

Flying Blind: How Working Americans View Healthcare Costs in Retirement

A Sun Life Financial Unretirement Survey

May 4, 2011

Retirement and Healthcare Survey: Goals

This study explores how Americans perceive healthcare in retirement:

- Have Americans anticipated their retirement healthcare costs?
- Do Americans feel confident about meeting retirement healthcare costs?
- Have they made plans during working years to cover out-of-pocket healthcare costs in retirement?
- Has concern for meeting future healthcare costs sparked lifestyle changes during working years?
- How much do jobseekers and employees value healthcare benefits?

Key Healthcare and Retirement Findings

Flying Blind

- 92% of American workers either have no idea what their healthcare costs will be in retirement, or vastly underestimate those costs.
 - 40% of Americans have “no idea” how much they will spend on healthcare costs during their retirement years, and only 8 percent estimate costs of \$200,000 or more (which is considered a realistic estimate, according to industry experts*).

That Sinking Feeling

- 43% of Americans feel *not at all confident* about meeting healthcare costs in retirement, and a scant 9% feel *very confident*.
- Half of workers in their fifties feel “not at all confident” about meeting retirement healthcare costs.

Procrastination, or Denial?

- Three-fourths of Americans (74%) lack specific plans to cover retirement healthcare costs.
 - Only a third of those age 50 – 59 are making plans, and a meager 40% of those age 60 – 66.
 - 75% of Americans with over \$250K in net worth feel confident about meeting retirement healthcare costs, but only a quarter (26%) have made any provisions for meeting those costs.

* According to a 2010 report from the Center for Retirement Research at Boston College, an average 65-year-old couple free from chronic disease can expect to spend \$260,000 on remaining lifetime healthcare costs (including nursing-home care). In addition, there is a 5% chance that those same costs could exceed \$570,000.

Key Healthcare and Retirement Findings

Fear Begats Healthier Lifestyles

- Over one-half (53%) of Americans have made healthy changes in lifestyle (such as *improving diet, quitting smoking, getting more exercise, and reducing stress*) out of concern for future healthcare costs. Twelve percent have made major changes.
- 45% of thirty-somethings have changed their lifestyle over concern for future healthcare costs.

Healthcare Benefits Attract Jobseekers

- 92% of Americans find healthcare benefits *somewhat* or *very important* when evaluating a job offer.
- 55% categorize healthcare benefits as *very important*.
 - Almost one-fourth (22%) say their employer's healthcare benefits package proved the decisive factor in their acceptance of a job offer.

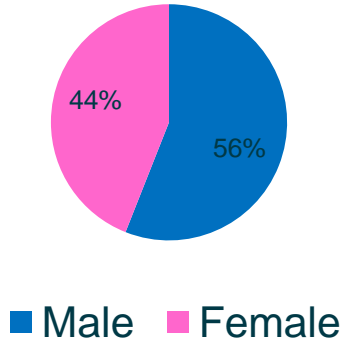
Robbing Peter to Pay Paul?

- 9% of Americans have already had to withdraw money from retirement savings, sell assets, or borrow money to pay for a serious illness or medical procedure. 51% of these people believe they will never be able to replace what they spent.

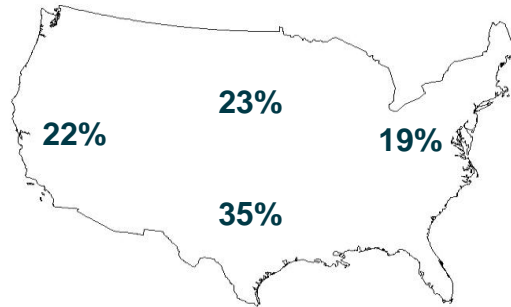
Respondent Profile

1525 Survey Respondents

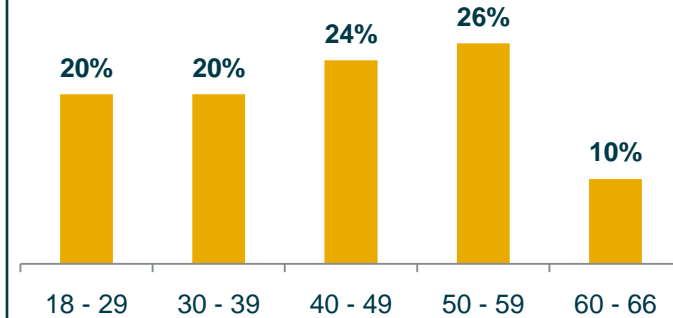
Gender



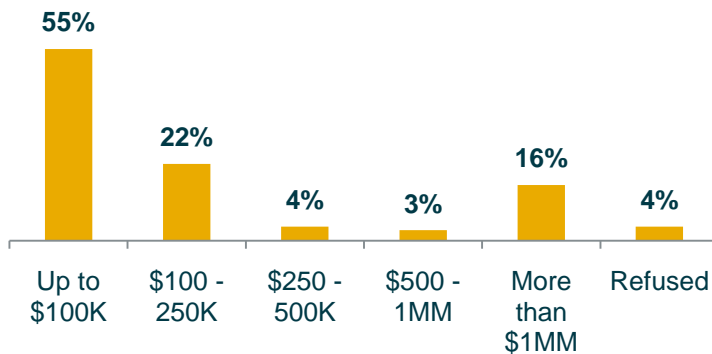
Region



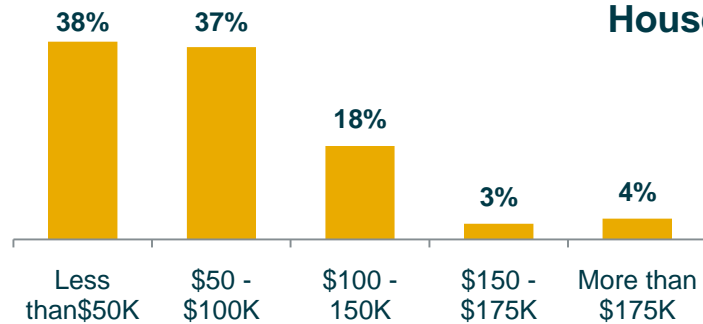
Age



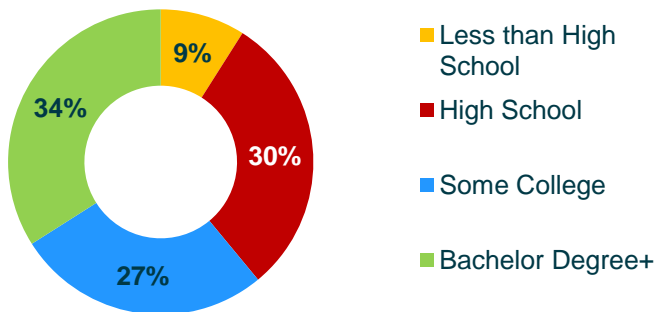
Net Worth



Household Income

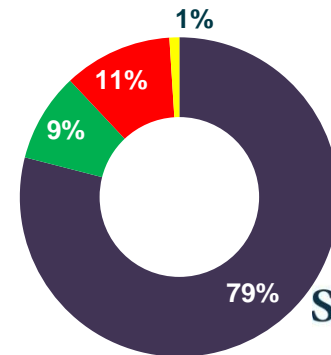


Education Level



- Employed Full Time
- Self Employed
- Between Jobs
- Refused

Work Status

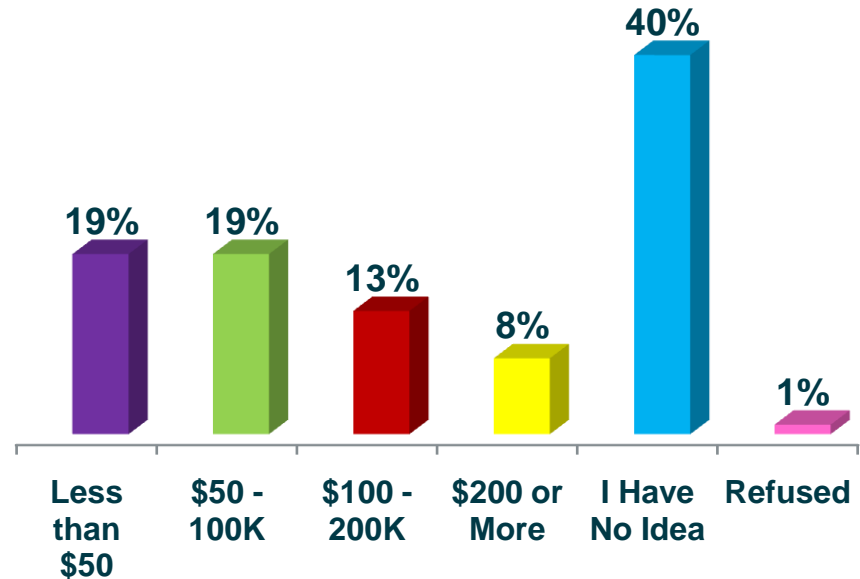


How much do Americans estimate they will spend on healthcare during their retirement years?

40% of Americans have no idea how much money they will spend on healthcare costs during their retirement.

N=1509

- Americans with a high school education are significantly more likely to say they *have no idea* how much they will spend (47%) than respondents with a bachelors degree (28%).
- Respondents with household income less than \$50K are significantly more likely to say they *have no idea* (53%) than Americans earning between \$100 – 150K (27%).
- The higher the level of net worth, the less likely respondents are to say they *have no idea* how much they will spend on healthcare.



Question:

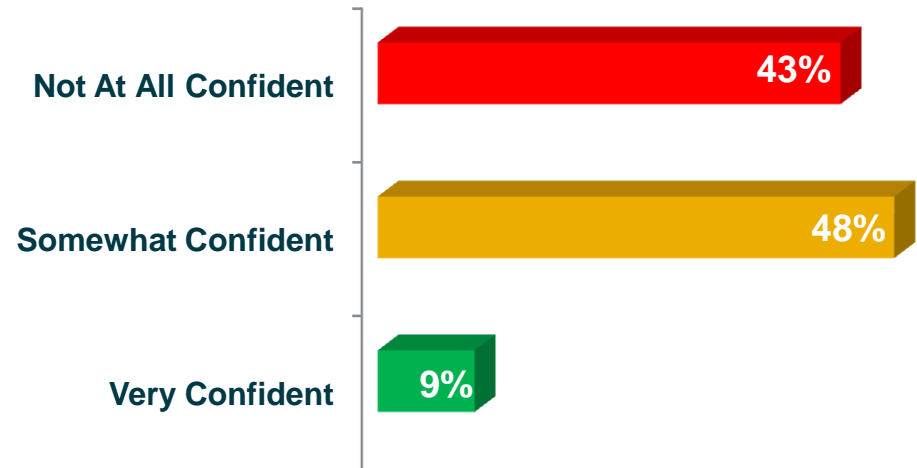
Q7. If you retired at age 67 and had to estimate how much your out-of-pocket healthcare costs would be for the rest of your life in retirement, what would you estimate they would be?

How confident are Americans in their ability to pay healthcare costs in retirement?

43% of Americans are *not at all confident* in their ability to pay healthcare costs in retirement and only 9% are *very confident*.

N=1513

- Male respondents are significantly more likely to feel *very confident* (12%) than Females (6%).
- Americans with a high school degree are significantly more likely to feel *not at all confident* (49%) than respondents with a bachelors degree (29%).
- Americans with a net worth of \$250 – 500K are significantly more likely to feel confident (*very + somewhat confident* = 75%) than Americans with net worth of \$100 – 250K (58%). Both groups are significantly more likely to feel confident than respondents with a net worth of less than \$100K.



Question:

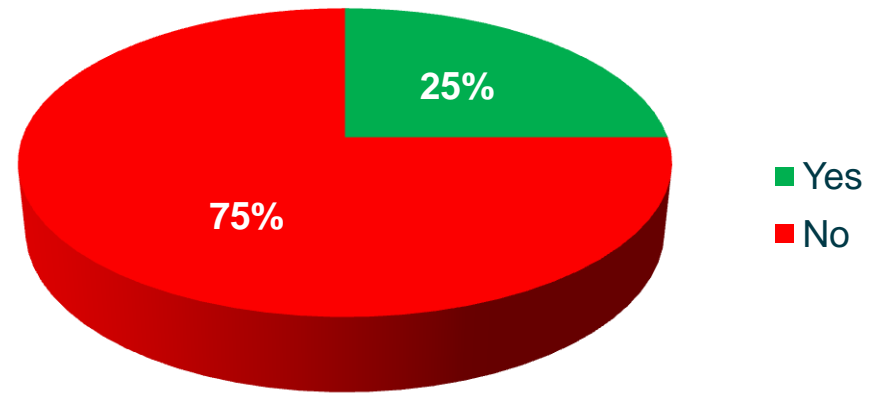
7 Q4. How confident are you in your ability to pay for your healthcare costs in retirement?

Are Americans making specific plans during their working years to cover healthcare costs in retirement?

Three-fourths of Americans lack specific plans to cover healthcare costs in their retirement.

N=1519

- Americans with a bachelors degree are significantly more likely to have specific plans to cover healthcare costs (34%) than respondents with a high school education (21%).
- Older Americans age 60 – 66 are significantly more likely to have specific plans (40%), than respondents age 30 – 39 (22%), age 40 – 49 (24%) or those age 50 – 59 (30%).
- Americans with high incomes (\$175+) are significantly more likely (47%) to have specific plans to cover healthcare costs than those earning \$50 – 100K (29%).
- High net worth individuals (more than \$1MM) are significantly more likely to have specific plans (51%) than those with net worth of \$100 – 250K (26%).



Question:

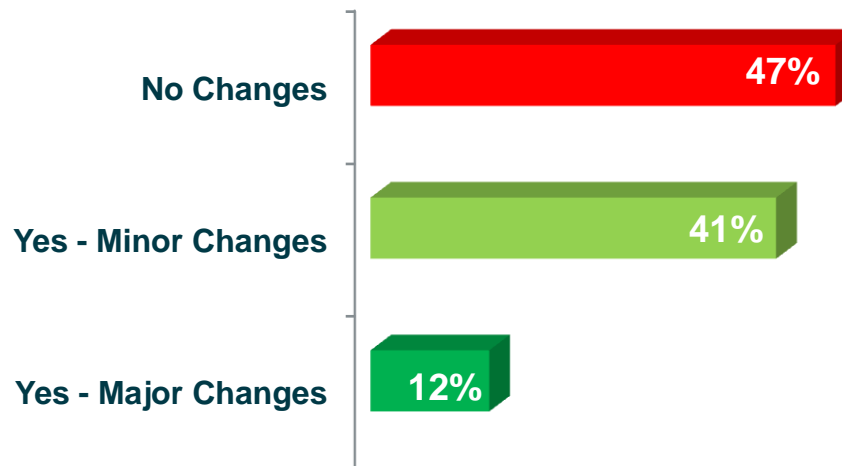
Q3. Are you making specific plans or arrangements during your working years to cover out-of-pocket healthcare costs in retirement?

Has a lack of confidence about their ability to pay healthcare costs in retirement motivated Americans to alter their lifestyles?

Over one-half (53%) of Americans have made lifestyle changes motivated by healthcare costs. Twelve percent have made major changes.

N=1364*

- Americans age 50 – 59 are significantly more likely to have made changes (major or minor – 61%) than respondents age 30 – 39 (45%).
- 74% of Americans age 60 – 66 have made either a minor or major change in lifestyle.
- Americans with household incomes over \$175K are significantly more likely to have not made any changes (68%) than those earning less (\$100 – 150K - 49%; \$50 – 100K - 43%).
- Americans with net worth of \$100K or less are significantly more likely to have not made changes (51%) than those with net worth \$250 – 500K (42%).



* Not At All or Somewhat Confident from Q4

Question:

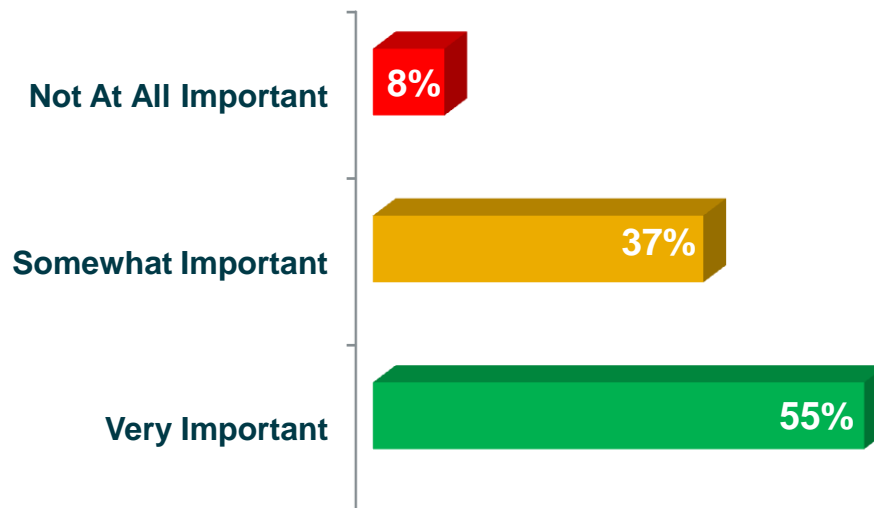
Q5. Has a lack of confidence about your ability to pay for long-term healthcare costs in retirement motivated you to alter your lifestyle such as improving your diet, quitting smoking, starting a stress reduction program or exercising more often?

How important are healthcare benefits when Americans decide whether or not to accept a new job/postion?

92% of Americans believe healthcare benefits are *somewhat* or *very important* when deciding whether or not to accept a new job/position, 55% believe they are *very important*.

N=1517

- Females are significantly more likely to characterize healthcare benefits as *very important* when deciding whether or not to accept a new job/position (60%) than males (51%).
- Americans age 30 – 39 (53%) or age 40 – 49 (60%) are significantly more likely to characterize healthcare benefits as *very important* than respondents age 18 – 29 (41%)
- Respondents with a new worth of \$250 – 500K are significantly more likely to characterize benefits as *very important* (68%) than respondents with net worth less than \$100K (48%) and those with net worth of \$1MM+ (41%).



Question:

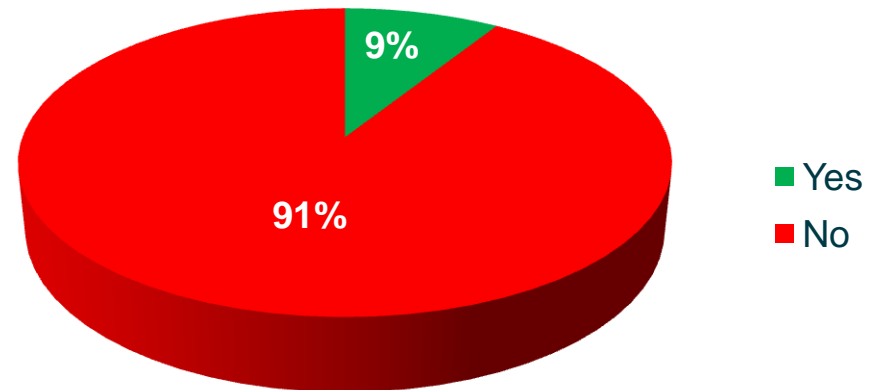
Q8. When considering a new job opportunity, how important are the healthcare benefits offered at work when deciding whether or not to accept the job/position?

Has a serious illness or a medical procedure caused Americans to take money out of retirement savings, sell assets, get a loan or borrow money?

9% of Americans say they have tapped retirement savings, sold assets, or borrowed money for a serious illness or medical procedure for themselves or a loved one.

N=1519

- Respondents with some college education are significantly more likely to respond *Yes* (13%) than those with a high school education (8%) or those with less than a high school education (9%).
- Respondents with a bachelors degree are significantly more likely to say *No* (92%) than those with only some college (87%).
- Respondents with household incomes of \$150 – 175K are significantly more likely to respond *No* (96%) than those earning less than \$50K per year (89%)
- Respondents with net worth of less than \$100K are significantly more likely to respond *Yes* (11%) than those with net worth of \$500K - \$1MM (5%) or those with net worth over \$1MM (1%)



Question:

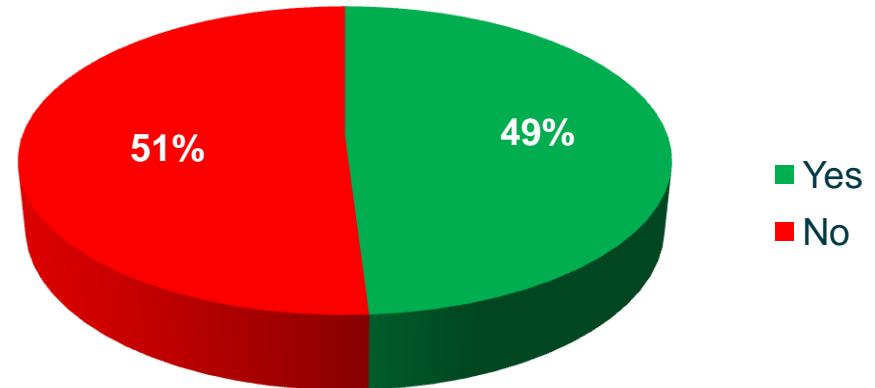
Q1. Have you ever had to take money out of you retirement savings, get an equity loan, sell assets or borrow money to pay for a serious illness or a medical procedure for yourself or a loved one?

Do Americans believe they can ever replace the retirement funds or investments they used to meet costs for a serious pre-retirement illness?

Just over one-half of respondents (51%) believe they will never be able to replace the money spent on a serious pre-retirement illness or medical procedure.

N=140

- Males (56% Yes) are more optimistic than Females (28% Yes)
- Americans in the Northeast (64% Yes) are more optimistic than Americans in the Midwest (44% Yes) or South (46% Yes)
- Not surprisingly, respondents age 18 – 29 (64% Yes) are more optimistic than respondents approaching retirement years (Age 50 – 59; 34% Yes)
- Also not surprising: Americans working as paid employees are significantly more likely to respond Yes (52%) than those who are between jobs (Yes 22%)



Question:

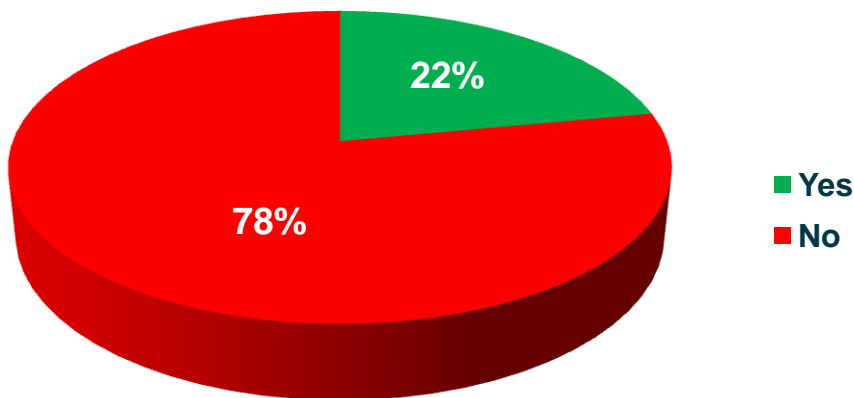
Q2. Have you already or do you anticipate being able to replace the retirement saving you spent on a serious illness or medical procedure before you retire?

Has a healthcare benefits package ever represented the decisive factor for joining a new employer?

Almost one-fourth (22%) of Americans say an organization's healthcare benefits package has represented the decisive factor for joining a new employer.

N=1395*

- Americans with a bachelors degree are significantly more likely to say *No* (86%) than respondents with a high school degree (73%) or less than a high school degree (70%).
- Respondents age 50 – 59 are significantly more likely to say *Yes* (28%) than respondents age 40 – 49 (18%) or those age 30 – 39 (18%)



* *Very or Somewhat Important* from Q8

Question:

Q9. Has a company's overall healthcare benefits package or employee contribution percentage ever been the single deciding factor of whether or not you joined a new company/employer?

Project Objectives and Methodology

Methodology

- Online survey conducted by FH Research with Knowledge Networks as the data collection partner.
- The research utilized the web-enabled KnowledgePanel®, a probability-based panel designed to be representative of the U.S. population. Initially, participants are chosen scientifically by a random selection of telephone numbers and residential addresses. Persons in selected households are then invited by telephone or by mail to participate in the web-enabled KnowledgePanel®. For those who agree to participate, but do not already have Internet access, Knowledge Networks provides at no cost a laptop and ISP connection. People who already have computers and Internet service are permitted to participate using their own equipment. Panelists then receive unique log-in information for accessing surveys online, and then are sent emails throughout each month inviting them to participate in research. More technical information is available at <http://www.knowledgenetworks.com/ganp/reviewer-info.html>.
- The research was fielded between March 4 and March 11, 2011.
- There were a total of 1525 qualified* respondents to the survey. The margin of error is +/- 2.5 at a 95% confidence level.

*Working full-time, part-time or between jobs/transitioning. Age 18 – 66.