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The Impact of Future Health Care Trends on Retirement Planning

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Table of Contents

Executive Summary

The average 65-year-old couple will need more than $350,000 in savings to have a 90% chance to meet their health care spending needs in retirement.[1]

Health care, including long-term care, is one of the most common financial concerns cited by older adults.[2] So what will the future of health care look like for someone retiring today, and how can financial professionals and their clients craft plans for retirement to account for it?

Technology improvements and a focus on proactively preventing disease and chronic conditions are changing the health care industry for the next generation of retirees. Future retirees are likely to have more access to care at home, thanks to new technologies, and may face fewer impacts from chronic diseases if those conditions can be prevented or managed early. Home care doesn't necessarily mean avoiding significant care expenses, however. The annual cost of a full-time home health aide could be more than $115,000 by 2035, assuming a 5% annual inflation rate.[3]

For those whose long-term care plans include living in an environment where they can receive health care services that meet changing needs as they age, retirement communities of tomorrow will look different as well. Research indicates that nursing home and assisted living costs increased year over year by 2.4% and 4.65% respectively in 2021.[4]

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1 Projected Savings Medicare Beneficiaries Need for Health Expenses Remained High in 2022. Employee Benefit Research Institute, February 9, 2023.

2 Cost of Health Care Is Americans' Top Financial Concern: CFP Board. ThinkAdvisor, December 9, 2020.

3 Genworth Cost of Care Survey. Genworth Financial, conducted by CareScout®, November 2021.

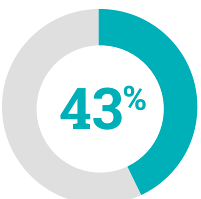
4 Cost of Care Trends & Insights. Genworth Financial, as of July 2023.

The changing nature of health care in retirement impacts everything from how long people work and when they retire to how they receive care and live out their retirement years. Health care financing has been slower to adapt, but ways to help retirees save and pay for their care expenses, such as health savings accounts (HSAs) and hybrid long-term care insurance policies, are growing in popularity.[4,5]

Even though health care planning is a top concern, the majority of people don't know what their health care costs may be, and only 59% of people ages 40 and older feel at least somewhat confident they'll be financially able to afford caregiving.[6] That makes health care planning a critical and highly personal component of retirement planning that requires an ongoing, informed conversation between financial professionals and their clients.

Working With a Financial Professional May Reduce Concern About Health Care Expenses

Health care costs are the most common financial concern cited by older adults.



Forty-three percent of people not working with a financial professional said they were concerned about the cost of health care.

Among those who were working with a financial professional, only 36% said they were concerned about the cost of health care.

Source: Cost of Health Care Is Americans' Top Financial Concern: CFP Board. ThinkAdvisor, December 9, 2020.

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[5] 2022 Year-End HSA Market Statistics & Trends Executive Summary. Devenir Research, March 30, 2023.

[6] Sales of Life Combination Products Rebound in 2021. LIMRA, August 9, 2022.

[7] Growing older in America: Aging and family caregiving during COVID-19. AP-NORC Center for Public Affairs Research, October 13, 2020.

Introduction

In many ways, future health care needs and expenses are the X factor in retirement planning.

Financial professionals and their clients can accurately estimate housing costs, Social Security income, and even some investment returns. But when it comes to health care, it is nearly impossible to predict how someone's health may change, impacting their need for care and the financial ramifications over the decades they're in retirement.

What will health care look like in the future? What options will people have for long-term care? Understanding health care trends and their impacts will give financial professionals and their clients an advantage in developing effective plans for retirement to help address health care costs in the future.

A person's health has the potential to impact numerous aspects of their retirement. They may need to move closer to specialty facilities or family members who can provide care. Retirees that are in good health may live even longer, creating the need for more sustainable income streams.

It's no secret that the older someone gets, the more health issues and interactions with health care providers they may experience. In 1990, a man turning age 65 could expect to live 15.3 more years, while a woman could expect to live another 19.6 years.[1] By 2023, that number had increased by four years for men and two years for women.[2]

The changing nature of health care in retirement impacts everything from how long people work and when they retire to how they receive care and live out their retirement years.

[1] Life Expectancy for Social Security. Social Security Administration, as of July 2023.

[2] Retirement & Survivors Benefits: Life Expectancy Calculator. Social Security Administration, as of July 2023.

Massive leaps in effective treatments and improved understanding of diseases have contributed to that rise in longevity. One significant advancement was the Human Genome Project, an international collaboration that kicked off in 1990 to understand every gene that makes up the human body. The knowledge of DNA acquired from this research, combined with huge increases in computer processing capabilities, spurred the creation of new medicines and treatments.

Cost of care has also accelerated in the last few decades. Between 2002 and 2014, health care spending per capita for those ages 65 and older increased by 41%, and out-of-pocket costs rose by 25%.[3] By comparison, inflation during that same time period totaled only about 33%,[4] meaning health care costs often outpaced the average increase in the cost of goods and services. A 65-year-old couple retiring in 2022 may need to spend more than $350,000 on health care expenses throughout retirement.[5]

$350K **The savings a 65 year-old couple would need to have a 90% chance of covering their health care expenses in retirement**

Source: Projected Savings Medicare Beneficiaries Need for Health Expenses Remained High in 2022. Employee Benefit Research Institute, February 9, 2023.

Health care is big business and the need for it to become more effective and efficient means that scientists and companies will continue to find ways to innovate within the industry. The rise of artificial intelligence (AI) and a move toward value-based health care will be two of the bigger innovations bringing holistic change to the world of health care. As a result of these trends, significant components of a retiree’s health care journey, such as long-term care, will look different. By understanding the trends and their impact, financial professionals and their clients can have better conversations about clients’ goals in retirement and the financial adjustments they may need to consider to make those goals a reality.

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[3] National Health Expenditure Data: Age and Gender. Centers for Medicare & Medicaid Services, December 1, 2021.

[4] US Inflation Rate by Year From 1929 to 2023. The Balance, March 31, 2023.

[5] Projected Savings Medicare Beneficiaries Need for Health Expenses Remained High in 2022. Employee Benefit Research Institute, February 9, 2023.

Future of Health Care Industry Innovation

Scientific and technological breakthroughs have always helped mark new chapters in the health care industry.

The development of vaccines, starting around the beginning of the 1800s, essentially eradicated diseases such as smallpox and polio. In the middle of the 19th century, anesthesia helped make surgery less painful. And in the mid-20th century, microsurgeries made procedures more precise with less recovery time and organ transplants helped people live longer.

Two innovations that will allow drugs and other treatments to be developed faster, and even change how doctors analyze a patient's health, are the growth of artificial intelligence and the move to value-based health care. What these innovations have in common is that they progress health care toward being a discipline that is more proactive than reactive – preventing diseases or identifying them early enough to treat them more effectively.

These two areas are among some of the most relevant changes for financial professionals and their clients. Both innovations may lead to people living longer, healthier lives and potentially reduce the need for expensive longer-term treatments, revolutionizing the way people view their health and, as a result, their retirement lifestyle.

Artificial Intelligence: Improving Longevity Through Earlier Identification
AI uses computer software to help gather, organize, and analyze vast amounts of data to find patterns that may be difficult or time-consuming for humans to identify. The medical world already uses AI, but its potential is just beginning to be understood. Health care professionals currently use AI to better interpret imaging, such as MRI scans, and to improve electronic recordkeeping, allowing multiple providers to share and coordinate a patient's history, health progression, and more.

For example, in one radiology study of more than 45,000 chest scans, researchers supported by AI detected 5% more cancer cases and reduced false positives by 11%.[1] Even seemingly small gains like those can have an enormous impact on health and, by extension, cost of care via early intervention.

[1] Google's cancer-spotting AI outperforms radiologists in reading lung CT scans. Fierce Biotech, May 22, 2019.

AI Improving Diagnosis

In a study of 45,000 chest scans, radiologists who were assisted by AI were better at identifying cancer correctly.

5% Improvement in cancer detection

11% Reduction of false positives

Source: Google's cancer-spotting AI outperforms radiologists in reading lung CT scans. Fierce Biotech, May 22, 2019.

How much of an impact can prevention have on chronic conditions such as heart disease or dementia? According to data from a 2018 report from the Alzheimer's Association, it's projected that early diagnosis of Alzheimer's during the mild cognitive impairment stage could save patients $64,000, or about 15% of the total costs associated with the disease.[2] These savings are possible because the disease costs less to treat in its early stages, and early detection can result in fewer complications requiring hospital stays.[2]

Similar studies of cancer patients have also shown that early diagnosis improved patient survival rates and quality of life. This, in turn, resulted in treatment costs two to four times less than those diagnosed with advanced-stage cancer.[3]

In the coming decades, AI has the potential to help doctors identify when to take certain actions to help prevent disease. Advancements in AI will improve the technology's ability to identify the early warning signs of health challenges, allowing for more effective prevention or treatment. The medical technology field is brimming with companies looking to take advantage of AI-powered solutions.

One startup, Catalia Health based in San Francisco, is building tabletop robots that live with patients. These AI-driven robots have daily conversations with patients about their health and suggest ways to make improvements. Other firms have designed robots that respond to a person's facial cues. Similar to a smart speaker or other device, the robots can be synced with tablets and monitored remotely to help with social isolation challenges for adults who live alone.

How Value-Based Health Care Encourages Cost-Effective Practices

Value-based health care is a paradigm shift for health care delivery systems. In contrast to the fee-for-service model of today, where providers are paid by insurance companies for every test and procedure they run, value-based health care takes a holistic approach, basing payments to physician practices on patient outcomes. If a doctor can improve a patient's overall health with fewer tests and procedures, their practice could see greater profits. At its core, value-based health care promotes efficient paths to a healthy life.

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[2] New Alzheimer's Association Report Reveals Sharp Increases in Alzheimer's Prevalence, Deaths, Cost of Care. Alzheimer's Association, March 20, 2018.

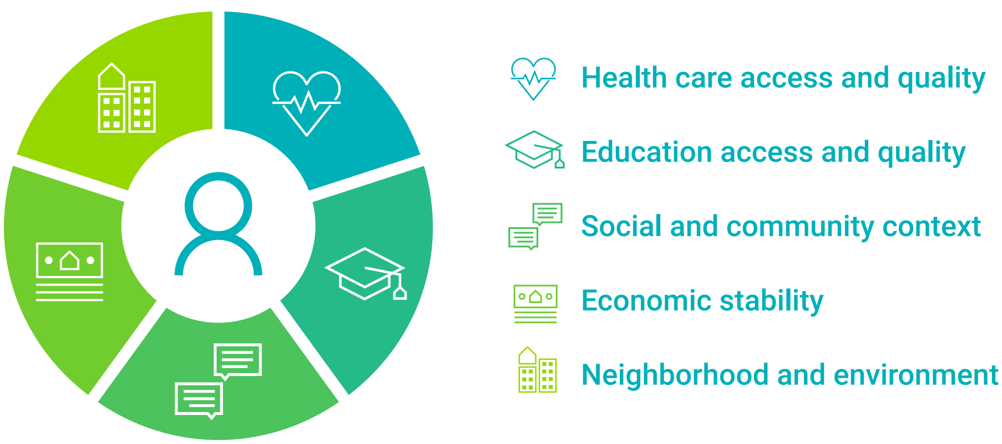
[3] World Cancer Day 2019: Emphasis on Early Detection. The ASCO Post, February 4, 2019.

Providers are measured on the value they provide to patients, which is an analysis that reviews a patient's health after any treatments, based on tests and other measurements, and compares the outcome (how much healthier the person is) to the cost of the services that created those results. In other words, the insurer who is reimbursing the health care provider is looking to answer: Were these tests and procedures needed to achieve the same results?

Similar to the potential of AI, a move to value-based health care would place a greater emphasis on prevention. This could potentially result in longer, healthier lives and a lower cost for treating health conditions.

What does this mean for retirement planning? Research shows that about 80% of health outcomes are caused by factors outside the actual health care system[4] – five aspects referred to as social determinants. These fall into five areas: health care access and quality, education access and quality, social and community context, economic stability, and neighborhood and environment.

The Five Social Determinants of Health



Source: Social Determinants of Health at CDC. Centers for Disease Control and Prevention, December 8, 2022.

People planning for retirement may want to look at their desired retirement lifestyle and their choice of living arrangements – from location to housing type to community – to see how it may impact their health. For example, how does the cost of moving from an urban to a suburban home compare to any potential savings in health care costs? Or would leading a more active lifestyle than originally planned increase cost of living? The answers to these questions could help financial professionals and their clients build successful plans for retirement.

[4] What are social determinants of health? Medical News Today, April 29, 2021.

Future of Long-Term Care

Evolution within the health care system is designed to keep people healthier for longer periods of time. But with longer lifespans also comes the chance that long-term care will be needed.

Long-term care is support for activities of daily living, such as bathing, dressing, and transportation.[1] It isn't typically covered by Medicare, and it can be very expensive. It's also pervasive, with about 70% of current 65-year-olds expected to require some type of long-term care, and 1 in 5 likely needing it for more than five years.[2] That's why developing a plan for retirement that considers long-term care expenses should be at or near the top of the to-do list for financial professionals and their clients. An American turning age 65 in 2022 will likely incur more than $120,900 in future long-term care costs,[3] and it's the largest out-of-pocket expenditure for Medicare recipients.[4]

Most People Will Need Long-Term Care

7 in 10 current 65-year-olds are expected to require some type of long-term care, with 2 in 10 likely needing it for more than 5 years.

Source: How Much Care Will You Need? LongTermCare.gov, October 15, 2020.

Long-term care typically happens in one or more of these three environments: at home, often with the help of family or a paid caregiver; in a continuing care retirement community (CCRC); or in a nursing home. Costs associated with each of these options increased dramatically between 2004 and 2021 and are expected to continue rising over the next decade.[5]

1 Long-term care. Medicare.gov, as of July 2023.

2 How Much Care Will You Need? LongTermCare.gov, February 18, 2020.

3 Long-Term Services and Supports for Older Americans: Risks and Financing, 2022. Assistant Secretary for Planning and Evaluation (ASPE), August 2022.

4 Long-Term Care Facility Costs Are the Largest Share of Annual Out-of-Pocket Spending by Medicare Beneficiaries. Kaiser Family Foundation, January 17, 2020.

5 Cost of Care Trends & Insights. Genworth Financial, as of July 2023.

Comparison of Different Types of Long-Term Care Facilities

Home Care	CCRC	Nursing Home
Where care is administered		
Individual's home	Multibuilding community with a range of living arrangements, from individual housing units to a building with multiple resident rooms	Facility with common areas and bedrooms that can be private or shared
Medical professionals on-site		
Based on an agreed-upon number of hours	Yes	Yes
Typical care levels provided		
Daily living assistance with some minor medical assistance, such as taking medicine	Continuum of care, including independent living, assisted living, and skilled nursing, depending on the specific community	Typically more focused or intense medical care
Entry fee		
No	Yes; averages $402,000 but can be higher than $2 million, depending on the community[6]	No
Ongoing costs		
Depends on which services are selected; average national annual cost is $61,776, based on 44 hours per week[7]	Yes; the average cost is $3,500 per month, but it varies widely depending on the community[6]	Yes; average national annual cost is $108,405 for a private room[7]
Community amenities		
Depends on where the individual lives	Typically have a community center, fitness center, restaurant-style dining, and other amenities	Community dining and common areas

6 How Continuing Care Retirement Communities Work. AARP, January 27, 2022.

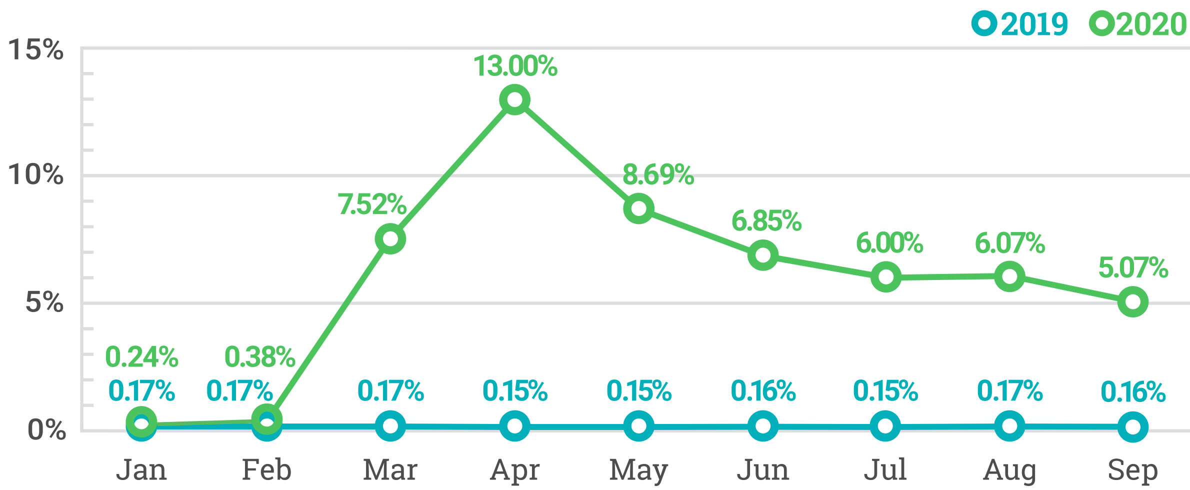
7 Genworth Cost of Care Survey. Genworth Financial, conducted by CareScout, November 2021.

How Technology Will Make Home Care More Accessible
Studies show that more than 3 out of 4 people ages 50 and older prefer to remain in their homes as they age.[8] Technology is already making it easier for people to receive care at home, and that trend should only grow in the future.

The ability to meet with physicians virtually has removed one of the major barriers of aging at home: the need to travel to the doctor. Telemedicine and connected devices have been the keys to this trend's explosive growth. Their use doubled between 2016 and 2019,[9] and changes to how Medicare covered telehealth services allowed for even more growth during the COVID-19 pandemic. Even after the pandemic's effects waned, about 40% of people said they would continue to use telehealth services in the future, compared to 11% who used telehealth services prior to the pandemic.[10]

The Coronavirus Pandemic Sparked Increase in Telehealth Use

Percentage of medical claims in the U.S. that included telehealth



Source: Monthly Telehealth Regional Tracker. FAIR Health, as of July 2023.

Studies show that telehealth can potentially minimize health care costs, and many of these reduced costs are a result of eliminating travel for patients and providers to health care facilities.[11] Simple checkups aren't the only place you may see savings. Telemedicine can extend to bigger-ticket care and even improve overall health. One hospital found that the use of telemedicine among patients with chronic conditions reduced both hospitalizations and emergency room visits.[12]

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[8] Where We Live, Where We Age: Trends in Home and Community Preferences. AARP, November 18, 2021.

[9] Telehealth's post-pandemic future: Where do we go from here? American Medical Association, September 7, 2020.

[10] Telehealth: A quarter-trillion-dollar post-COVID-19 reality? McKinsey & Company, July 9, 2021.

[11] Determining if Telehealth Can Reduce Health System Costs: Scoping Review. National Library of Medicine, October 22, 2020.

[12] Hospital's Telehealth Program Reduces ER Visits, Treatment Costs. mHealthIntelligence, January 25, 2019.

Aging-at-Home Challenges Include Rising Costs

While a move to greater utilization of telehealth services can help retirees reduce some of their medical expenses, other costs associated with aging at home are expected to rise.

Demographic changes, including increased demand for in-home care and a reduced workforce as the baby boomer population retires, are expected to result in a need to fill nearly 4.7 million job openings for home care workers by 2030.[13] To entice people to fill these jobs, wages are likely to increase, driving the cost of care up. If costs go up by 5% per year, which was below the five-year compound annual increase for people providing homemaker services (basic housekeeping, as opposed to medical care) and home care aides as of 2021,[14] the national average cost of either of these in-home care services for 44 hours a week would be more than $115,000 per year by 2035.[15]

That doesn't take into account other costs, such as if a homeowner needs to renovate their home. This could be necessary to make the home easier to navigate for someone with physical limitations, and could include installation of things like ramps, more accessible cabinets, and bathroom handrails.

With most retirees using Medicare, which doesn't cover most long-term care costs, it becomes incredibly important for financial professionals and their clients to discuss how to manage these costs. Often, family members may be expected to provide unpaid care, especially when needs are more basic. But even then, retirees may want to consider whether they will provide some financial compensation for that person in return. About half of all caregivers report facing their own financial challenges as a result of providing care due to impacts like reduced hours at their primary job.[16]

Care Facilities Will Modernize to Attract Residents

Not everyone can or wants to age in their own homes, however. For those people, the choice is often between a nursing home or a continuing care retirement community. Nursing homes, sometimes called skilled nursing facilities, typically provide 24-hour care and medical services in a single facility.[17] In CCRCs, residents live in a community that typically offers a continuum of increasing care, including independent living, assisted living, and skilled nursing care.

CCRCs are relatively new to the long-term care industry but have grown in number. In the next several decades, experts believe CCRCs will become more targeted in how they appeal to the lifestyle tastes of potential residents, offering luxury amenities such as high-end restaurants or wine cellars. Many developers and investors have shown an increased interest in these properties for active older adults.[18]

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[13] Direct Care Workers in the United States: Key Facts. The National Direct Care Workforce Resource Center, 2022.

[14] Cost of Care Trends & Insights. Genworth Financial, as of July 2023.

[15] Genworth Cost of Care Survey. Genworth Financial, conducted by CareScout, November 2021.

[16] Caregiving in the U.S. 2020. National Alliance for Caregiving and AARP, 2020.

[17] Nursing Homes vs Home Care. SeniorLiving.org, May 4, 2023.

[18] Active Adult Inventory and Penetration Rates. National Investment Center for Seniors Housing & Care, February 28, 2023.

Nursing homes are also expected to undergo changes, especially in light of the challenges they faced during the COVID-19 pandemic. Senior advocacy groups, developers, and nonprofits, among others, are actively trying to rethink how nursing homes could operate with lower capacities and more space for individuals, potentially eliminating shared rooms to combat infection control. They face different challenges than CCRCs in their efforts to upgrade, however.

CCRCs receive the majority of their income from private payments, but nursing homes receive most of their income from Medicaid, which reimburses at relatively low levels compared to the cost of care provided.[19] Additionally, occupancy rates at nursing homes were hit harder by the pandemic. A smaller percentage of CCRCs reported decreased occupancy across all sectors (independent living, assisted living, memory care, and nursing care) compared to non-CCRC senior care facilities.[20]

This continues a trend of CCRCs outperforming traditional models in both occupancy rates and price increases.[19] However, the number of non-CCRCs has increased. As more CCRCs are built and made available, it may be challenging for them to continue to fill rooms at high prices. Meanwhile, it may take nursing homes longer, due to their financial challenges, to compete with CCRCs by modernizing to create the amenities and lifestyle that some modern retirees want.

Workforce Shortages Could Drive Prices Higher

The cost of long-term care facilities was already expensive, whether you're talking about nursing homes or CCRCs. But upcoming demographic changes will add another factor that could compound price increases. Like the potential workforce shortages of home care workers, long-term care facilities also face staffing concerns, which are driving prices higher. More than half of long-term care providers cited workforce shortage as the reason they needed to increase costs.[21]

The cost of a private room at a nursing home in 2021 was over $100,000 per year; and for assisted living services, which could be provided at a nursing home or a CCRC, it was $54,000 per year. With an inflation rate of 5%, the cost for that same private room at a nursing home could rise to more than $154,000 per year in 2031, and assisted living costs could increase to nearly $87,000 per year.[15] CCRCs already require one-time entrance fees costing hundreds of thousands of dollars and monthly fees that vary by community but average about $3,500.[22]

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[19] Skilled Nursing Monthly Report. National Investment Center for Seniors Housing & Care, February 2023.

[20] Executive Survey Insights Special Report: Owner/Operators of CCRCs. National Investment Center for Seniors Housing & Care, June 4, 2020.

[21] COVID-19 linked to 'substantial cost increases' in assisted living: survey. McKnight's Senior Living, December 3, 2020.

[22] How Continuing Care Retirement Communities Work. AARP, January 27, 2022.

Financial professionals and their clients should consider several factors when planning for long-term care. One place to start is by discussing whether clients prefer living at home or in a community setting. Once that is determined, if the retiree plans to sell their home to cover the cost of CCRC residency, projected return from the home's sale and other assets can be weighed against upfront and ongoing fees in the CCRC.

Again, because Medicare currently does not cover most long-term care, financial professionals and their clients may want to discuss financial products with long-term care coverage options, such as hybrid life insurance policies with long-term care benefits provided by riders. These types of policies typically provide long-term care coverage if the policyholder needs it but convert the cash value to a death benefit if the long-term care benefit isn't used.

Financial professionals and their clients may want to discuss financial products with long-term care coverage options.

Future of Paying for Health Care

With the projected increases in health care costs and the fact that Medicare, the most common insurance program for retirees, does not cover long-term care, financial professionals and their clients may benefit from having discussions early and often about health care.

Many pre-retirees may have plans to simply work longer to generate more income. Among active workers, 59% of baby boomers, 60% of Gen Xers, and 49% of millennials said they expect to work into retirement.[1] It's a plan that makes sense on the surface. Delaying retirement by even a few months can have a positive impact on the retirement standard of living because Social Security benefits increase by a certain percentage each month that you delay claiming benefits after full retirement age.[2] Therefore, working a little longer could have a significant financial benefit in terms of saving for future health care expenses.

But is that a realistic plan? As of 2021, just 26% of people ages 65 to 74 were working or looking for work.[3] And projections are by 2031, only about 21.5% of Americans ages 65 and older – and only about 11% of those 75 and older – will be working.[3,4]

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1 New Voya Survey Finds Half of Employed Americans Plan to Work in Retirement as a Result of COVID-19. Voya Financial, September 1, 2020.

2 Delayed Retirement Credits. Social Security Administration, as of July 2023.

3 Civilian labor force participation rate by age, sex, race, and ethnicity. U.S. Bureau of Labor Statistics, September 8, 2022.

4 Projections overview and highlights, 2021–31. U.S. Bureau of Labor Statistics, November 2022.

People who worked beyond age 65 were three times more likely to report being in good health and about half as likely to have serious health problems, such as cancer or heart disease.[5]

Work Will Get Safer for Older Adults

Historically, some workers who have wanted to work longer haven't always found it possible. One of the main reasons was that health-related issues can force people to stop working. However, the changing nature of work, especially the move toward the gig economy, will make it increasingly possible to work longer without major health repercussions. For example, one of the most common injuries among those ages 55 and older in the workplace is falling. The percentage of fall-related injuries among workers in this age group has decreased from 2011 to 2020.[6] This is likely a result of growth in computer-related jobs, compared to occupations with a higher likelihood of injury, such as manufacturing.

One study conducted in 2018 suggested that people who worked beyond age 65 were three times more likely to report being in good health and about half as likely to have serious health problems, such as cancer or heart disease.[5] However, some of that may be because people in good health can work, while people who would not describe themselves as in good health may not be able to work.

"There will be more remote and project-based work, and workplaces will be more collaborative. It will be an evolution of what we are experiencing right now," said Cheryl Cran, Future of Work expert and founder of NextMapping.[7] "Baby boomers are well positioned because job sharing, project work, and remote work fit perfectly with the way they want to work."

Future Retirees Have More Ways to Prepare Financially

Financial professionals and their clients have other methods to consider when it comes to paying for health care expenses in retirement.

Health savings accounts have grown at an astounding rate – both in number and in the amount of assets held in them – since they were signed into law in 2003. At the end of 2022, there were just over 35.5 million HSAs, compared with 22.2 million five years before. In 2022, another 3 million accounts were opened.[8]

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[5] Working later in life can pay off in more than just income. Harvard Health Publishing, June 1, 2018.

[6] Work Injuries and Illnesses by Age. National Safety Council, 2023.

[7] Personal opinion. Cheryl Cran was not compensated for her participation. Interview took place in September 2020.

[8] 2022 Year-End HSA Market Statistics & Trends Executive Summary. Devenir Research, March 30, 2023.

At their current growth rate, HSAs could hold more than $150 billion in assets by 2025.[8] Why is this so important? Because current retirees had comparatively little time to fund and grow these types of accounts, which are tax-advantaged when funded and can be used tax-free for medical expenses. For example, someone who retired in 2016 only had around a dozen years to fund their HSA and take advantage of potential market growth since funds can be rolled over from year to year. Someone retiring 10 years from now might have funded such an account for most of their career. As a result, retirees are likely to enter retirement with significantly higher HSA balances that can be used to cover medical expenses.

The use of hybrid life insurance and long-term care policies has grown over recent years, with new premiums in 2021 recovering after the pandemic hindered sales in 2020.[9] As financing long-term care continues to be a concern and becomes more expensive, these policies may continue to be a popular option to help cover those costs.

[9] Sales of Life Combination Products Rebound in 2021. LIMRA, August 9, 2022.

Conversation Is Critical to Effective Planning

The culmination of technological advances and changes in the way health care is delivered will significantly impact how people choose to live in retirement and how they manage their health care.

Health care costs, including long-term care, were cited by 46% of baby boomers as their main financial worry.[1] Just 59% of people ages 40 and older feel extremely, very, or somewhat confident they will be financially ready to afford the care they may need.[2]

Although it may feel like a personal topic, financial professionals and their clients can benefit from discussing clients' health. A simple way to start the conversation is to talk about lifestyle goals, such as the preference for staying in the home or moving to a community with accessible health care. It's also important to discuss comfort level with technology, proximity to family, and other factors that may help guide some of those decisions.

We all hope for longer, healthier lives. Changes to how health care is delivered and the effectiveness of treatments can have a significant impact on the number of years we spend in retirement. Including health care and long-term care considerations as part of a comprehensive plan for retirement can help people feel more confident no matter what unique health care needs they may have in retirement.

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1 Cost of Health Care Is Americans' Top Financial Concern: CFP Board. ThinkAdvisor, December 9, 2020.

2 The Long-Term Care Poll 2020 – Trends 2013-2020 Age 40 and Older. AP-NORC Center for Public Affairs Research, 2020.

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