The Complete Guide to Senior Finances

SENIOR LIFESTYLE

your *life*, your *style*

Introduction

As Americans head into retirement, finances become more important. Seniors often feel better about their financial situation than younger people, according to a study by the **Consumer Financial Protection Bureau.** Perception of financial well-being increases as consumers reach their 70s.

But a quarter of senior adults in the survey consider themselves financially insecure as they encounter new financial situations, such as health care expenses, insurance payments and senior care.

We've created this resource to assist seniors in navigating the unique, financial avenues presented to seniors.

CHAPTER 01

Health Care

As you age, you will likely need to make more frequent visits to the doctor's office to maintain your health. There are several **common health concerns** *facing seniors today, including arthritis, diabetes and heart disease. According to the* **Centers for Disease Control and Prevention** *(CDC), 86% of adults age 65 and over have at least one chronic condition, and 56% have two or more chronic conditions.*

The types of health care services you are likely to need include:

- Dental care
- Disease screenings
- Health checkups
- Home health care
- Memory care
- Skilled nursing care
- Vaccinations
- Vision exams

*The range of required medical care for older adults combined with the rising cost of medication makes **planning for health care costs a must.***

The Cost of Health Care

If you feel like you're paying more for health care than you expected, you're not alone. According to **EdwardJones' "The Four Pillars of the New Retirement" report**, paying for health care – including long-term care – is the greatest financial worry among retirees. While health insurance and government programs can cover some of the costs, most seniors and their families end up paying for certain health services out of pocket.

According to the latest data from the **U.S. Bureau of Labor Statistics' Consumer Expenditure Surveys**, individuals ages 65 and older spend about $6,668 on health care each year. This figure includes money spent on health insurance, medical services, medication and medical supplies. This translates to about 14% of the average seniors' annual spending.

The cost of medication is on the rise across the country. **AARP** reported that three-quarters of the top 100 brand name drugs used by Medicare beneficiaries experienced a price increase in January 2022

Of course, how much you spend on health care in your later years greatly depends on what level of care you need. Seniors who need round-the-clock care can expect to spend much more than seniors who live independently and simply visit their doctor as needed.

INDIVIDUALS AGES 65 *and older spend about*

$6,668 *on health care each year*

How Can Medicare Help?

There are several ways for seniors to pay for health-related expenses, including private savings, health insurance and even reverse mortgages. That said, Medicare is the most popular option for seniors looking to cover the costs of health care.

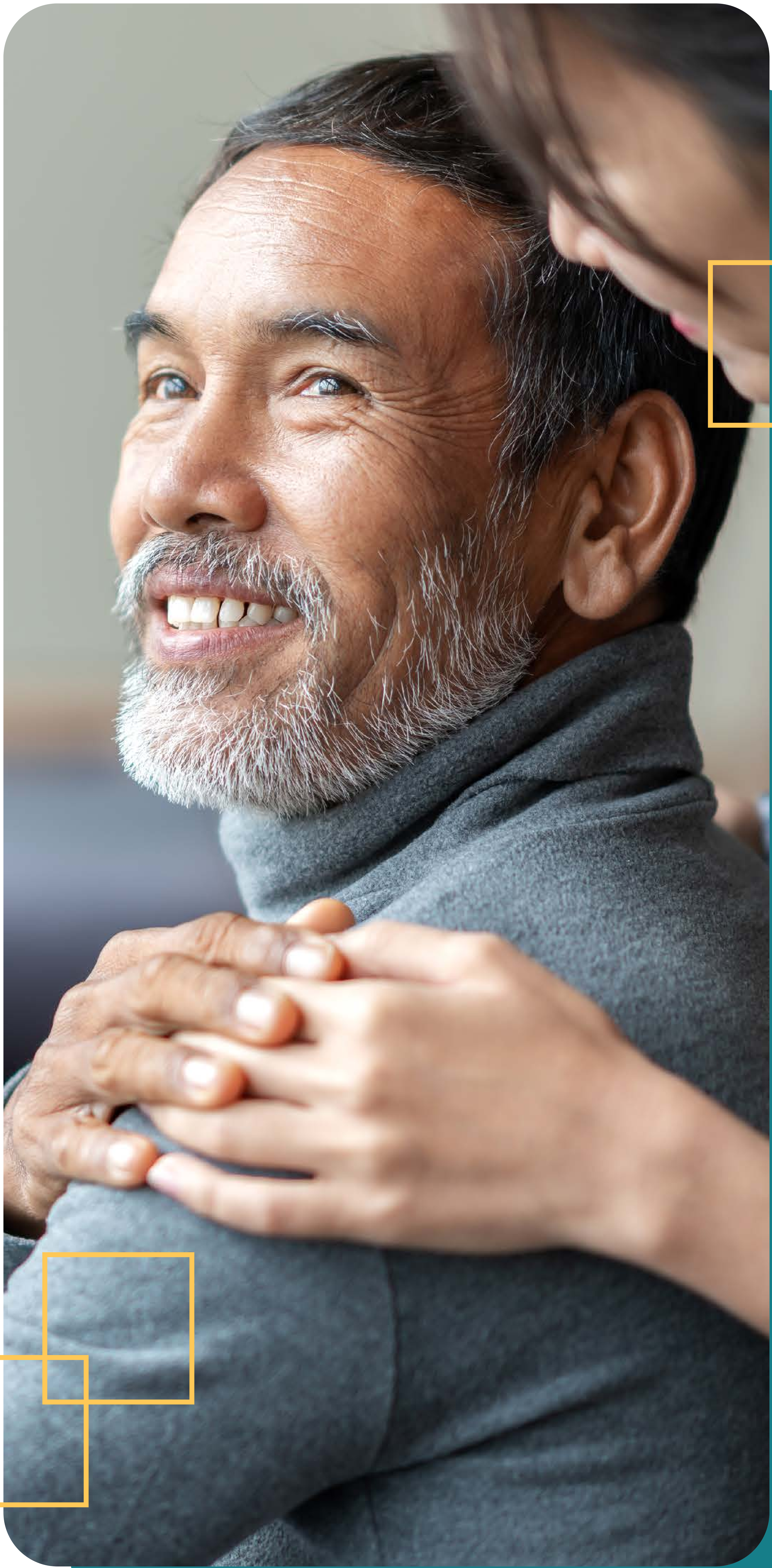
Medicare is a health insurance program administered by the federal government that helps seniors pay for a wide range of medical services. You generally become eligible for Medicare three months before you turn 65, though if you have certain conditions – for example, late-stage kidney failure – you may qualify earlier.

Medicare covers many types of acute medical care, including:

- *Doctor Visits*
- *Hospice Care*
- *Hospital Stays*
- *Medication*
- *Outpatient Care*
- *Screenings*
- *Vaccinations*

Although Medicare sometimes covers short stays in skilled nursing communities (e.g., if you need temporary care after being released from the hospital), you should not rely on Medicare to pay for your living expenses as you get older. To pay for ongoing assisted living or skilled nursing care, you'll have to turn to private savings or long-term care insurance.

For more information on how to pay for health care, download our free guide, ***"Managing Elderly Health Care Costs."***



CHAPTER 02

Insurance

Insurance plans can save you a great deal of money in the long run – however it's understandable to have hesitations about paying the premiums, copays, deudibles, and other costs associated with using insurance. The BLS's Consumer Expenditure Survey reveals that individuals 65 and older spend the following on insurance plans each year:

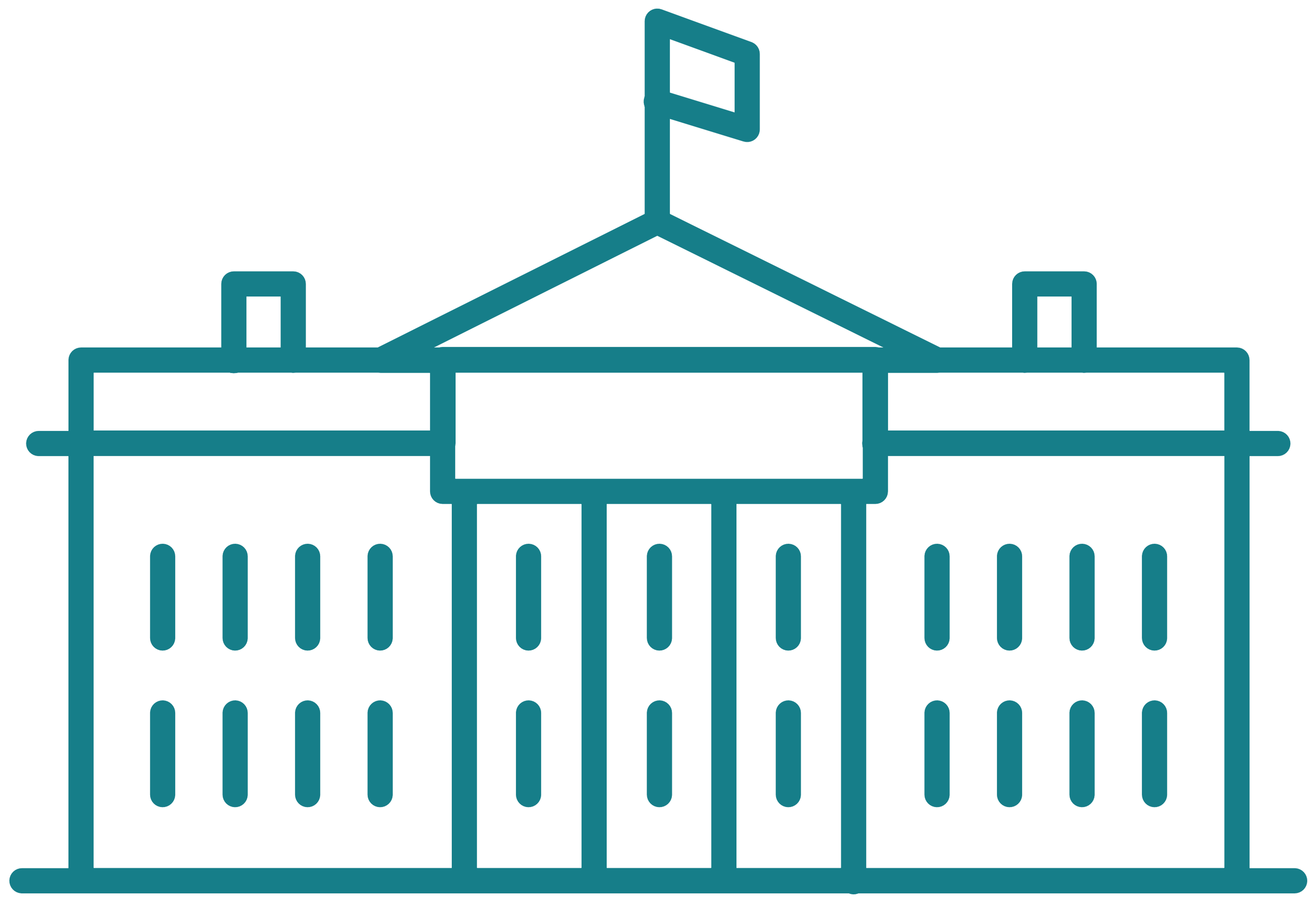
$4,854 *IN HEALTH INSURANCE*

$1,180 *IN AUTO INSURANCE*

$513 *IN PERSONAL INSURANCE (INCLUDING LIFE INSURANCE)*

Although insurance can be pricey, it can help you avoid paying full price for services such as hospital stays or assisted living. You never know what the future holds, and insurance is designed to provide you with financial protection in the event of an emergency. The following types of insurance are particularly important for older adults and their caregivers to consider.

Health Insurance



Medicare

Medicare is the most common health insurance for seniors. Unlike the health insurance that you likely received from your employer before you retired, Medicare is a government-sponsored plan funded by taxpayers.

How much can you expect to spend on Medicare? Like other insurance plans, it depends on what type of coverage you choose.

Medicare is made up of four separate parts. Here's a quick breakdown:

Part A (Hospital Insurance)

Part B (Medical Insurance)

Are Included with the default Medicare plan, known as Original Medicare.

Part C
(Medicare Advantage)

Is offered as an alternative to Original Medicare. These Medicare Advantage plans are administered by private insurance companies and typically bundle Part A, Part B and Part D coverage.

Part D
(Drug Coverage)

Helps cover the cost of prescription drugs. If you have Original Medicare, you can enroll in this drug coverage plan separately. It is usually automatically included with Medicare Advantage plans.

According to* Medicare.gov*, these are the typical premiums associated with different types of Medicare:

Part A (Hospital Insurance)

- Free for most seniors, provided you have paid Medicare taxes for a certain amount of time while employed
- Otherwise, premiums are either $274 or $499 (depending on how long you've paid Medicare taxes)

Part B (Medical Insurance)

- Standard premium is $170.10, but can be higher depending on your annual income

Part C (Medicare Advantage)

- Varies by plan

Part D (Drug Coverage)

- Varies by plan

You can compare prices of Medicare Advantage Plans and drug plans (Part D) by using **Medicare.gov's "Find a Medicare plan" tool**.

Medicare Supplement Insurance (Medigap)

Medicare Supplement Insurance, or Medigap, is health insurance sold by private companies that is intended to help pay for some of the out-of-pocket costs associated with Original Medicare. This may include copayments, coinsurance and deductibles. In addition to the premiums you pay for your Original Medicare plan, you'll pay a monthly premium to the private company administering the Medigap policy. The price of this premium varies from company to company.

Although Medigap policies may help reduce your out-of-pocket costs for medical services, they do not actually expand the type of services you're eligible for. That means that long-term care is still not covered.

Medicaid

Medicaid is a government-run health insurance program designed for low-income households. **Eligibility for Medicaid** is primarily based on your income, though other factors – such as your age and whether or not you have a disability – may also play a role. (And yes, you can qualify for Medicare and Medicaid at the same time.)

Specific details of Medicaid vary from state to state. Depending on your income, some states may require enrollees to pay deductibles and copayments. In general, your out-of-pocket costs with Medicaid will be much lower than that of other health insurance plans.

The type of care that you may qualify for on Medicaid depends on where you live. While there are several **Medicaid benefits for assisted living**, Medicaid tends to only cover a portion of the cost associated with assisted living and other forms of long-term care.

Long-Term Care Insurance

Unlike traditional health insurance, **long-term care insurance** is specifically designed to cover long-term health services, such as assisted living or skilled nursing services. In addition to medical services that are provided in assisted living or skilled nursing communities, this type of insurance also covers non-skilled care, such as assistance with meal preparation, dressing or bathing.

The cost of long-term care insurance is generally based on:

- How old you are when you buy the policy
- The daily amount that the policy will reimburse you for services
- The amount of time the policy covers
- Whether or not you choose optional benefits

Generally, if you buy into the policy earlier, you may be able to secure a lower rate. **MarketWatch** estimates that

the annual long-term care insurance premium for a

55YR OLD MALE IS ABOUT $950

while the annual premium for a

65YR OLD MALE IS ABOUT $1,700

Other Insurance Plans

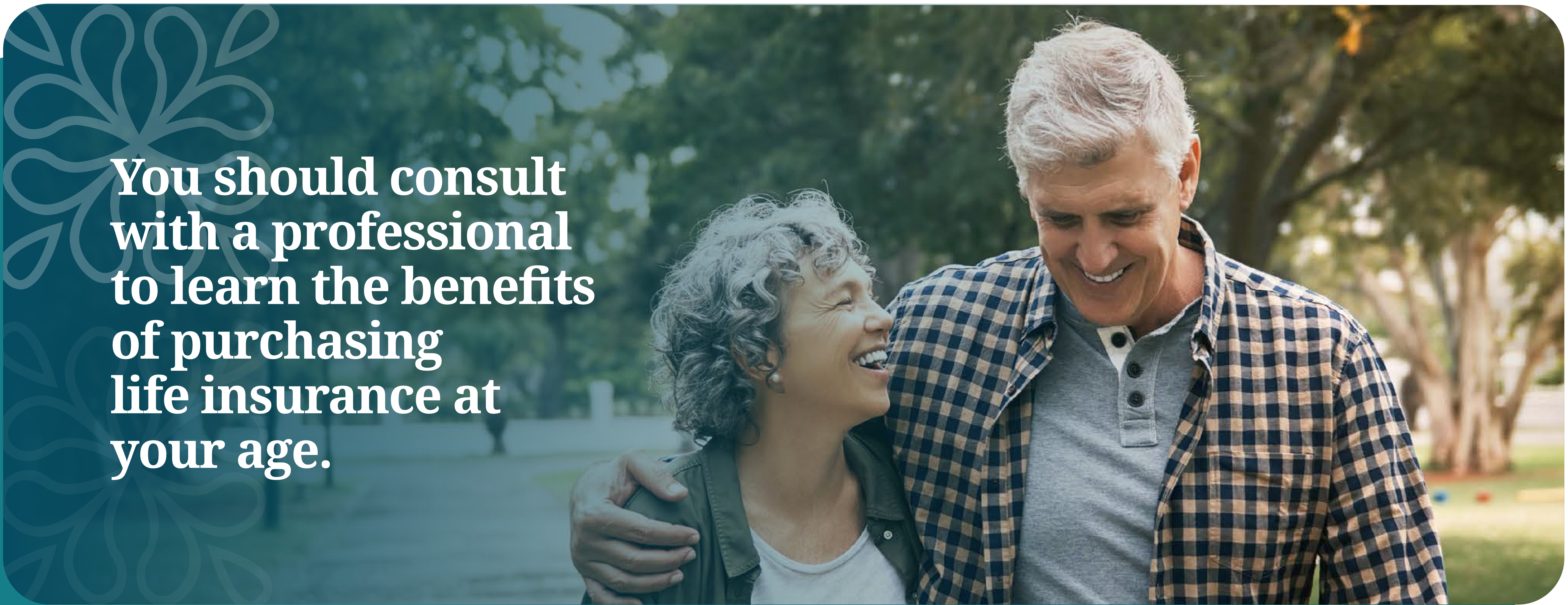
Most health insurance plans, including Original Medicare, do not include vision or dental coverage. For that reason, you can expect to continue paying for vision and dental insurance later in life. If you live at home or own a car, you will need to continue paying for homeowners insurance or auto insurance, respectively.

ANOTHER COMMON INSURANCE EXPENSE FOR SENIORS IS

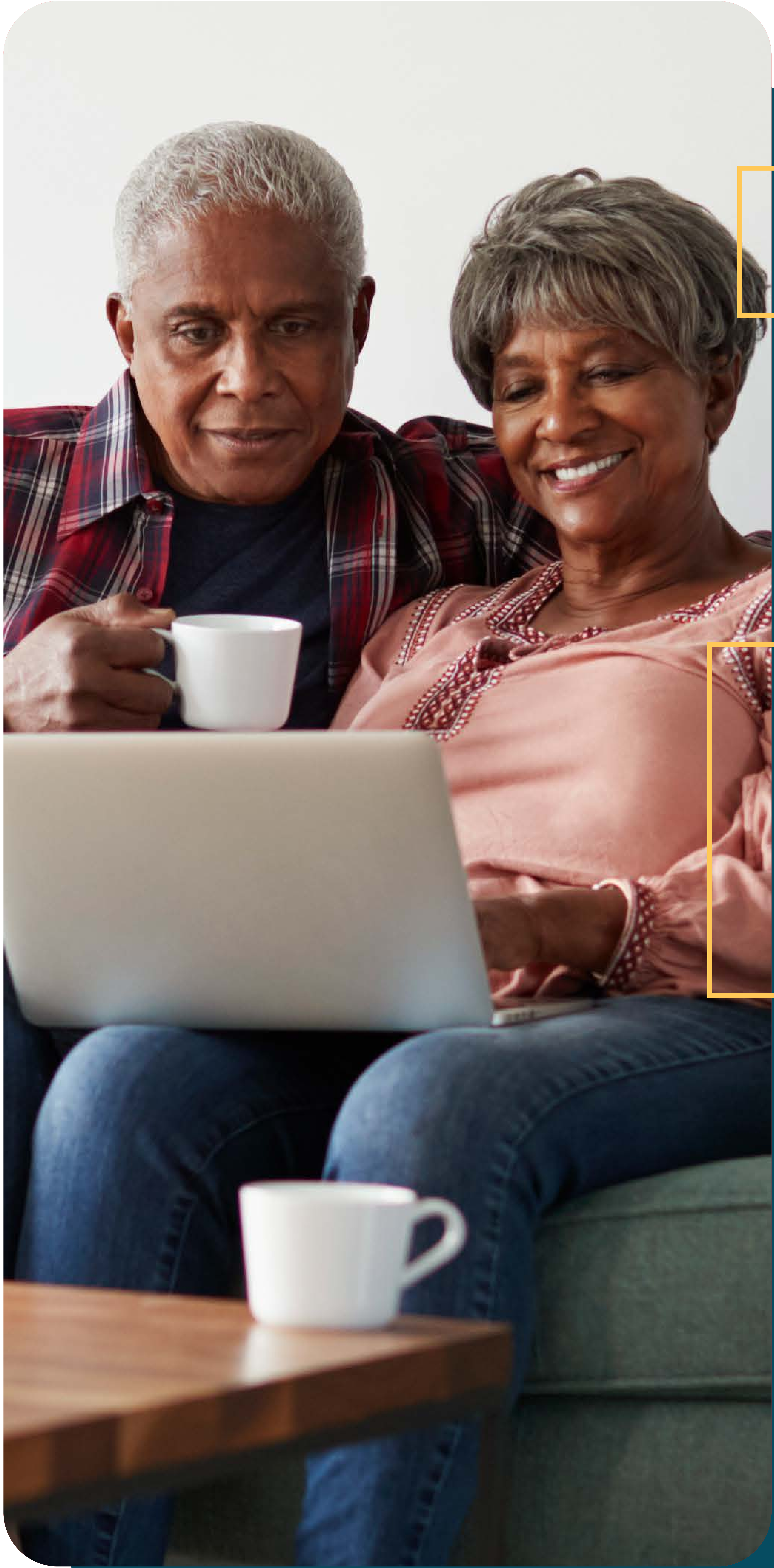
LIFE INSURANCE

10-30 YEARS

Once you buy into a term life insurance policy, your premium remains the same for the duration of the policy (usually somewhere between 10–30 years).



You should consult with a professional to learn the benefits of purchasing life insurance at your age.



CHAPTER 03

Taxes and Tax Planning

As you start to claim Social Security benefits and make withdrawals from your retirement accounts, you may find that you wind up in a different tax bracket than you expected.

To ease your tax burden, you should plan to take advantage of as many tax deductions and tax credits as possible.

Tax Deductions

A tax deduction is a reduction of your total taxable income. The lower your taxable income is, the lower your tax liability will be. There are several tax deductions that are applicable for seniors.

Standard deduction

There are essentially two ways you can lower your taxable income: by claiming the standard deduction, or claiming itemized deductions. The IRS's standard deduction amount is actually higher for individuals 65 and older. The specific standard deduction amount changes each year.

If your tax returns are usually fairly straightforward, claiming the standard deduction may save you time and money.

Tax Credits

While tax deductions reduce your taxable income, tax credits directly reduce the amount of taxes you owe, thereby reducing your tax payment or increasing your tax return.

The **Credit for the Elderly or the Disabled** is one of the most notable tax credits for seniors. To be eligible, you must be at least 65 years old or be permanently disabled. Your income as well as the non-taxable part of your Social Security payments must not exceed certain limits. As of 2021, the income limit for a married couple filing jointly was $25,000. According to the IRS, this credit ranges from $3,750 to $7,500.

For more information on possible tax breaks, visit the IRS **"Credits and Deductions for Individuals"** page. Consulting a tax advisor may also be helpful, as they can help you make sense of your unique financial situation.

Itemized deductions

Depending on how much you spent on qualifying expenses, it may be worthwhile to itemize your deductions. If the total for these deductions is higher than the standard deduction amount, you can reduce your overall tax liability.

Some deductible expenses for seniors include:

- Charitable contributions
- Financial planning and attorney fees
- Long-term care insurance premiums
- Medical and dental expenses
- Medicare premiums
- Prescription drug costs

CREDIT RANGES FROM

$3,750 TO $7,500

Social Security Tax Exemption

In some cases, you don't need to pay taxes on the money you receive from Social Security benefits. The portion of Social Security income that is non-taxable varies based on how much income you receive from other sources.

Below is a breakdown of how your combined income affects the ***taxation of Social Security benefits****. Note that your combined income is defined as one-half of your Social Security benefits plus all other sources of income.*

	BENEFITS ARE NOT TAXABLE	50% OF BENEFITS ARE TAXABLE	85% OF BENEFITS ARE TAXABLE
COMBINED INCOME LIMITS FOR INDIVIDUALS	LESS THAN $25,000	$25,000 – $34,000	MORE THAN $34,000
COMBINED INCOME LIMITS FOR COUPLES FILING JOINTLY	LESS THAN $32,000	$32,000 – $44,000	MORE THAN $44,000

In some cases, you don't need to pay taxes on the money you receive from Social Security benefits

CHAPTER 04

Retirement Planning

If you're close to retirement, chances are you've been saving up for this moment for years or even decades. But even if you've been diligently making contributions to retirement accounts, it can be hard to know exactly how much money you'll need in retirement. According to ***EdwardJones****, three-fourth of individuals actively planning for retirement have not calculated how much they'll need in savings to live comfortably during their golden years.*

While everyone's situation is different, here is our advice for seniors who want to get their finances in order before retiring.

Create a Plan

*One of our top **retirement tips** is to create a plan that is personalized for your specific retirement goals. As you go through this planning stage, ask yourself:*

01

How soon would you like to retire?

02

How do you want to spend your time in retirement?

03

How much money will you need every month to maintain your desired standard of living?

04

How will you handle unexpected expenses, such as emergency medical care?

Fidelity recommends having 10x your annual salary saved by age 67 if you wish to maintain your current lifestyle in retirement. Another general guideline is that your retirement income should be roughly 80% of your pre-retirement income. Keep in mind that in addition to withdrawals from your retirement accounts, you may be receiving income from Social Security, pensions or part-time employment.

Your net worth plays an important role in determining how much more money you'll need to save before you can comfortably retire. To find your net worth, create a **personal balance sheet.** Start by listing all of the assets you own, including money in checking accounts or savings accounts, investments, retirement account balances and real estate value. Next, subtract money you owe from your total asset amount. Your final balance represents your net worth.

As you approach retirement, you can revisit your balance sheet to track your progress toward your goal. **Retirement nest egg calculators** can also help you get an idea of how much you may need to save for retirement.

10X YOUR ANNUAL SALARY BY AGE 67

Consider Expenses

When setting a savings goal for retirement, don't forget to account for these common expenses:

Debt Payments	*Entertainment*	*Groceries*	*Health Care*
Housing	*Insurance*	*Transportation*	*Travel*

If you know roughly how much you're going to spend on these categories every month, estimating a savings goal for retirement becomes much easier.

Keep in mind that many of these expenses will shift as you get older. For example, you can expect to spend more on health care as you age. If you choose to move into a retirement community or assisted living community, this could alter your housing costs. In addition, if you plan to travel in retirement, you'll want to factor this into your monthly budget.

YOU CAN EXPECT TO SPEND MORE ON HEALTH CARE AS YOU AGE

Make the Most of Your Retirement Accounts

If you're getting ready to retire within the next few years, the balances of your retirement accounts probably make up a significant portion of your net worth. Figuring out how to maximize these earnings leading up to and even during retirement can be tricky.

Once you turn 72, you are required to start taking out minimum distributions from several types of retirement accounts, including 401(k)s, Roth 401(k)s, IRAs, SEP IRAs and SIMPLE IRAs.

THAT SAID, YOU CAN START TAKING OUT PENALTY-FREE DISTRIBUTIONS MUCH EARLIER. FOR A TRADITIONAL 401(K), YOU CAN WITHDRAW FUNDS BEGINNING AT AGE 55.

Here are a few tips to make your investments last during retirement:

Max out your retirement contributions

Leading up to retirement, you'll want to contribute to your retirement accounts as much as possible. If you're 50 or older, the IRS allows you to make **"catch-up contributions"** in addition to standard contributions. For 2022, the permitted catch-up contribution amount for a 401(k) was $6,500.

Don't make withdrawals before you need to

Even after you retire, the money in your retirement accounts will continue to earn investment income. If you don't need the money right away, it may be a good idea to let it continue to accumulate.

Review your investments regularly

As you get older, you might want to distribute your assets differently. For example, shifting from high-risk investments to more steady investments can provide you with more predictable return rates.

*For more money-saving strategies, read our article, **"27 Tips for Saving Money After Retirement."***

CHAPTER 05

Social Security

For many retirees, Social Security is their main source of income. As of 2021, approximately nine out of 10 seniors age 65 or older were receiving Social Security benefits, according to the ***Social Security Administration****. The* ***National Academy of Social Insurance*** *estimates that for about one in five people age 65 or older, Social Security is their sole source of income.*

Simply put, Social Security is a federal program that provides monthly payments to seniors. To become eligible for Social Security, you need to have made a certain amount of payroll contributions to the program – for most people, this translates to 10 years of Social Security withholdings. Eligible seniors can start claiming benefits at age 62.

Create an Account

*To get started with Social Security, **create an account** with the Social Security Administration. Your account provides an easy and secure way to view your benefits. Even if you're not receiving benefits yet, you can view estimates and gain access to customer support. When it comes time to start claiming benefits, you'll be well prepared.*

Estimate Your Benefits

If you've been in the workforce for at least 10 years, you will more than likely be eligible for Social Security benefits once you turn 62. However, this doesn't mean that you need to start claiming these benefits immediately. Many seniors choose to delay their start date for receiving benefits, as this

INCREASES THEIR MONTHLY PAYMENT

Benefit amounts are based on your age and your lifetime earnings. If you choose to start claiming benefits before you reach full retirement age, your monthly benefits will be **reduced by a certain percentage.** Conversely, if you choose to delay benefits beyond retirement age, your benefits will gradually **increase for each month you delay**. Once you reach age 70, your benefits will no longer increase.

FULL RETIREMENT WHICH IS DEFINED AS 66 OR 67 DEPENDING ON WHEN YOU WERE BORN – PLAYS A SIGNIFICANT ROLE IN CALCULATING YOUR BENEFITS

To estimate what your Social Security payments could look like, use a **benefits calculator.** The ideal age for you to start taking out benefits depends on how much money you receive from other sources, such as personal savings or retirement account distributions. If you don't need the money from your Social Security payments right away, it may be a good idea to delay until you reach full retirement age, if not longer.

CHAPTER 06

Senior Living

If you need frequent care or simply want to avoid the maintenance of owning a home, you may choose to move into a retirement community.

There are many different styles of senior housing, ranging from independent living communities to skilled nursing communities. These options are explored in detail in our eBook, **"The Complete Guide to Senior Housing."** *Each type of community varies in amenities, services and cost.*

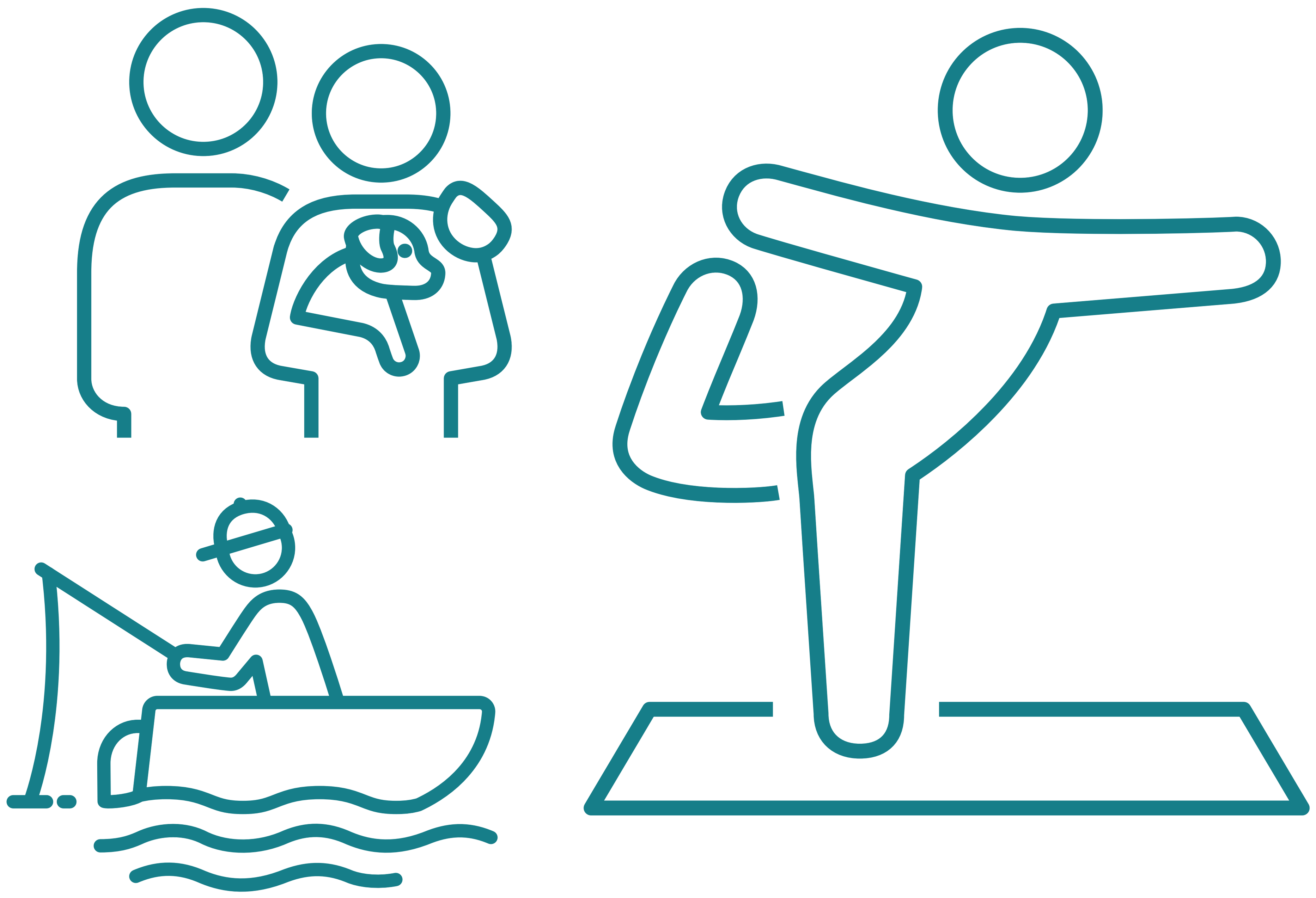
Thinking About a Senior Community

There are several reasons why you may choose to live in a retirement community instead of remaining in your house. Some ***top reasons to live in a retirement community*** *include:*

- *Fitness Classes*
- *Low-Mantenance Living*
- *Personal Care Services*
- *Safety and Security*
- *Social Activities*

The services and amenities **included in senior living** vary depending on what type of community you choose. Some communities offer independent living, while others provide round-the-clock assistance with daily tasks. There are even some communities specifically designed for those with Alzheimer's disease or dementia. Generally speaking, most retirement communities include amenities such as housekeeping, meal services, transportation and social activities.

As you research senior housing options, consider what level of care you need and whether or not there are any specific amenities you're looking for.



What You Need to Know

Since senior housing can be costly, it's important to plan for the associated costs ahead of time. Here's an overview of what you need to know about these common types of senior living communities:

Independent Living:

Retirement communities are intended for seniors who are fully or mostly independent, but still want to have access to the amenities and activities offered by retirement communities. Costs may range from $1,500 to $6,000 per month.

$1,500
TO
$6,000
PER MONTH

Assisted Living:

Assisted living allows seniors to recieve assistance with daily activities such as bathing, dressing and taking medication. The average cost for a one-bedroom room at an assisted living community is $3,628 per month, according to the **Administration for Community Living.**

AVG MONTHLY COST OF ONE-BEDROOM
$3,628
AT ASSISTED LIVING COMMUNITY

Memory Care:

Memory care is designed to support seniors that have conditions affecting their memory. The average cost of a memory care community is approximately $5,000 per month, according to **PayingforSeniorCare.com**.

APPROX. COST PER MONTH
$5K
OF A MEMORY CARE COMMUNITY

Skilled Nursing:

Skilled nursing communities provide long-term care to people with chronic health issues who need 24-hour supervision and assistance. The **Administration for Community Living** estimates that two-thirds of seniors will need some form of long-term care during their lifetime. Skilled nursing care can cost an average of $7,908 per month in a semi-private room, or $9,034 per month in a private room, according to **Genworth**.

24HR
SUPERVISION AND ASSISTANCE

How to Make a Decision

Choosing what type of living arrangement is right for you is a highly personal decision. It depends on what type of care you need, what type of amenities you are looking for, and how much you and your family are able to budget for housing.

There are several ways to pay for senior living, including:

- *Government programs, such as Medicaid or Veteran's benefits*
- *Home care loans*
- *Life insurance policy conversions*
- *Long-term care insurance*
- *Private savings*
- *Reverse mortgages and HELOCs*

Medicare only covers short-term care in a skilled nursing community; it does not cover any long-term living situations. Also, if you qualify for Medicaid or Department of Veterans Affairs benefits, be mindful that these benefits will probably only cover a portion of the costs associated with senior living.

Before making a decision about what type of senior living is right for you or your loved one, be sure to research different communities and come up with a plan for how you will cover the expenses.

Find a Senior Living Community That Fits Into Your Financial Plan

Managing your finances in your retirement years can be challenging, especially when you consider that your expenses could shift as you get older. The key to financial wellness for seniors is being prepared for both current expenses and potential future needs.

At Senior Lifestyle, we're dedicated to providing our residents with housing that exceeds their expectations. Whether you're looking for affordable, comfortable living or a luxurious, resort-style community, we can help you find what's right for you.

If you want more information on senior housing and how it might affect your finances, **contact Senior Lifestyle today**. You can also **explore our communities** online and **schedule a tour** when you're ready to take the next step in your search.