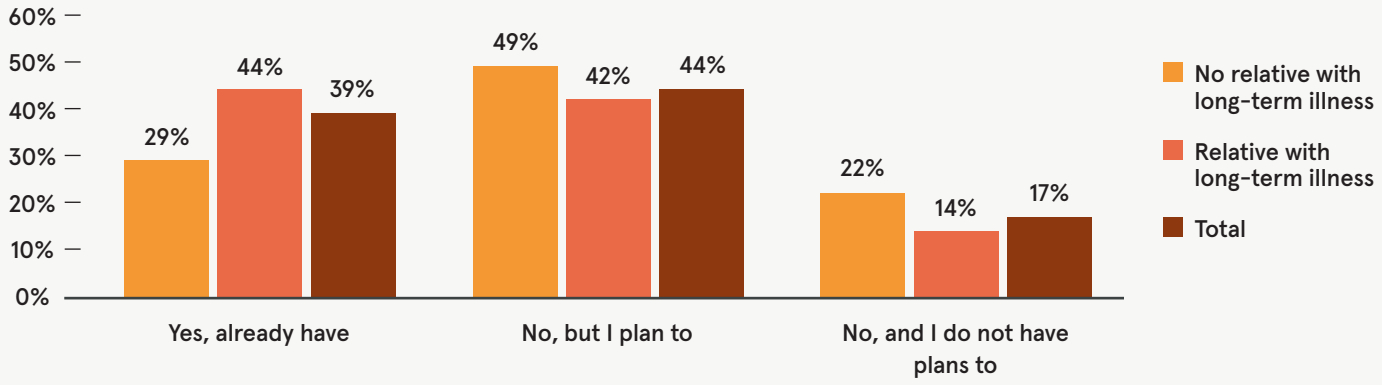
The realities of long-term care costs are not lost on most financial professionals we surveyed. Two in five are worried some clients will be unable to afford acceptable long-term care, and 56% say that not being able to afford good long-term care is a major risk to most of their retired clients.

We will further explore strategies investors and financial professionals are using or considering to pay for long-term care and other healthcare costs in Section III.

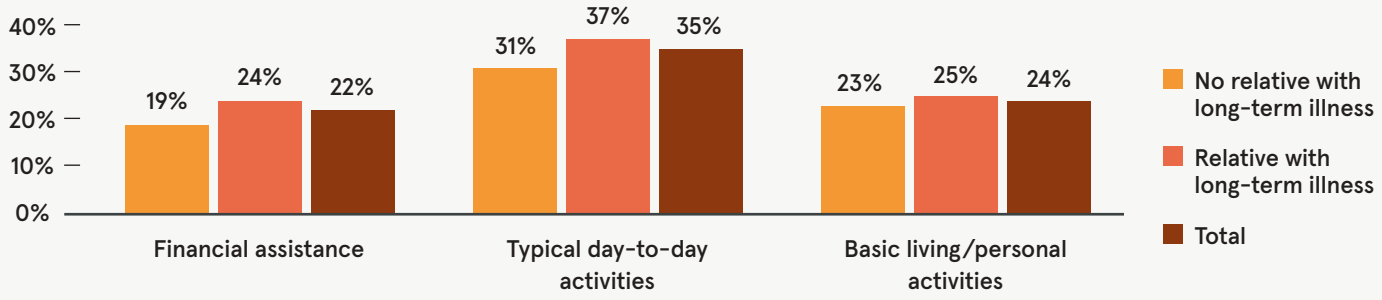
[29] Greg Glasgow, Anschutz School of Medicine, "What is the Average Age and Disability Level of Older People Moving Into Long-Term Care," November 8, 2023.

Investor actions and predictions related to long-term care

Discussed long-term care plans with their children



Predicted likelihood of needing assistance from their children or other family members with age



Closing potential planning gaps: long-term care

Financial professionals: Long-term care can be a difficult subject to raise with investors who are enthusiastic about their retirement prospects. But early planning can make all the difference in protecting against healthcare risk. It's important to stress to clients that long-term care expenses can be a major financial burden not covered by Medicare.

Investors: Focusing on future healthcare needs is essential to safeguarding financial security and that includes planning for potential long-term care—which most retirees will need at some point. Similarly, discussing your plans with family members can help ease future burdens on loved ones.





SECTION II

Sticker shock: retirees face rising healthcare costs

Medical advances are contributing to longer retirements, with a 100-year life now within reach for many Americans.[30]

Advanced technologies and procedures[31] along with modern prescription drugs are not only helping people live longer but improving the quality of life associated with many chronic conditions. Consider how breakthrough drugs like Wegovy and Ozempic alone—known as GLP-1 medications—are effectively being deployed to treat and manage diabetes and obesity.[32]

These exciting developments hold great promise for today's modern retirements. **But innovative medical solutions that improve service and outcomes are costly, as are rising prescription drug costs.** A year's supply of Wegovy can cost over $16,000 without insurance or manufacturer discounts and it's common to be denied coverage.[33]

79%

of investors surveyed believe medical advances over the next decade make financial planning more important given the potential for longer lifespans.

Healthcare costs outpace other consumer prices

Medical prices have generally increased faster than consumer prices in recent decades and medical care and healthcare spending commonly outpace growth in the rest of the economy. In June 2024, healthcare costs grew by 3.3% from the previous year, higher than the 3% overall annual inflation rate. **Since 2000, the price of medical care including services, insurance, drugs and equipment has increased by over 120%.** In the same period, prices for all consumer goods and services rose by just over 86%.[34]

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[30] Kate Whiting, World Economic Forum, "We're living longer. Here's how that will change retirement," June 26, 2023.
[31] Maria Palombini, IEEE SA Standards Association, "How Science, Technology, and Data are Contributing to a Longer and Better Quality Life," February 9, 2023.
[32] Kendall K. Morgan, WebMD, "Mounjaro, Ozempic, Wegovy, Zepbound: What's the Difference?" July 22, 2024.
[33] Karon Warren, GoodRx, "How Much Does Wegovy Cost," Sept. 3, 2024.
[34] Shameek Rakshit, et al., Peterson-KFF Health System Tracker, "How does medical inflation compare to inflation in the rest of the economy?" August 2, 2024.

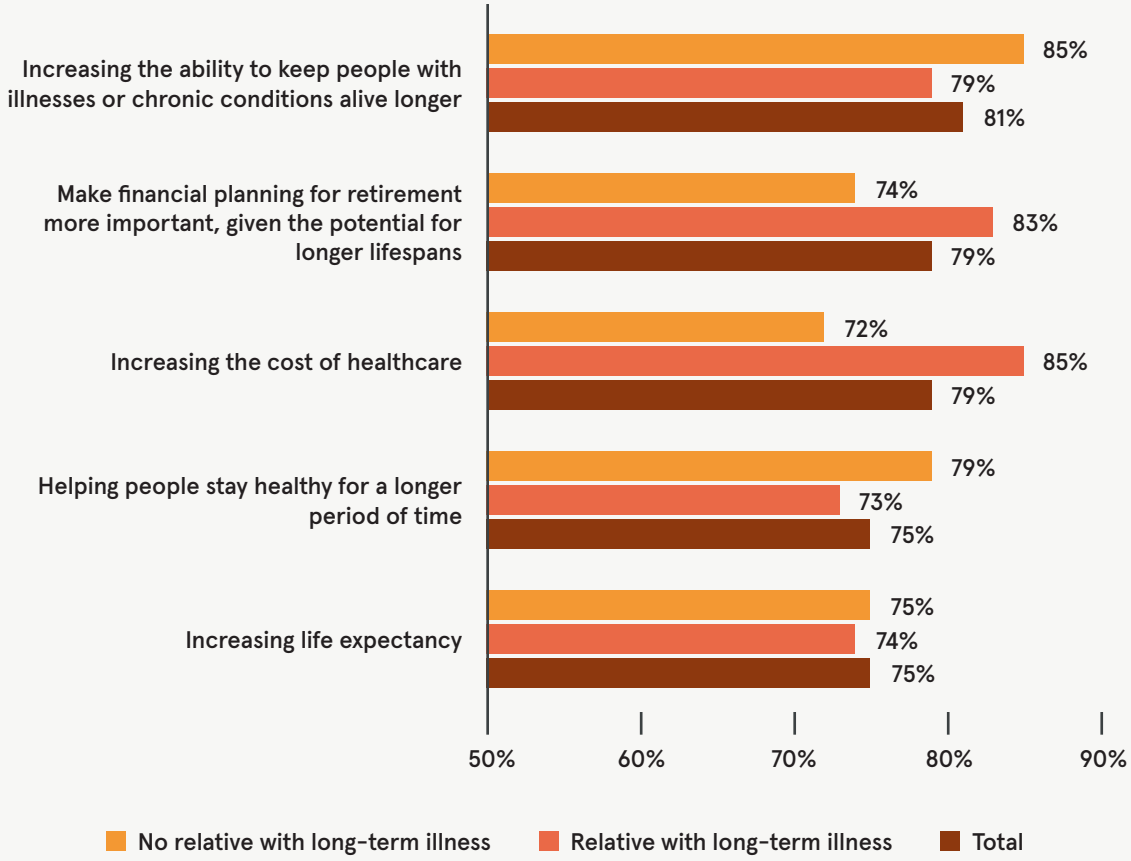
Adding to the cost is another reality that can come with advanced ages: retirees usually have more chronic conditions to manage, often related to family genetics and gender. These can range from hypertension and high cholesterol to arthritis, diabetes and depression. Nearly all adults aged 60 and older have at least one chronic condition, while nearly 79% have two or more, according to the National Council on Aging.[35]

One major impact investors we surveyed expect from medical advances over the next 10 years is to drive up costs. They are less likely to agree there will be important benefits such as helping people remain healthy or increasing life expectancy. A substantial percentage also agree that these medical advances make financial planning for retirement more important, given the potential for longer life spans.

Investors with family members requiring long-term care were significantly more likely to see the primary impact of medical advances as either affecting healthcare costs or increasing the importance of financial planning.

There are notable differences in how survey respondents with close relatives who required long-term care perceive the effects of medical progress, including on costs.

Expected effects of medical advances over the next 10 years
(percentage of investors who agree or strongly agree)



[35] National Council on Aging, "The Top 10 Most Common Chronic Conditions in Older Adults," May 30, 2024.

Investors risk significantly underestimating healthcare costs

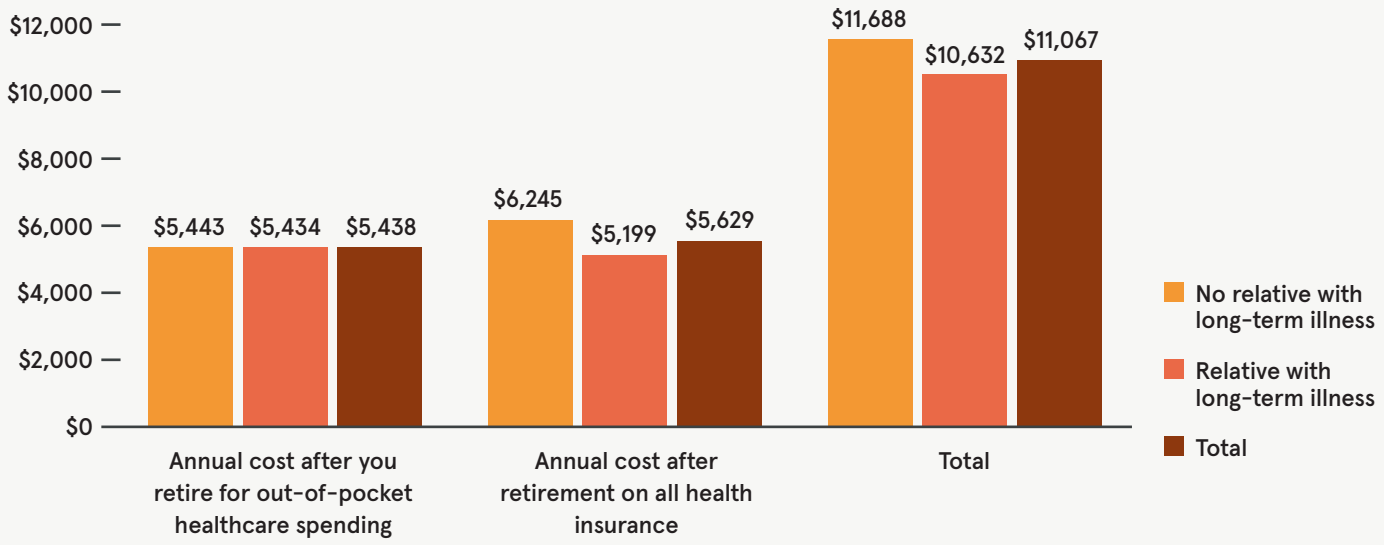
As covered in detail earlier in this report, **Fidelity predicts the average 65-year-old retiring today will need about $165,000 to cover healthcare expenses during retirement.** The figure excludes long-term care costs, dental and vision care and over-the-counter drugs and assumes enrollment in original Medicare.[36]

Considering the average life span from the age of 65 for both sexes of 84.2 years,[37] that amount breaks down to $8,600 per year in healthcare expenses. Keep in mind, this is an average estimate and individual costs depend on various factors including personal health, gender and unique financial situation.

Among investors surveyed, the average annual cost estimate for healthcare expenses in retirement per household is $11,067. Based on the average retirement length of just over 19 years from the age of 65, **nearly two-thirds of pre-retired investors surveyed are underestimating their healthcare expenses in retirement,** anticipating healthcare expenses at least $1,220 below the $8,600 annual estimate and possibly increasing their healthcare risk.*

Respondents with a relative who required long-term care—who tend to be more realistic than other investors about most topics related to healthcare in retirement—report lower anticipated annual health insurance costs. This results in total expected healthcare costs that are roughly $1,000 lower than investors without a close relative who required long-term care.

Investor estimates for annual household healthcare expenses in retirement



* This is based on a subset of 114 pre-retired investors surveyed and excludes those who indicated they were unable to provide an estimate of annual household healthcare expenses.

[36] Fidelity Investments, "Fidelity Investments® Releases 2024 Retiree Health Care Cost Estimate as Americans Seek Clarity Around Medicare Selection," August 8, 2024.

[37] Social Security Administration, "2024 OASDI Trustees Report," 2024.

Rising premiums could alter investor plans for leisure or financial legacy

It's certain that without significant changes to the U.S. healthcare system, costs will continue to rise, including healthcare insurance premiums. In fact, **it's estimated coverage costs for group plans will increase by 8% in 2025 alone and the cost for individual plans like Medicare will grow by 7.5%.**[38]

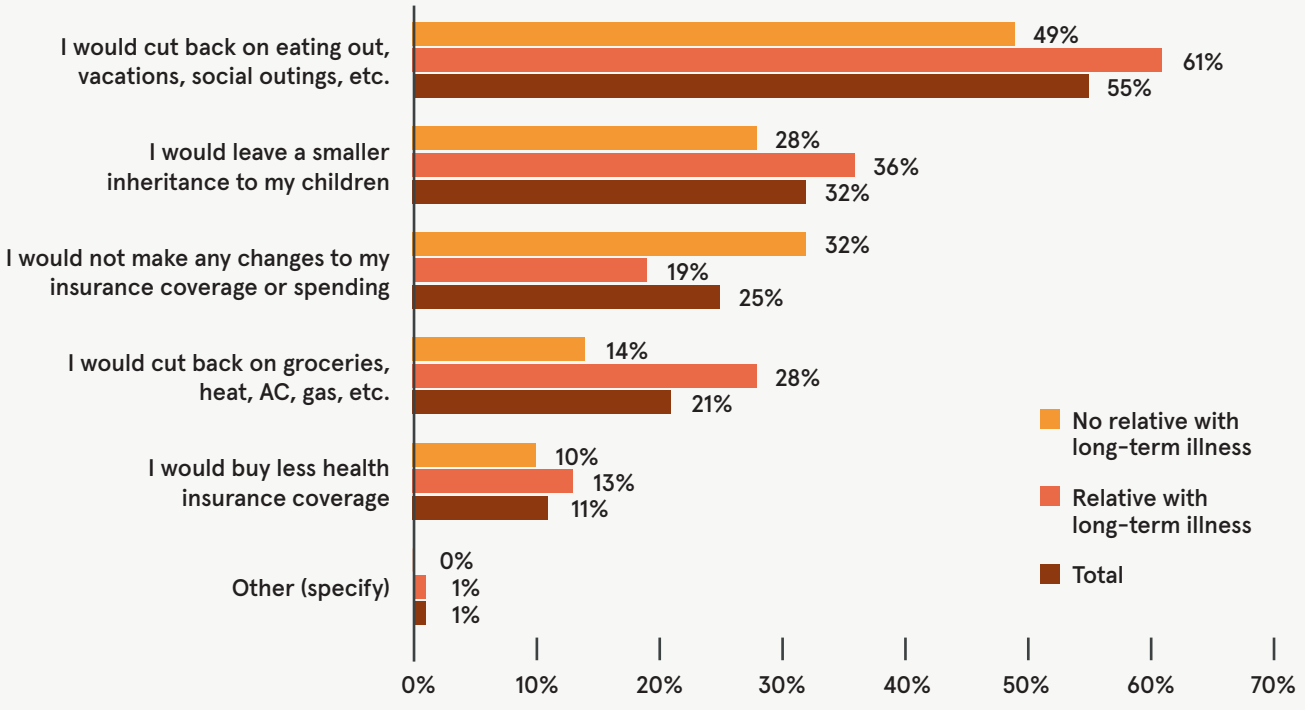
New business models for dispensing healthcare could eventually have an impact. For instance, Vanderbilt University Medical Center recently determined that a new drug company founded by entrepreneur Mark Cuban could save patients $1.29 billion a year on just nine of the most popular urological drugs.[39] Cuban's online Cost Plus Drugs company is disrupting drug pricing by cutting out middlemen and offering prescription medications at a fraction of the cost of traditional pharmacies.[40]

With no immediate solution in sight for rising insurance premiums, cutting back on restaurant and vacation spending as well as other entertainment costs and leaving a smaller inheritance to their children are among the top ways investors surveyed say they would compensate.

About a quarter say they would not make any changes to either their spending or insurance coverage. The percentage would likely be lower if more investors knew they may be significantly underestimating the cost of healthcare, long-term care or both in retirement.

Survey respondents with a relative who required long-term care are more likely to say they would cut pack on purchases or leave a smaller inheritance to manage higher health insurance premiums. They also are less likely to say they would make no changes.

Changes investors would make if health insurance premiums became more expensive



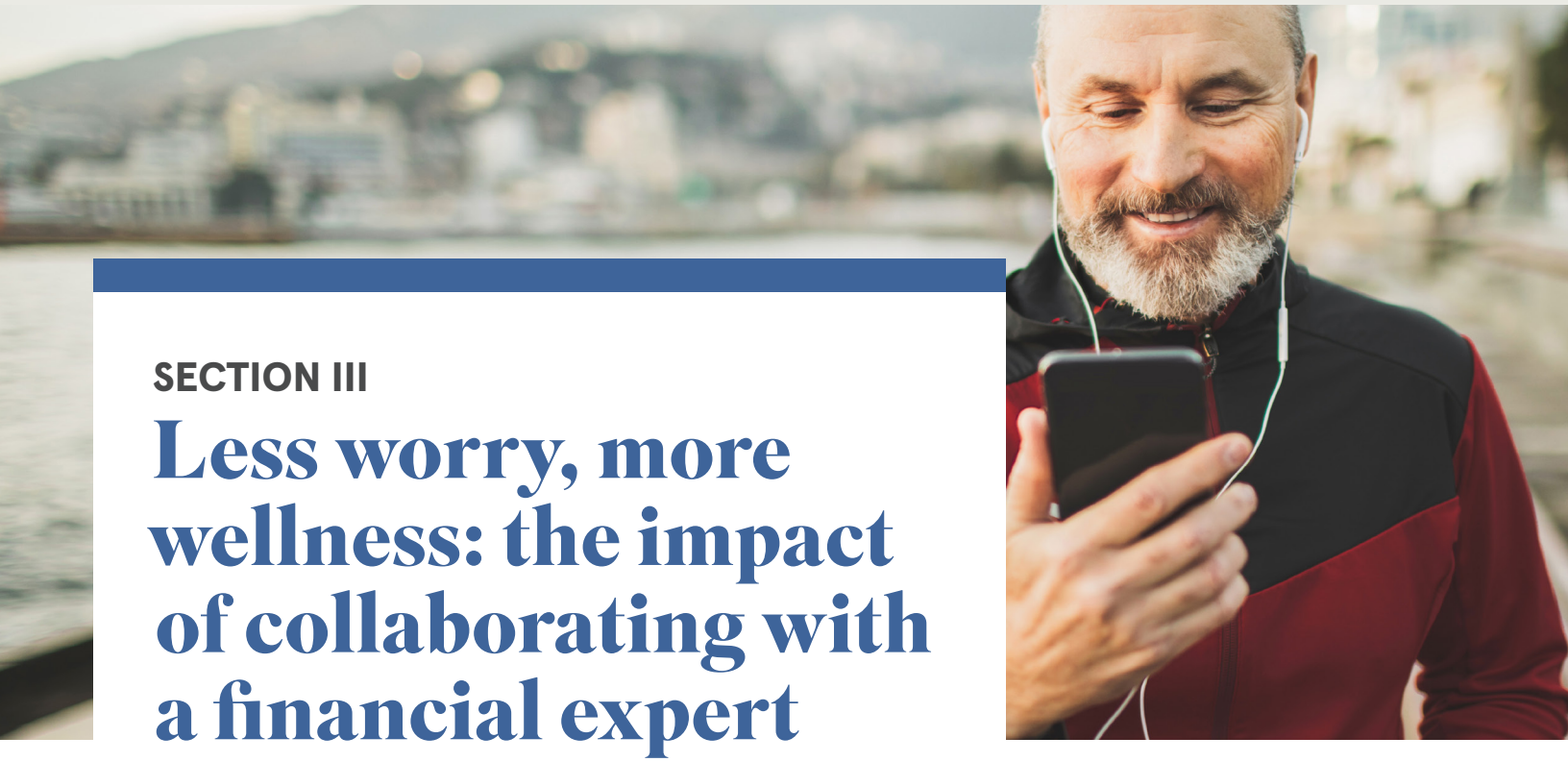
[38] PwC, "Medical cost trend: Behind the numbers 2025," accessed November 7, 2024.
[39] Craig Boerner, VUMC News, "Mark Cuban pharmacy could save billions on prostate cancer, bladder drugs," February 9, 2023.
[40] Rachel Stubler, MUSC College of Graduate Studies, "Mark Cuban is making medication costs an easier pill to swallow," September 19, 2024.

Closing potential planning gaps: healthcare expenses

Financial professionals: It's essential to help clients anticipate rising healthcare expenses in retirement. These include Medicare premiums, out-of-pocket costs and specialized treatments associated with chronic conditions. One consideration may be to encourage clients to build a healthcare contingency fund for unanticipated healthcare-related expenses, depending on their needs.

Investors: Adopting or maintaining a healthy lifestyle is one of the most effective ways to increase your chances of living a long, vibrant life and making the most out of retirement. It's also an impactful way to reduce future healthcare costs. It's never too late to adopt healthy habits to improve your health.





SECTION III

Less worry, more wellness: the impact of collaborating with a financial expert

We have shown both the cost of healthcare in retirement and the possibility of needing long-term care eventually are higher than many investors think. We also explained **healthcare costs are likely to continue rising at greater rates than other consumer prices.**

This can be unsettling information for investors who are concerned about the possibility for unexpected healthcare expenses to drain their retirement savings. In this section, we'll focus on the benefits of addressing that concern by collaborating closely with a trusted financial expert. We also will examine respondents' specific healthcare concerns in retirement and how they plan to cover the cost of long-term care if needed.

On the first topic, the positive results of seeking guidance from a financial professional on retirement matters have been well-established and our research reinforces them. It should come as no surprise that these benefits extend to easing concerns related to healthcare.

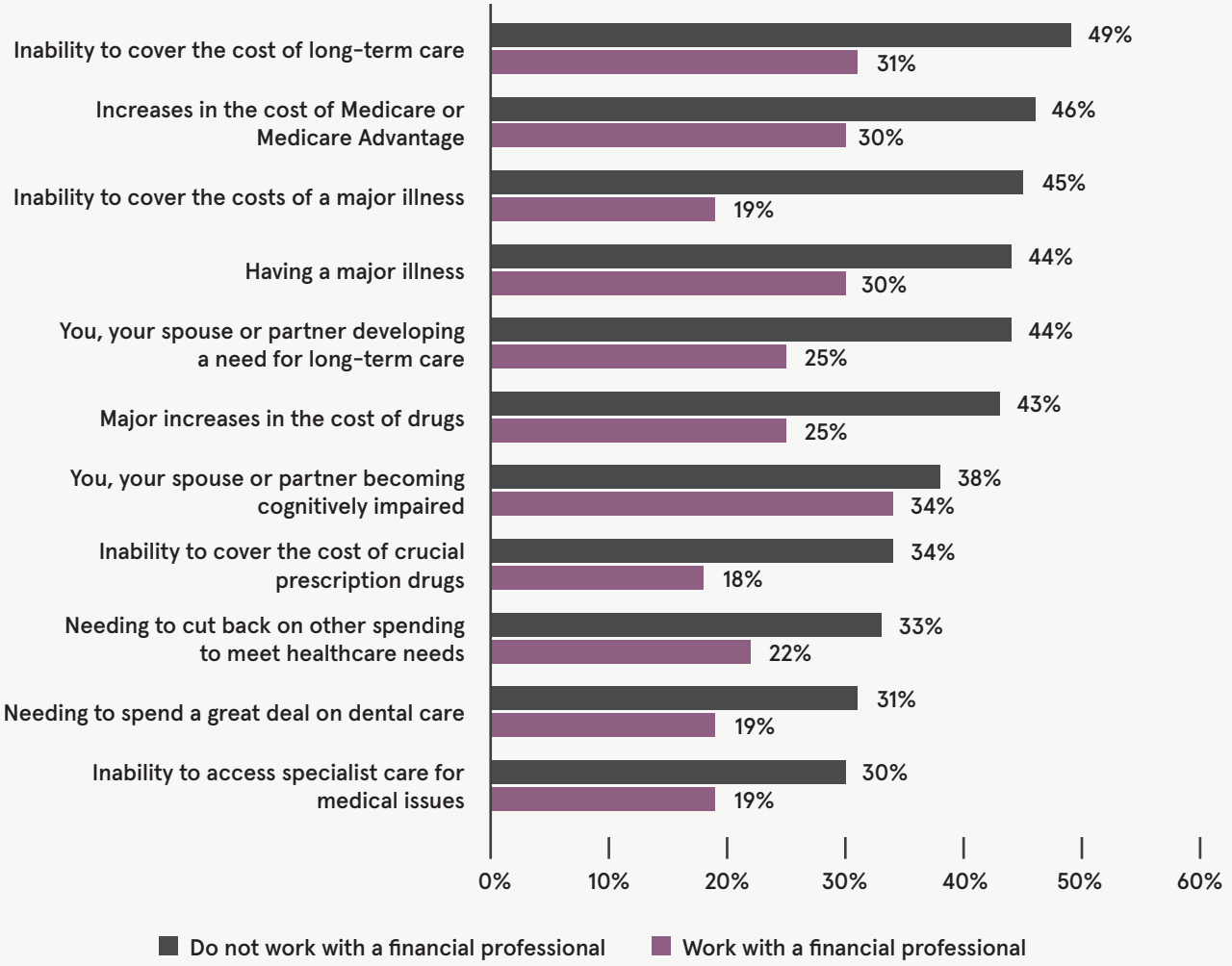
Of the investors we surveyed, 65% work with a financial professional. Not only do they express far less concern about most aspects of retirement than investors not seeking expert guidance, but they tend to feel more financially secure and have 26% more in investable assets—over $1.2 million compared to $917,791 for those going it alone.

Investors who are working with a financial expert also are far less concerned about the inability to cover the cost of long-term care and large medical expenses, or about financing healthcare in retirement in general. They even tend to rate their personal health much higher than other investors.

Half
of investors

we surveyed who are working with a financial professional rate their current health as very good or excellent. This is the case for just 35% of investors not seeking professional guidance.

Healthcare concerns in retirement
(Percentage of investors who are worried or very worried)



While there are noticeable differences in investor worry levels across the board related to financing healthcare in retirement, those who work with a financial professional display far less concern overall.

Long-term care: is insurance the best option?

Not having the financial means to cover the cost of long-term care is the most significant healthcare concern in retirement among investors we surveyed. And while investors working with a financial professional are more likely to have long-term care insurance than those not collaborating with a professional—at 29% and 14% respectively—overall uptake is low.

Long-term care insurance helps cover the costs of nursing home, home healthcare or other care that retired adults may require. For the policy to remain effective, policyholders must maintain the coverage over decades, making it cost-prohibitive for many Americans, as noted in an article by the Duke University School of Medicine Department of Population Health Sciences.[41] This aligns with our research, in which investors cite cost as the No. 1 reason for not purchasing this insurance—the case with over 40% of respondents.

Quick facts: long-term care insurance[42]

Coverage:

- Long-term care insurance is designed to cover costs of services that usually include skilled nursing care, help with personal care like grooming and various types of therapy. Some policies also cover homemaker services like laundry and housekeeping.
- Hybrid policies are available that offer the benefits of long-term care if needed, plus a death benefit or return of premium if the services are not required.

Eligibility:

- There is no age requirement but those with pre-existing medical conditions or certain high-risk factors may be denied coverage. Options become more limited at advanced ages.

Costs and limits:

- In 2023 the average cost for long-term care insurance was $900 per year for a 55-year-old man with $165,000 of coverage. Women pay much higher premiums with a cost of $1,500 per year for the same coverage.[43]
- Once benefits begin, most policies cover costs up to a daily limit and commonly cap coverage at between two and five years.[44]

Other factors to consider:[45]

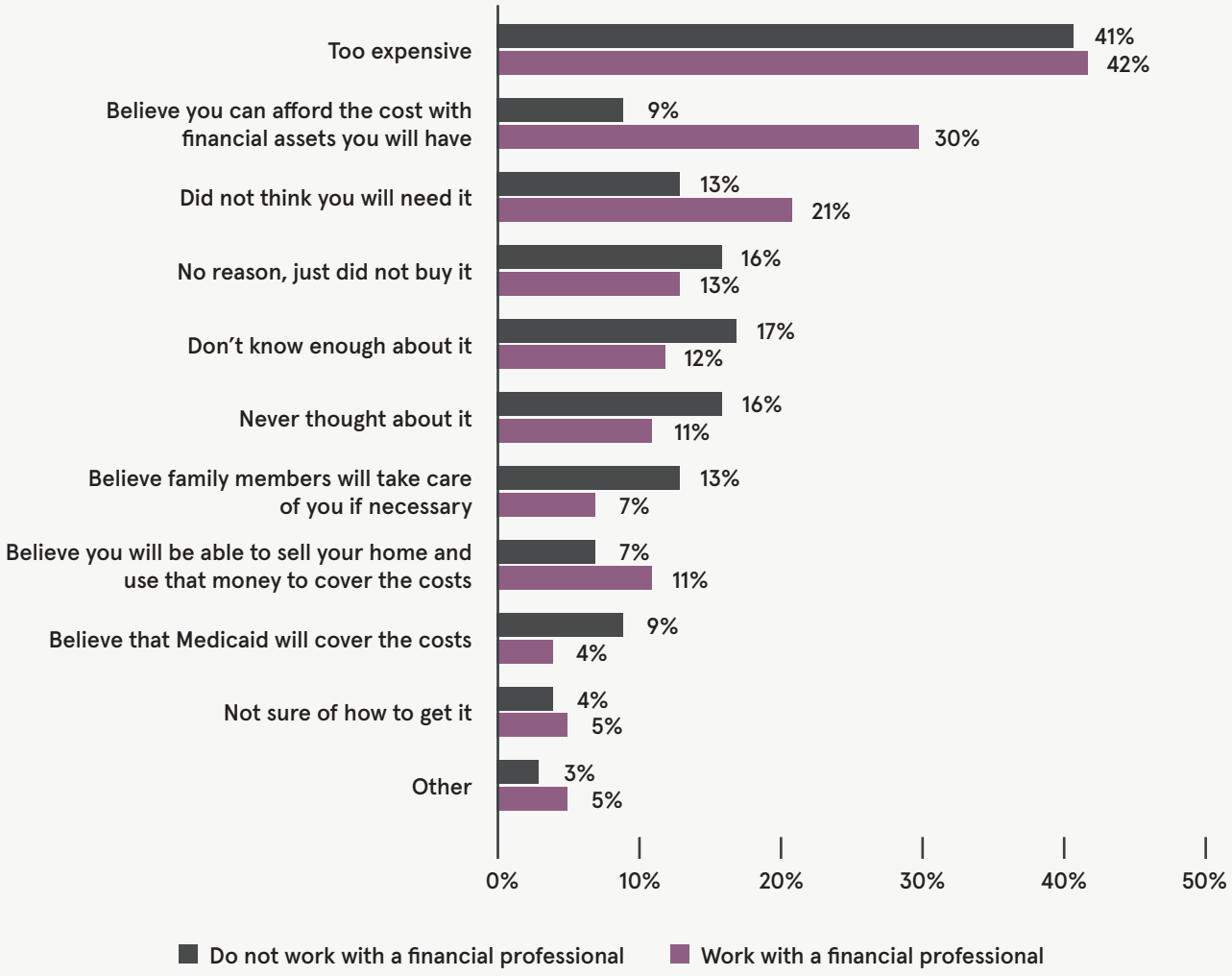
- There is no one-size-fits-all policy—it's essential to consider individual needs and shop around.
- Women typically need long-term care for an average 3.7 years, compared to 2.2 years on average for men. Other factors affecting coverage levels include age, personal and family health history, financial situation and whether there are plans to rely on family for care.

One major downside resulting from a lack of long-term coverage, the article notes, is it often leads to adult children—most often women—potentially risking their own long-term economic security to care for family members, making it a gender equality issue. The article adds that a lack of long-term care options disproportionately affects people with lower levels of generational wealth and suggests addressing the need for coverage at the federal level is the most equitable option.

In lieu of a federal policy fix, paying for long-term care falls to retirees. The National Association of Insurance Commissioners (NAIC) says whether to buy long-term care insurance depends on age, health status, overall retirement goals, income and assets.[46] NAIC suggests those with limited income probably should not buy a policy, but investors with significant assets who don't want to use them to pay for long-term care may want to consider one.

[41] Duke University School of Medicine, Department of Population Health Sciences, "DPHS Research Highlights Long-Term Care Insurance's Impact on Caregivers and the Economy in Presidential Report," April 10, 2024.
[42] National Council on Aging, "Does Long-Term Care Insurance Cover Assisted Living? A Comprehensive Guide," September 22. 2023.
[43] American Association for Long-Term Care Insurance, "2023 Long-Term Care Insurance Price Index Released," March 6, 2023.
[44] National Council on Aging, "Does Long-Term Care Insurance Cover Assisted Living? A Comprehensive Guide," September 22. 2023.
[45] Ibid.
[46] NAIC, "10 Things You Should Know About Buying Long-Term Care Insurance," accessed November 7, 2024.

Investors' reasons for not purchasing long-term care insurance



Many people buy a policy because they want to remain independent from government aid or family help and don't want to burden anyone with their care, NAIC adds. However, the association says no one should buy a policy if they are unprepared to pay the premium for the rest of their life.

Among investors we surveyed who are working with a financial professional, 71% don't have long-term care insurance. Beyond citing the cost, many plan to self-insure or don't think they will need the coverage.

For their part, financial professionals don't appear to consider long-term care insurance a viable option for most clients, based on our research. More than three-fourths of investors say their professional has neither discussed nor recommended purchasing a long-term care policy with them.

Self-funding long-term care is an option many investors favor

Among investors we surveyed, **30% who are working with a financial professional plan to self-fund their long-term care costs, which is the case for just 9% of investors not seeking expert help.** This means paying for care out of pocket, which avoids the consistent high cost of insurance premiums and may benefit retirees who don't require significant care.

The approach means dipping into savings, which can work for investors with sufficient reserves to absorb the costs for which there's no magic number. The median stay in an assisted living facility is less than two years, but one in five people will need long-term care for more than five years and it's essential to be prepared for either scenario.[47] For scale, the median annual cost nationally for an assisted living facility we provided in Section II is $64,200, which jumps to $104,000 for a semi-private room in a skilled nursing facility.[48]

If money is tight, there are other paths to consider, although some may be less than ideal. These can include using a health savings account or home equity loan or taking out a reverse mortgage. Another option for those without access to liquid funds is to sell off their life-insurance policy for the cash value.[49] Investors should consult with a financial professional before considering any of these approaches.

Investors' plans to rely on Medicaid could be misguided

The default option for those seeking healthcare who lack sufficient savings to pay for it may be to rely on Medicaid, the joint federal and state program that helps people with limited resources afford medical care. The hitch is that it's difficult to qualify with income that's too high, which can be the case even with limited income. The need to show insufficient assets to pay for one's care may require a "Medicaid spend down" to become eligible.[50]

True to the name, this involves spending down the difference between a retiree's excess income or assets by using them to pay for medical expenses. It works much like a deductible: Once the Medicaid eligibility threshold is reached, it's possible to qualify for benefits. But it's a lot more complicated than it sounds. The requirements can be confusing because there is more than one avenue to qualify, and each state has its own rules.[51]

In most states, residents in Medicaid-funded nursing homes can have monthly income as high as $2,829, but they're not allowed to keep most of it. Nearly all their income—except for a personal needs allowance that ranges from $30-$200 per month—must be contributed to paying their care costs.[52]

To prevent applicants from simply giving away their assets to qualify for Medicaid, there is a "look-back period," of five years in all states except California, where it's 2 ½ years. This begins when someone applies. The agency then reviews all financial transactions made during the period. There are penalties if assets like money or cars were given away, transferred or sold for less than fair-market value. This can make candidates ineligible or prevent them from receiving coverage for several months, or even years.[53]

As an article by a senior retirement contributor for *Forbes* describes the process, "The rules are complicated, but the basic rule is you generally have to become impoverished on paper by giving away most of your assets. You also have to do this at least five years before you want to qualify for Medicaid."[54]

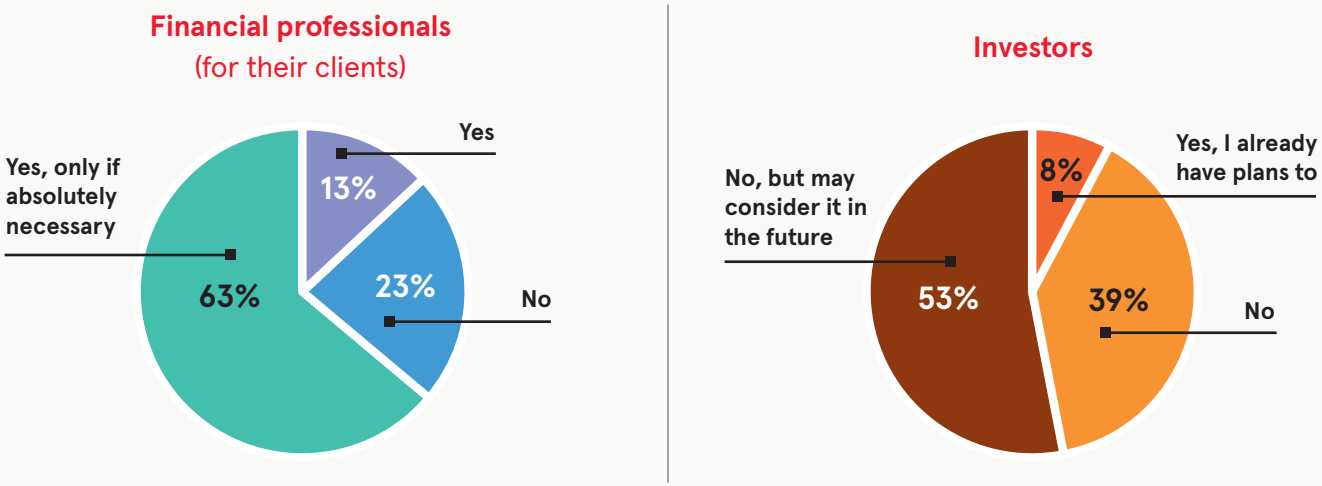
The author notes that Medicaid's reimbursements to nursing homes are much lower than the amounts non-Medicaid residents are charged. This means many nursing homes find it unprofitable to have many Medicaid residents, which can make it difficult for someone on Medicaid to find a high-quality facility. The article suggests it's far better to rely on self-funding or long-term care insurance than Medicaid.

Apart from these complexities, there are concerns by state Medicaid directors about the program's stability associated with several factors, including politics, decreased funding and post-pandemic policies that recently forced states to recheck the eligibility of millions of beneficiaries.[55]

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[47] Jerry Patterson, Forbes, "Long-Term Care Basics: Self-Funding Versus Seeking Insurance," January 31, 2024.
[48] Genworth, "Genworth Releases Cost of Care Survey Results for 2023: Twenty Years of Tracking Long-Term Care Costs," March 12, 2024.
[49] Jerry Patterson, Forbes, "Long-Term Care Basics: Self-Funding Versus Seeking Insurance," January 31, 2024.
[50] National Council on Aging, "What Is Medicaid Spend Down?" August 12, 2024.
[51] Joane Kaldy, U.S. News & World Report, "How to Spend Down Your Assets for Medicaid," July 21, 2023.
[52] American Council on Aging, "Medicaid Eligibility Income Chart by State," May 30, 2024.
[53] Paying for Senior Care, "Medicaid's Look-Back Period Explained: Exceptions & Penalties," February 27, 2024.
[54] Bob Carlson, Forbes, "Why Medicaid Shouldn't Be Your Long-Term Care Plan," May 23, 2023.
[55] Rebecca Pifer, Healthcare Dive, "State Medicaid directors concerned about program's stability: KFF," October 24, 2024.

Would you consider a Medicaid spend-down to qualify for long-term care benefits?



Against this backdrop, more than 60% of investors surveyed say they plan to or may consider spending down their assets to qualify for Medicaid.

Three-fourths of financial professionals also say they would consider a Medicaid spend-down, but most with the caveat that it's absolutely necessary. A strong majority also would suggest clients first discuss their spend-down plans with family members.

Closing potential planning gaps: collaborating with a financial expert

Financial professionals: There are significant lifestyle implications associated with a Medicaid spend-down that many clients may not be aware of or understand. There's likely an opportunity to educate clients on these—along with all their funding options for long-term care—and to stress the importance of planning for long-term care needs long before retirement to better protect their financial security.

Investors: There are a myriad of benefits to collaborating with a financial professional, which include gaining a better understanding of healthcare costs in retirement. By seeking guidance as early as possible, you can avoid last-minute decisions that can increase your healthcare risk while better positioning yourself for a confident future. Even if you're behind on planning, it's never too late to enlist professional help.





SECTION IV

Securing your future: navigating healthcare costs with confidence

The U.S. population is aging at an unprecedented rate and by 2030 about one in every five Americans will be past the age of 65.[56] The implications are far-reaching and pose a significant challenge for the healthcare system in terms of providing access, quality and affordability of care to meet the increasing and complex healthcare needs of retirees.[57]

Many of these challenges require innovative solutions and policy reforms in a complex, constantly evolving healthcare environment—efforts that lie beyond the scope of this paper and the control of most Americans.

What early and pre-retirees can do is make the most of their time to prepare by collaborating closely with a trusted financial expert. As we've shown, **the benefits of working with a financial professional are numerous and include supporting a greater sense of financial security and reducing concern about the ability to pay for healthcare costs in retirement.**

Contingency planning is made for uncertainty

Healthcare risk is a leading retirement risk due primarily to uncertainty about healthcare expenses later in life, particularly long-term care. This is where contingency planning can help. The goal with such planning is to build flexibility and resilience into a retirement plan that can account for variables like unexpected healthcare expenses, market downturns or changes in personal circumstances.

Investors have options when it comes to managing healthcare and other risks in a way that can make them comfortable with their decision while protecting their essential lifestyles. They have a choice to assume, avoid, lessen or transfer a risk—for instance, the possibility they will need long-term care.[58] There also is residual risk associated with certain realities that requires awareness and acceptance.

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[56] Jasmine Costroverde et al., S&P Global, "1 in 5 Americans to be 65 years old or older by 2030," November 14, 2024.
[57] Charles H. Jones and Mikael Dolsten, NPJ Aging, "Healthcare on the brink: navigating the challenges of an aging society in the United States," April 6, 2024.
[58] Jason K. Branning and M. Ray Grubbs, Journal of Financial Planning, "Contingency Fund: Individual Retiree Risk Management," December 2022.

Sample contingency fund matrix for healthcare

RECOGNIZE	REDUCE			RESIDUAL
Risks	Avoid	Mitigate	Transfer	Assume
Healthcare	Medicare + Medicare supplements	Medicare + Medicare supplements	Medicare + Medicare supplements	No supplemental policies, hold extra cash
Long-term care	Never need care	Insurance, home equity, veteran's benefits, use existing cash flow, home equity line of credit or reverse mortgage	Insurance, continuing care facility	Keep cash on hand or designate a liquid asset or home value

Source: Jason K. Branning and M. Ray Grubbs, Journal of Financial Planning, "Contingency Fund: Individual Retiree Risk Management," December 2022.

After deciding how to handle each retirement risk, investors can gain a clear rationale for decision-making. For example, they will know why they have chosen to use their home equity to pay for long-term care costs or why they have a $50,000 cash emergency fund for unanticipated medical expenses.

By identifying known risks, investors also can decide on the benefits of insuring against them. For instance, for someone in their 50s with a family history that makes it likely they will require extended long-term care and who can reasonably afford the expense of insurance, it may be advisable to purchase a long-term care policy.

Contingency planning should be an important part of financial planning and is a way for financial professionals to motivate, reassure and protect clients against risks to their financial security. If they haven't already, investors should discuss contingency planning with their financial professional.

Save and prepare for healthcare expenses

Our research shows that many investors are concerned about healthcare costs, and rightfully so. Healthcare is one of the largest expenses in retirement and, unlike earlier generations, many retirees won't have access to employer-sponsored health benefits. This means healthcare costs will likely represent a larger portion of their retirement budget. Pre- and early retirees should maximize their time to prepare.

Depending on their unique circumstances, it may be wise for investors to postpone retirement until age 65 when Medicare eligibility begins to avoid the need to pay for healthcare expenses out of pocket. They might also evaluate waiting until age 70 to claim Social Security benefits to maximize their monthly benefit amount. Adopting a health-conscious lifestyle also can help as regular exercise, a balanced diet and preventive care can reduce future medical costs.

As investors approach age 65, it's important to dedicate time to carefully considering Medicare options so they understand coverage details and limitations. Original Medicare may not cover all their needs, so they may want to consider Medicare Advantage or Medigap plans to fill gaps. More details on Medicare plan options are provided at the beginning of this report. Investors should also review long-term care insurance options early as premiums increase with age.

Investors who have health savings accounts should maximize their contributions because these accounts provide triple tax benefits. Contributions are pre-tax, growth is tax-free and withdrawals for qualified medical expenses also are tax free. They also should maximize contributions to tax-advantaged accounts like 401(k)s and Roth IRAs, especially if they are behind on retirement savings.

Annuities can play an important part in managing healthcare risk

As a leading annuity provider, we consistently focus on how our products can be used to manage financial risks in retirement and ensure more Americans achieve financial freedom. Annuities can help manage healthcare risk as part of a broader retirement strategy.

For instance, a variable annuity can provide equity exposure and a high level of protection against market downturns. And an optional rider available for an additional fee can provide a steady stream of income* that can help cover the medical expenses or premiums for long-term care insurance, Medicare or other health-related costs.

Because variable annuities grow tax deferred†, potential growth over time from market gains may be used to help investors pay for higher healthcare costs that typically occur later in retirement.

What is an annuity?
An annuity is a long-term, tax-deferred vehicle designed for retirement and is an insurance contract. Variable annuities and registered index-linked annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met. Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity and are subject to conditions and limitations. There is no guarantee that a variable annuity with an add-on living benefit will provide sufficient supplemental retirement income.

Ensuring a long and healthy retirement

Healthcare and healthcare-related risks can be an overwhelming topic to consider and a significant source of concern for investors as they contemplate and prepare for retirement. **By working closely with a financial professional, investors can help ensure they have a diverse portfolio with adequate income and contingency plans to manage uncertainty. This can lead to better outcomes, not only related to healthcare, but the rest of their financial futures.**

To learn how an annuity may help protect against healthcare risk and deliver greater confidence and clarity in retirement planning, investors should work with a financial professional.

Financial professionals should contact their Jackson representative to learn more about the potential benefits of incorporating annuities into a balanced approach to retirement income.

* Guarantees are subject to the claims-paying ability of the issuing company.
† Tax deferral offers no additional value if an IRA or a qualified plan, such as a 401(k), is used to fund an annuity and may be found at a lower cost in other investment products. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

Before investing, investors should carefully consider the investment objectives, risks, charges, and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses provide this and other important information. Please contact your financial professional or the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

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