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**FIDELITY INVESTMENTS ESTIMATES \$240,000 NEEDED  
TO PAY HEALTH CARE COSTS IN RETIREMENT**

**Annual Cost Estimate Up 50% Since 2002**

BOSTON, March 26, 2009 – A 65-year-old couple retiring in 2009 will need approximately \$240,000<sup>1</sup> to cover medical expenses in retirement<sup>2</sup> even with Medicare insurance coverage, according to Fidelity Investments' latest health care cost estimate. This figure is a 6.7 percent increase over the 2008 estimate of \$225,000.

Fidelity Investments has calculated an annual retiree health care cost estimate since 2002. For many Americans, health care is likely to be their largest expense in retirement. Over the past seven years, the amount needed for retiree health care costs has jumped \$80,000 or 50 percent from \$160,000 in 2002.

"American households, already under strain from the difficult economy, are facing another challenge to their financial security in retirement as medical costs continue to rise steadily," said Brad Kimler, executive vice president of Fidelity's Consulting Services business, which calculated the retiree health care cost estimate. "With employee-sponsored retiree health care coverage on the decline nationwide, it is imperative that today's workers begin to set aside money themselves for medical expenses in retirement as part of their overall retirement strategy."

As in years past, the Fidelity 2009 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 Medicare. The Fidelity estimate 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 Medicare.

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<sup>1</sup> Fidelity Consulting Services 2009

<sup>2</sup> Assumes no employer-provided retiree health care coverage and life expectancies of 17 years for a male and 20 years for a female

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The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

The jump in the retiree health care cost estimate from 2008 to 2009 can be attributed to a number of factors including higher costs (e.g. for doctor's visits, diagnostic tests); increased expenses associated with new technology; and general price inflation.

To help American workers better manage their health care costs in retirement, Fidelity offers six suggestions:

### **Pre-Retirement:**

1. **Set aside money specifically for medical needs** – Rather than saving generically for retirement, it may help to have a separate and distinct savings account specifically for medical expenses in retirement given their essential nature. To achieve the goal, individuals could use a savings vehicle such as a Health Savings Account (HSA) devoted solely to this cause or earmark a portion of their retirement account for this purpose.
2. **Investigate the cost of supplemental health insurance in various geographic locations** – Supplemental insurance reimburses individuals over 65 years old for some or all of their cost-sharing, not covered by traditional Medicare. In addition to supplemental insurance, other coverage may also be available (e.g. Medicare HMO). Medicare's official Web site ([medicare.gov](http://medicare.gov)), as well as many state Web sites list the supplemental health plans available, including those for Medicare Part D. As individuals approach retirement, they should become familiar with their plan options, the costs and how these vary by location.
3. **Consider phased retirement as part of an overall strategic plan** – Many employers offer part-time work with health care benefits. This type of employment can allow pre-retirees to avoid dipping into their savings accounts too soon for health care needs. By gradually entering retirement, these individuals will be protecting their savings for a longer period.

**In Retirement:**

- 1. Be proactive in preventive care** – There are simple ways to help contain health care costs. For example, get routine doctor-recommended screenings for diseases such as colon cancer. If an individual is otherwise healthy, it is still important to maintain recommended preventive care guidelines. Taking prescription medications according to schedule is another way to avoid complications.
- 2. Select quality providers** – On the Web site for the U.S. Department of Health & Human Services, ([www.hospitalcompare.HHS.gov](http://www.hospitalcompare.HHS.gov)), there is information available on how well hospitals nationwide are caring for patients who have certain medical conditions or who have undergone various surgical procedures. Using a national database of hospitals, the Web site compares the quality of care of a given hospital and a given treatment/surgery. Patients at better-performing hospitals tend to have fewer complications, which reduces the risk of future additional medical expenses.
- 3. Always review health claims for accuracy** – It is not uncommon for mistakes to happen in the claims payment process. The error could be in many forms, including charges for services not rendered or incorrect charges for a given service. When retirees receive medical bills, they should take the time to review them and follow up with their health care provider when they have questions or concerns about billing.

Fidelity offers guidance to help individuals budget for health care expenses in retirement at the Retirement Resource Center at [Fidelity.com](http://Fidelity.com). Employees who have a workplace savings plan with Fidelity also can go to their NetBenefits® Web site to access a retirement health care calculator. The tool can project future health care costs after factoring in a person's age, location, retirement date and number of family members. For employers who offer the Fidelity HSA®, there is an enhanced version of the calculator provided by WebMD®, which also incorporates a person's detailed health status and allows employees to project their future HSA accumulation.

### **Fidelity's Consulting Services**

Fidelity's Consulting Services business helps mid to large-size employers nationwide assess the effectiveness of their benefits programs. The business provides a holistic approach to benefits design, strategy, funding, communications and delivery by looking at clients' health care and retirement plans before diagnosing business solutions. The group's specialties include retirement and health care plan consulting, custom data administration, compliance, employee communication and human resource transformation. Consulting Services has offices in Marlborough, Mass., New York City, San Francisco, Chicago and Dallas.

### **About Fidelity Investments**

Fidelity Investments is one of the world's largest providers of financial services, with custodied assets of \$2.4 trillion, including managed assets of nearly \$1.2 trillion as of February 28, 2009. Fidelity offers investment management, retirement planning, brokerage, and human resources and benefits outsourcing services to 24 million individuals and institutions as well as through 5,500 financial intermediary firms. The firm is the largest mutual fund company in the United States, the No. 1 provider of workplace retirement savings plans, the largest mutual fund supermarket and a leading online brokerage firm. For more information about Fidelity Investments, visit [www.fidelity.com](http://www.fidelity.com).

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