4 Tips to Protect Your Health in Retirement

During your working years, you likely figured out how to properly manage your monthly budget based on your ongoing stream of income. And aside from the occasional bump in the road, you've probably been able to comfortably cover your everyday expenses.

Fast-forward to your retirement years and suddenly you're faced with the responsibility of turning a six-figure (if you're lucky) pool of retirement savings into a decidedly smaller income. This money needs to cover a period that could last 20 to 30 years – or even longer. While people are living longer and medical costs are on the rise, your savings may continue to decrease.

For those who are thinking about retirement, a primary concern is figuring out how to budget for health care expenses. While your employer may cover a large percentage of your medical costs now, that's not the case for many Americans once they retire. To say planning and budgeting for your future health expenses is overwhelming is an understatement – without a doubt.

So where do you begin?

Start planning now. Though it may be far off for some, retirement will eventually be in view. You can do your future self a favor by starting to plan today. One savings vehicle that might be available to you is a health savings account, or HSA. These accounts are growing in popularity as more employers recognize their value within a comprehensive benefits program. Like a 401(k) plan, HSAs allow you to make contributions on a pre-tax basis while the value in the account grows tax-deferred. An added incentive is that withdrawals are tax-free if used toward qualified medical expenses. However, a recent Voya Financial survey found that only 6 percent of baby boomers plan to utilize an HSA to pay for health care expenses not covered by Medicare.

Also similar to 401(k) plans, there's a "catch-up" provision for HSAs that allows those 55 to 65 years old to contribute an additional $1,000 above the annual maximum compared to those under 55.

There's also no "use-it-or-lose-it" rule. The funds in your account will roll over from year to year continuing to earn interest even if you change employers, allowing you to use your balance if and when you need to during retirement. It's important to know that contributions can only be made while employed; so by capitalizing on this benefit today, you can incorporate it into your plans for tomorrow.

History can repeat itself. The same survey found that 77 percent of baby boomers, and 75 percent of retirees, have never estimated the amount of health care expenses they expect to incur throughout retirement. One reason for this trend could be that it's difficult to know how long your retirement will last. To envision what your retirement might look like from a health perspective, make sure you are aware of any health issues within your family.

When it comes to health care expense planning, factors such as long-term care discussions, disability insurance, estate planning and preparing for the unexpected are all integral components to your plan. Life expectancy charts can tell you what the average life expectancy is for a man or woman in the U.S., but understanding the health status of family relatives – whether it's chronic illness, long-term issues or memory impairment later in life – provides a better sense of how to financially prepare you for what to expect in your retirement years.

Budget accordingly. The reality is, the longer people live in retirement, the more potential they have to outlive their retirement savings and face the possibility of bankruptcy – unless they take steps to help ensure personal financial security. According to additional research, only one in three retirees has a written budget – a practice that most financial advisors would categorize as non-negotiable. Learning how to live within your means long before you stop working is one of the most important ways to help you prepare.

While you're still employed, there may be room for flexibility to postpone retirement to expand your financial cushion, but ultimately you'll want to learn how to live within your needs. This means not having to make a tradeoff between living expenses and potential health care needs.

Talk to your financial advisor. When it comes to your health, and how it will impact your retirement security, it's important to be open and honest with your financial advisor. Remember, as an advisor, they have a fiduciary duty to you – which means they are legally bound to work in your best interest. To properly help you prepare you for your future, discussions about health and wellness should be expected and welcome as part of the holistic financial planning process.

The ability to pay for health care needs is – and will remain – one of the most critical issues of retirement, but the important thing to remember is to focus on what you can control. Regardless of what stage of life you're in now, getting a head start on planning and saving for retirement is advantageous, but even those starting the process in their 50s have an opportunity to successfully execute their plan.

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