

FIDELITY INSTITUTIONALSM

Planning for Health Care in Retirement

A guide to covering your medical expenses

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Agenda

- **Gain insight into health care costs**

- **Look into Medicare—what it covers and what it costs**

- **Outline a four-step process for creating a health care plan**

The **confidence of knowing** your health care is covered is one of the most valuable things you can take into retirement.

Rising Health Care Costs—A Reality of Retirement

Health care costs have nearly doubled since 2000

In 2018, U.S. health care costs were \$3.6 trillion, equaling 18% of gross domestic product.

In comparison...

Health care costs were \$27.2 billion in 1960, which was just 5% of GDP.

That translates to an annual health care cost of \$11,172 per person in 2018 versus just \$146 per person in 1960.

Health care costs have risen faster than the average annual income.

Multiple Factors Drive Up Health Care Costs

Medical Services

\$100–\$12,600

Emergency rooms are charging anywhere from 1.0–12.6 times more than what Medicare pays for services.¹

Co-pays and Deductibles

67%

Over the last decade, out-of-pocket spending increased 67% in the form of higher co-pays and higher deductibles.²

Prescription Drugs

60%

From 2014–2018, brand name drugs prices have increased by over 60%.³

¹ 2017, "Medical Emergency: ER Costs Skyrocket, Leaving Patients In Shock," Modern Medicine.

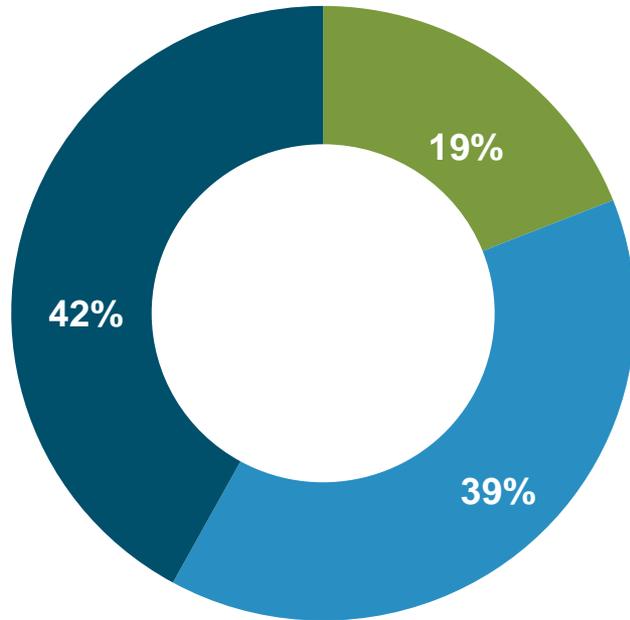
² "Tracking the Rise in Premium Contributions and Cost-sharing for Families with Large Employer Coverage," Peterson-Kaiser Health System Tracker, 8/14/2019.

³ "What Are The Recent And Forecasted Trends In Prescription Drug Spending?" Peterson-Kaiser Health System Tracker, 2/20/2019.

⁴ For investor use.

Understanding Health Care Costs

- 19% Prescription drug out-of-pocket expense
- 39% Expenses associated with Medicare Part B and D premiums
- 42% Medicare cost-sharing provisions: copayments, coinsurance, deductibles, and excluded benefits



Out-of-pocket health care expense estimate for a 65-year-old couple¹
\$295,000

48% of preretirees estimate they will spend less than \$100,000²

¹ 2020 Retiree Health Care Cost estimate based on a hypothetical couple retiring in 2020, 65-years-old, with life expectancies that align with the 50% mortality age based on the Society of Actuaries RP-2014 Mortality Table projected with Mortality Improvement Scale MP-2017 as of 2018. 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 Fidelity Investments Retirement Savings Assessment Survey, a national online survey of 3,182 working households earning at least \$20,000 annually with respondents age 25 to 74, from September 14 through October 3, 2017. All respondents expect to retire at some point and have already started saving for retirement. Data collection was completed by GfKPublic Affairs and Corporate Communication using GfK's KnowledgePanel®, a nationally representative online panel.

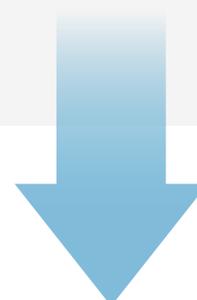
Your Out-of-Pocket Costs May Vary

Individual Costs Depend On:



Personal factors

- Age at retirement
- Years in retirement
- General health



Your risk comfort level

- How much coverage will you plan for?

Learn about Your Options and Get Started on Your Plan

Steps You Can Take Right Now:

1	Get to know Medicare .
2	Estimate your annual Medicare costs .
3	Take stock of your funding sources.
4	Create a health care plan with your financial representative .

Get to Know Medicare

What are your Medicare options?

Part A	Hospital insurance
Part B	Medical insurance
Part C	Medicare Advantage plans
Part D	Prescription drug coverage
Medigap	Medicare supplemental insurance

Medicare Part A (Hospital Insurance)

In-hospital stay in 2020 (per benefit period)

Days 1–60	\$1,408 deductible
Days 61–90	\$352 per-day co-payment
Days 91–150	\$704 per “lifetime reserve day”
Days 150+	All costs

Medicare Part B (Medical Insurance)

Individuals Can Expect to Pay in 2020:

\$198 deductible | **20%** coinsurance for doctors' services and outpatient care

Individual Filer AGI	Joint Filer AGI	Standard Monthly Premium ¹ 2020
\$87,000 or less	\$174,000 or less	\$144.60
\$87,001 up to \$109,000	\$174,001 up to \$218,000	\$202.40
\$109,001 up to \$136,000	\$218,001 up to \$272,000	\$289.20
\$136,001 up to \$163,000	\$272,001 up to \$326,000	\$376.00
\$163,001 up to \$499,999	\$326,000 to \$749,999	\$462.70
\$500,000 or above	\$750,000 or above	\$491.60

¹ Medicare Part B premiums are calculated based on the recipient's Adjusted Gross Income from two years prior.

Medicare Part C

Medicare Advantage Plans

- HMOs, PPOs, private fee-for-service plans, Medicare specialty plans
- Address Part A and Part B expenses, and often others, such as prescription drugs
- Costs may increase if you use out-of-network doctors
- Hearing, dental, and vision (not covered under Medicare) may be covered

Medicare Part D (Prescription Drug Coverage)

Higher-Income Beneficiaries Pay Higher Medicare Part B And Part D Premiums¹

Individual Filer AGI	Joint Filer AGI	Standard Monthly Premium
\$87,000 or less	\$174,000 or less	Average Plan Premium = \$32.74 ²
\$87,001 up to \$109,000	\$174,001 up to \$218,000	Plan premium + \$12.20
\$109,001 up to \$136,000	\$218,001 up to \$272,000	Plan premium + \$31.50
\$136,001 up to \$163,000	\$272,001 up to \$326,000	Plan premium + \$50.70
\$163,001 up to \$499,999	\$326,000 to \$749,999	Plan premium + \$70.00
\$500,000 or above	\$750,000 or above	Plan premium + \$76.40

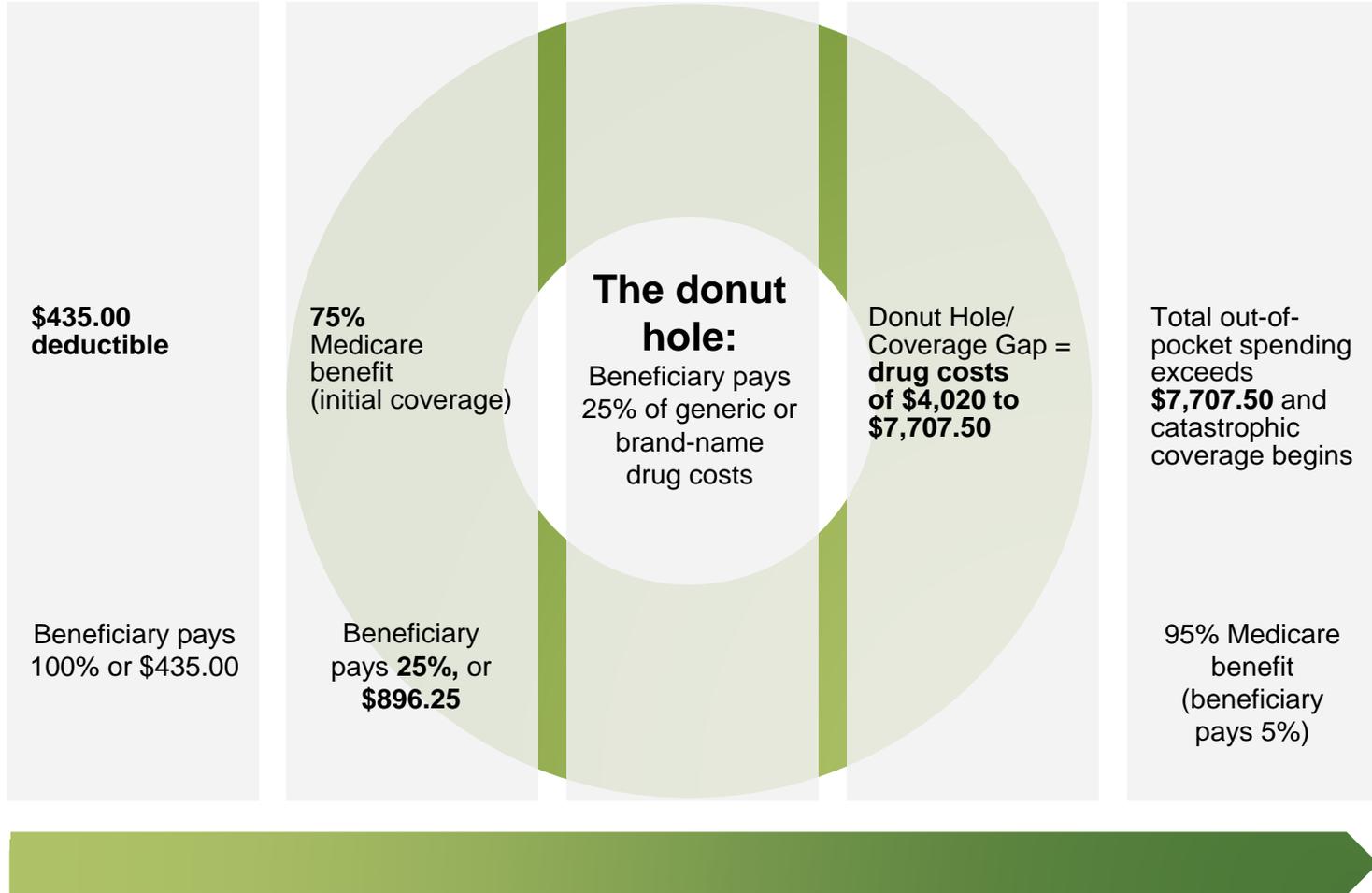
Less than 5% of individuals with Medicare have a higher income and pay a higher premium.³

¹ Medicare Part D premiums are calculated based on the recipient's adjusted gross income (AGI) from two years prior.

² Source: Medicare Part D Cost, MyMedicareMatters.org, 2019.

³ Source: Medicare.gov, 2019.

Medicare Part D (Prescription Drug Coverage)



Medigap

Supplemental Medicare Insurance

- 10 standard plans offering different levels of coverage
- Premium cost for same coverage varies by insurance company and state where purchased
- Flexibility to see any doctor who accepts Medicare
- No coverage for dental, hearing, or vision
- No prescription drug coverage

Medigap Benefits	Medigap Plans									
	A	B	C*	D	F*	G	K	L	M	N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Part B coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Blood (first 3 pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A hospice care coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled nursing facility care coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Part B deductible	No	No	Yes	No	Yes	No	No	No	No	No
Part B excess charge	No	No	No	No	Yes	Yes	No	No	No	No
Foreign travel exchange (up to plan limits)	No	No	80%	80%	80%	80%	No	No	80%	80%
Out-of-pocket limit	N/A	N/A	N/A	N/A	N/A	N/A	\$5,880	\$2,940	N/A	N/A

Questions to Weigh When Considering Plan Options

Consider

- ✓ Do you have coverage for dental, hearing, and vision care—**services not covered by Medicare?**
- ✓ Is it important for you to **continue seeing your current physicians?**
- ✓ Have you estimated the total **out-of-pocket costs for prescription drugs?**
- ✓ Do you want **flexibility to choose providers**—particularly specialists?
- ✓ Do you have **protection from catastrophic illness?**

Create a Health Care Coverage Plan—Personalized

Hypothetical Example of Medicare Costs

Couple, Age 65

Income <\$174,000

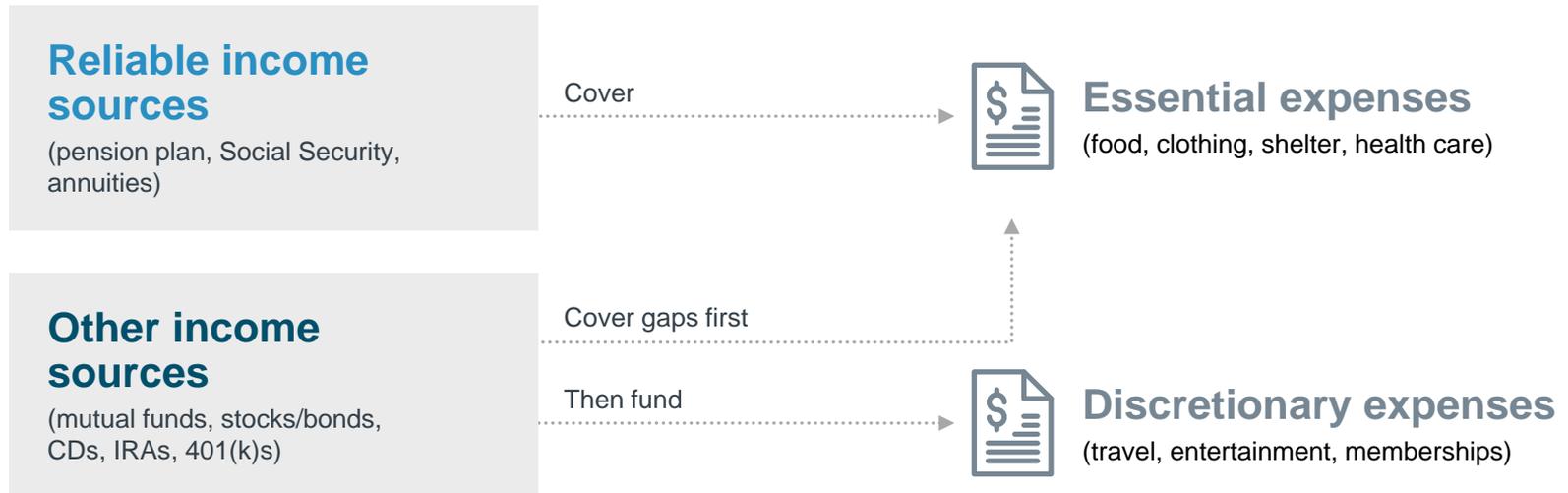
Medicare Part A	\$0—deductible and co-payments covered by Medigap Plan G
Medicare Part B	\$1,933.20 for premium—coinsurance covered by Medigap Plan G
Medicare Part D	\$2,899.25 for premium and deductible ¹
Medigap Plan G	\$1,786 for premium ²
Annual total	\$6,618.45 per person or \$13,236.90 per couple

¹ Based on the estimated average annual per-beneficiary cost spending for Part D for 2018.

² Average 2018 annual premium, Kiplinger “Two Medigap Plans to Be Phased Out”

Take Stock of Your Funding Sources

Use your sources of dependable income to cover health care and other essential expenses



Take Stock of Your Funding Sources

Group Income Sources By Dependability



Reliable income sources

- Pension
- Social Security
- Annuities



Other income sources

- Mutual funds, systematic withdrawals
- Bonds
- Real estate
- Life insurance
- Health Savings Accounts
- Part-time work

Create a Health Care Plan with Your Financial Representative

Your Representative Can Help You:

- ✓ **Check** your health care expense estimates
- ✓ **Bucket** essential and discretionary expenses
- ✓ **Review** your sources of income
- ✓ **Create** a plan to ensure that your health care and other essential expenses are covered
- ✓ **Develop** a financial strategy for discretionary spending

Appendix

Additional Health Care Topics

Key Dates for Medicare

Part A & B Regular Medicare	Part D Prescription drug coverage	Part C Medicare Advantage plans
<ul style="list-style-type: none">• 3 months before reaching age 65 (7-month enrollment window)• Late enrollment penalty, some exceptions apply	<ul style="list-style-type: none">• Initial enrollment deadline is the same as Parts A & B• October 15–December 7 annual enrollment window for changes	<ul style="list-style-type: none">• Similar to regular Medicare (Parts A & B)• October 15–December 7 to add, drop, or change• January 1–February 14 to drop existing plan and switch to regular Medicare if plan is non-renewing• Calendar-year enrollment• Limited ability to make changes

Medicare and Working Beyond Age 65

What you need to know

Working at a company with
less than 20 employees



Enroll in Medicare Parts A & B as Medicare will now be your “primary” coverage and your employer based coverage will be secondary.

Working at a company with 20 or
more employees



Are you already collecting Social Security?

Yes

You will be automatically enrolled in Medicare Parts A & B upon reaching age 65 but have the option to opt out of part B.

No

You do not have to enroll in any parts of Medicare. And you can later enroll during your Special enrollment Period and not be subject to late enrollment penalties provided you have had creditable health insurance.

I’m not collecting Social Security and Medicare Part A is “free,” shouldn’t I go ahead and enroll in Part A?

Pro

You can enroll in Medicare Part A, and Part A may pick up some hospital expenses not covered by your employer based coverage.

Con

Once enrolled in Medicare Part A (and/or B) you can no longer contribute to an HSA as Medicare is not considered high deductible insurance.



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