

Lisa Greenwald's Comments
2018 Retirement Confidence Survey
April 24, 2018

Thank you, Craig, and good morning everyone.

While overall retiree confidence in being able to live comfortably in retirement is statistically unchanged from last year, their confidence in other critical aspects of retirement have declined, and I think, have an important theme to them.

Retirees' confidence in being able to afford medical expenses in retirement is down. Last year, 77% were very or somewhat confident they could afford medical expenses. This year 70% are confident, including only 26% very confident. The share of retirees *very* confident that they could afford long-term care if they needed it is down: 20% last year and 16% this year.

In addition, retirees' confidence that Medicare will continue to provide benefits equal to what retirees receive today is down: 52% were very or somewhat confident last year and now fewer than half – 46% – feel confident, including just 7% who feel *very* confident.

For retirees in particular, this year's RCS underscores the significant impact health and health care costs can have on feelings of retirement security. 51% of retirees in very good or excellent health are *very* confident that they will have enough money to live comfortably throughout retirement, compared to just 15% among those in fair or poor health.

While retirees overall tend to say managing their health care costs in retirement is a relatively easy task for them, those in poor health have a much more difficult time. 28% of retirees overall feel managing their health care costs in retirement is difficult, but this jumps to 49% among those in fair or poor health. Those in fair or poor health are also much more likely

to find maintaining their pre-retirement lifestyle and managing their day-to-day finances difficult, compared to those in better health.

Health care costs continue to rise and are a major expense for retirees. In total, 44% of retirees say their medical expenses are higher than they expected. And that number rises to 55% among those in poorer health.

Despite the importance and significant impact health and health care costs can have on retirement security, it seems to be a blind spot in retirement planning. Only 39% of retirees tried to calculate how much money they would need to cover health care expenses in retirement, as part of their retirement preparations. 50% say they didn't even try.

Yet, there are signs that the attempted calculation may have helped those that did it. Only 12% of retirees who calculated health care expenses as they prepared for retirement say their health care costs are *much* higher than expected. Among those that didn't attempt this calculation, 21% are finding health expenses *much* higher than expected.

In addition, retirees who made this calculation are less likely to feel that managing their health care expenses in retirement has been difficult: only two in ten (19%) who did the calculation find managing their health care expenses difficult, compare to a third (34%) who didn't do this.

And finally, retirees that tried to calculate health care expenses as they prepared for retirement are more likely to be *very* confident that they will have enough money to live comfortably throughout retirement (43% who did the calculation are very confident versus just 26% among those that did not).

Clearly estimating and planning for health care costs in retirement is a critical step in retirement planning – one I believe too few are doing. So far, only 19% of workers have tried to calculate what their health care

costs in retirement will be. Even among near-retirees within 5 years of retirement, fewer than half (45%) have done this.

This is a gap in retirement planning that needs to be addressed, and workers want help. Specifically, 7 in 10 employees feel that a workplace educational program that addresses planning for health care in retirement would be very or somewhat helpful. DC plan participants are especially likely to express an interest in this type of program (76% participants vs. 63% non-participants).

As it has in the past, I think the 2018 RCS makes it clear that planning for health care in retirement is a key issue that retirement and health solutions providers, as well as employers and the advisory community, need to help Americans better plan for. Our data would certainly suggest that engaging in health planning for retirement can have a significant impact.

Now I will turn this back to Craig Copeland to discuss the role of DC retirement plans and more.