



NEWS RELEASE

## Fidelity Releases 2022 Retiree Health Care Cost Estimate: 65-Year-Old Couple Retiring Today Will Need an Average of \$315,000 for Medical Expenses

5/16/2022

Fidelity Research Identifies Significant Gap: Americans Will Need 7x More Than They Expect to Pay for Health Care Costs in Retirement

Nearly Half of Health Savings Account (HSA) Owners Feel Prepared for Health Care Expenses in Retirement, Compared to just 27% of Those Without an HSA

BOSTON--(BUSINESS WIRE)-- Fidelity Investments® today announced its 21st annual Retiree Health Care Cost Estimate, revealing that a 65-year-old couple retiring this year can expect to spend an average of \$315,000 in health care and medical expenses throughout retirement<sup>1</sup>. The 2022 estimate for single retirees is \$150,000 for men and \$165,000 for women. Fidelity's estimate assumes both members of the couple are enrolled in traditional Medicare, which between Medicare Part A and Part B covers expenses such as hospital stays, doctor visits and services, physical therapy, lab tests and more, and in Medicare Part D, which covers prescription drugs.

"Even as many Americans look to turn the page on the events of the last two years, staying informed on potential future health care costs should remain a top factor when planning for retirement," said Hope Manion, senior vice president, Fidelity Workplace Consulting. "At Fidelity, we understand the anxiety as health care issues can feel unpredictable. However, by planning early and saving consistently, people can put themselves in a much stronger position to retire how and when they want."

Designed to inform Americans on the importance of planning and saving early, the Fidelity Retiree Health Care Cost Estimate was first calculated in 2002 to build greater awareness of the estimated health care costs as individuals approach retirement. This year's estimate is up 5% from 2021 (\$300,000) and has nearly doubled from its original \$160,000 in 2002.

This year's analysis generates both "good" and "bad" news. First, the bad: Americans are generally out of sync with the expected total cost of health care in retirement. In fact, according to Fidelity research, on average, Americans estimate a couple retiring this year will spend just \$41,000 on health care expenses in retirement. This is \$274,000 less than Fidelity's analysis. Additionally, more than two-thirds (68%) are under the impression that associated costs will remain under \$25,000.

Once respondents of the research were informed of Fidelity's estimate, a staggering 70% of respondents say they feel unprepared to cover health care expenses during retirement.<sup>3</sup> However, there is still good news: the number of people who feel prepared increases when the person has an HSA. In fact, nearly half (47%) of HSA holders feel prepared for their health care retirement expenses, compared to just 27% of people who do not have an HSA.

**An HSA can be a powerful way to save and pay for health care**, as it allows account holders to pay for qualified medical expenses in a tax-advantaged way, now through retirement. HSAs offer a "triple tax advantage"<sup>1</sup> meaning 1) contributions are tax-deductible, 2) account money can be spent tax-free for qualified medical expenses, and 3) any potential growth is tax-free too.

### **Americans Misunderstand HSAs: Separating Fact from Myth**

While HSA owners may feel more prepared for health care expenses, many Americans still have misconceptions about HSAs and how they work.

- Fact: Contributions to an HSA can be invested . More than half (51%) of Americans don't know they can invest their HSA, meaning for some, they are missing out on an opportunity for potential growth.
- Fact: To open an HSA, the person must be enrolled in an HSA-eligible health plan / High Deductible Health Plan (HDHP) . Nearly four-in-ten (38%) don't know this, meaning when they are enrolling in employer benefits, they may have the option to enroll in an HDHP and open an HSA, but they aren't taking advantage of this benefit.
- Fact: HSA contributions remain with the account owner year-over-year. Forty-four percent of people who do not own an HSA think money contributed into an HSA must be used by the end of the year or it's lost. While this is how contributions made to a Flexible Spending Account generally work, it's not the case for HSAs.

"There continues to be an opportunity for additional education on the power of a health savings account, especially for younger people who likely have decades to save and invest before they retire," added Manion. "Furthermore, HSAs are also a great way to cover current qualified medical expenses. Our research finds that the top health care concern for younger people is being able to afford unexpected health care costs, meaning an HSA could be an effective way to address this worry and these potential expenses."

For those people who own an HSA, the top three features they cite most often that prompted them to open an

account include: the combined health plan and HSA contribution from their employer offered the best value (56%); it helps reduce current health care expenses (53%); and their employer gives an annual contribution (50%).

### **Older Americans Better Understand Medicare, But Still Opportunity for More Education**

For older people approaching retirement and Medicare eligibility age – it's critical they understand the potential costs they may face in retirement, as well as how Medicare can help them. Fidelity's research identified opportunities to better educate on Medicare.

- **Fact:** Medicare enrollment age is 65 years old. Nearly six-in-ten (57%) Baby Boomer (ages 58-76 years old) respondents incorrectly think a person can elect to enroll in Medicare at age 62 and receive reduced benefits. Medicare gives people a 7-month time frame to sign up/enroll. For those who are eligible when they turn 65, that 7 months begins 3 months before the month they turn 65 and ends 3 months after the month they turn 65.
- **Fact:** Without supplemental Medicare coverage, there is no limit on out-of-pocket expenses. More than four-in-ten Baby Boomer respondents (41%) answer this incorrectly, as they assume there are out-of-pocket limits for Medicare Coverage. In reality, retirees need to enroll in Medicare Supplement (Medigap) in order to limit their out-of-pocket expenses.
- **Fact:** Medicare does not cover nursing home / long-term care. Among Baby Boomer respondents, 40% answer this incorrectly, as they think Medicare will pay for them to stay in a nursing home when they can no longer take care of themselves (e.g. feed/dress/bathe). However, Medicare doesn't cover long-term care (sometimes referred to as custodial care) and most nursing home care is custodial care meaning help with everyday activities like bathing, dressing and bathroom use.

### **Fidelity Resources for Managing Your Health Care Journey Today and Into Retirement**

- **Health Benefits Navigator** is a one-stop-shop for employees wanting to build confidence and understand how their benefits impact their overall well-being. Annual enrollment for working professionals typically happens in the fall – it's an opportunity for people to explore whether an HDHP and HSA is available to them.
- For retirees looking for help with Medicare, **Fidelity Medicare Services**® supports customers who are evaluating and selecting Medicare coverage for their health and financial needs, offers personalized tools, interactive guides, high-quality coverage and top-tier expert support. The services have expanded to nine states and territories (Florida, Georgia, Kentucky, North Carolina, Ohio, South Carolina, Tennessee, Virginia, and Washington, DC) to address a growing customer need for help with Medicare education, enrollment support and guidance.
- For retirees not yet eligible for Medicare, Fidelity's **Health Care Coverage Before Medicare** page helps break down coverage options available and offers tips for comparing plans and covering costs.
- **Fidelity's Online HSA hub** answers the most frequently asked questions and prevalent misconceptions and

the **Fidelity 2022 HSA Fact Sheet** provides insights into the continued use and growth of these accounts.

- As a leader in workplace benefits, retirement savings, and brokerage trading, Fidelity's strength is its diversified services, which all ultimately help the individual. The Fidelity HSA® exemplifies this commitment to the customer.
- Viewpoints articles on planning for health care: **3 healthy habits for health care savings accounts; How to plan for rising health care costs; 6 Benefits of an HSA in Your 20s and 30s; and 5 ways HSAs can fortify your retirement.**

### About Fidelity Investments

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses we serve. With assets under administration of \$10.5 trillion, including discretionary assets of \$4.0 trillion as of April 30, 2022, we focus on meeting the unique needs of a diverse set of customers. Privately held for over 75 years, Fidelity employs more than 58,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit <https://www.fidelity.com/about-fidelity/our-company>.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.

Because the administration of an HSA is a taxpayer responsibility, you are strongly encouraged to consult your tax advisor before opening an HSA. You are also encouraged to review information available from the Internal Revenue Service (IRS) for taxpayers, which can be found on the IRS website at [irs.gov](https://www.irs.gov). You can find IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, and IRS Publication 502, Medical and Dental Expenses, online, or you can call the IRS to request a copy of each at 800.829.3676.

Fidelity Brokerage Services LLC, Member NYSE, SIPC

900 Salem Street, Smithfield, RI 02917

Fidelity Distributors Company, LLC

500 Salem Street, Smithfield, RI 02917

National Financial Services LLC, Member NYSE, SIPC,

245 Summer Street, Boston, MA 02110

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1 Triple tax with respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The three tax advantages are only applicable if the money is used to pay for qualified medical expenses.

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1 Estimate based on a hypothetical opposite-sex couple retiring in 2022, 65-years-old, with life expectancies that align 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 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.

2 CARAVAN survey was conducted by ENGINE INSIGHTS among a sample of 2,022 adults 18 years of age and older, with a margin of error +/- 2.2%. The online omnibus study is conducted three times a week among a demographically representative U.S. sample of 1,000 adults 18 years of age and older. This survey was live on February 28 – March 4, 2022.

3 Fidelity's estimate assumes both members of the couple are enrolled in traditional Medicare, which between Medicare Part A and Part B covers expenses such as hospital stays, doctor visits and services, physical therapy, lab tests and more, and in Medicare Part D, which covers prescription drugs.

4 Medicare can be available to certain younger people with medical conditions or disabilities

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Fidelity Media Relations

(617) 563-5800

[FidelityMediaRelations@fmr.com](mailto:FidelityMediaRelations@fmr.com)

Deanna Spaulding  
(617) 563-8359  
[deanna.spaulding@fmr.com](mailto:deanna.spaulding@fmr.com)

Source: Fidelity Investments