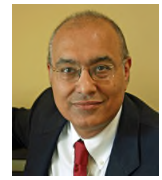
Dushyant Pandit
908-608-1608
dpandit@DorchesterAdvisors.com
www.DorchesterAdvisors.com



Things You Control

Tackling Retirement Health Care Expenses

20% of Medicare-eligible individuals have a good understanding of original Medicare; only 31% have a good understanding of Medicare Advantage.

63% are overwhelmed by Medicare advertising; only 31% "strongly agree" that they can make effective selection decisions.

58% stay in their current Medicare plan each year rather than reviewing their plan options and enrolling in the best plan for their evolving needs.

33% have a financial advisor, but only 2% use that advisor to help with plan selection.

Source: Sage Growth Partners, "Hidden Crisis: The Medicare Enrollment Maze," April 2022.

Many believe that Medicare covers all healthcare expenses. It does not. According to Fidelity, the well-known investment company, a single person age 65 in 2023 may need about $157,500 saved after taxes to cover health care expenses in retirement.

Our position is that health care expenses are significant enough that they warrant special attention as people transition into retirement.

First, as Fidelity points out, they are a large dollar amount.

Second, they may come as a surprise because many people are not used to paying for health care expenses. Before retirement, the health care costs are typically deducted from their paycheck before the money comes to their bank account. Therefore, they are not used to writing a check for health care expenses. This changes in retirement and the expense often comes as a budgeting surprise. (It's similar to the surprise that retirees face as they urgently payoff their mortgage thinking their housing costs will go to zero, only to realize that real-estate taxes will still exist, are significant, and keep growing till they actually sell their house). Therefore, we explicitly plan for healthcare expenses for clients.

Third, is the challenge of choosing the correct Medicare coverage. There are so many choices and options that many use a Medicare consultant to sift through their options. The Medicare department publishes an excellent book "Medicare and you", which is an ideal starting point for those in the early stages of figuring out their Medicare choice.

Smart planning for health care in retirement

Assessing your situation is the most important factor in determining the correct approach to health care – your health needs are almost as unique as your fingerprint!

1. Obtain the correct Medicare plan that best suits your needs.

2. Take advantage of a Health Savings Account if you are eligible for it. Much like an IRA, capital gains and earnings in an HSA are sheltered from taxes. Moreover, you may withdraw from an HSA and pay no taxes if

you use the funds for qualified medical expenses. You may also use your HSA to pay certain Medicare expenses, including premiums for Part B and Part D prescription drug coverage.

3. Plan for long-term care. According to current studies, people turning 65 have a 70% chance of needing long-term care at some point during retirement and Medicare may help a little, but not completely.

4. Take care of your health as carefully as you can. Most important!

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

When we hope or worry, we tend to look at the future and focus on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. Yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes..

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

17 Nov 2024
Dushyant Pandit
Founder and Investment Advisor

Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest is as important as getting up: Pay as much attention to accumulating money before you retire as you do to consuming it after you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.