

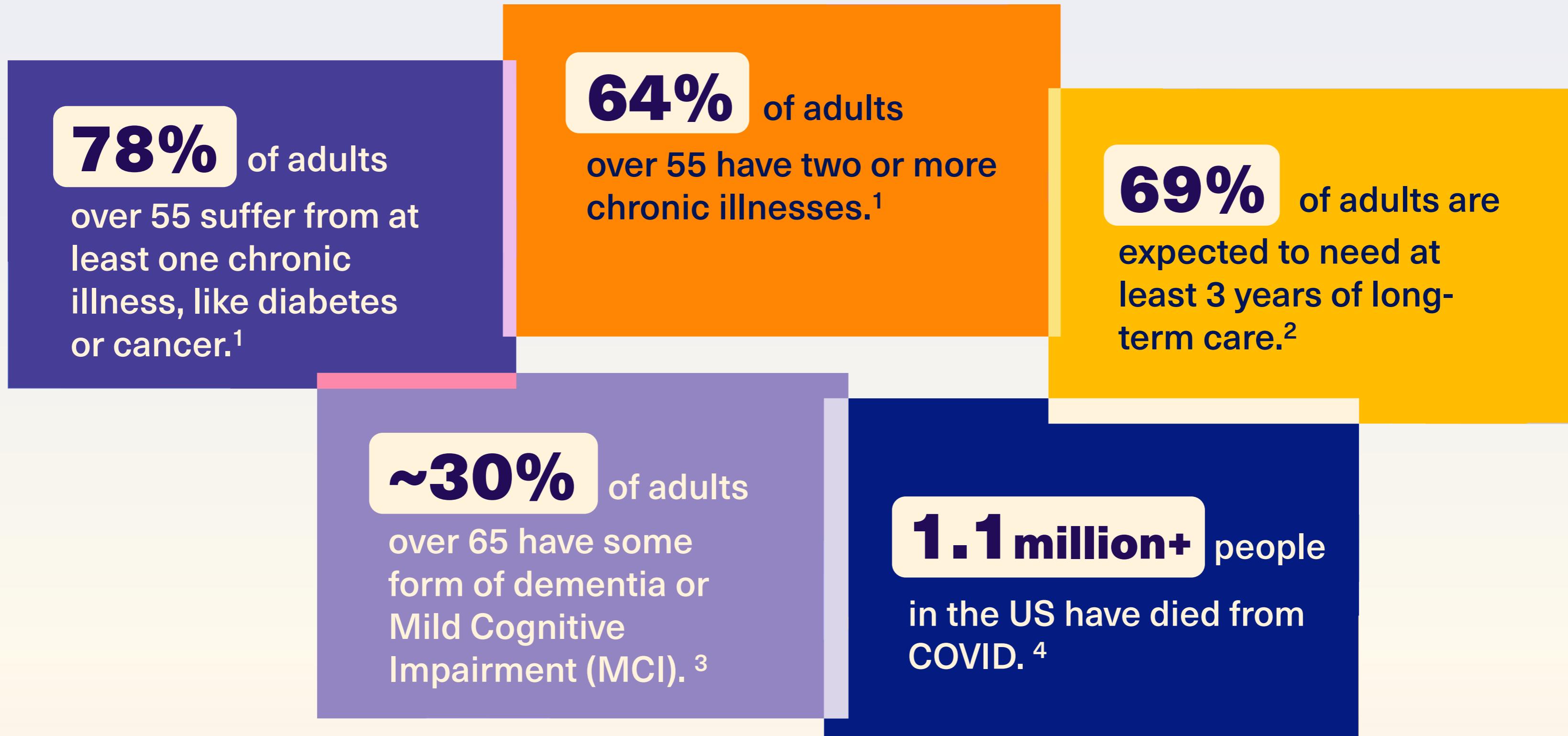
Why You Can't Separate Physical, Behavioral, And Cognitive Health From Financial Wellbeing

**The biggest threat to retirement security may not be
what you think**

What is the biggest threat to the retirement security of most adults?

- Stock market decline
- Economic recession
- Inflation
- None of the above

Health-related events and costs pose the greatest financial risk



Sources. 1 US Centers for Disease Control and Protection, National Center for Health Statistics, 2 U.S. Department of Health & Human Services, 3 Heye, C "Examining the Prevalence of Diminished Capacity" *Journal of Financial Planning*, August 2022, 4 US Centers for Disease Control and Protection

These risks can ruin any investment, savings, or financial plan, no matter how well portfolio risks are measured, aligned, or managed

67% of all bankruptcies in the US are caused by the inability to pay medical bills.¹



41% of US adults, or over 100 million, are in debt because of a medical or dental bill.²



20% adults with medical debt never expect to be able to pay it back.²



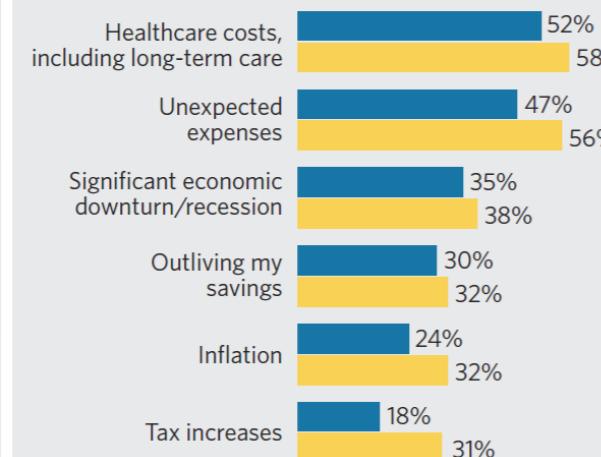
Surveys consistently show that people understand the severity of these risks

Greatest financial worries regarding retirement

Figure 11

Retirees

■ May 2020 ■ Mar 2021

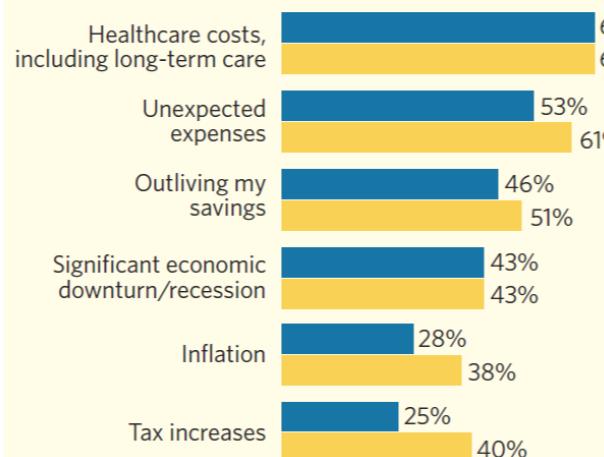


Base: U.S. retirees

Figure 12

Pre-retirees

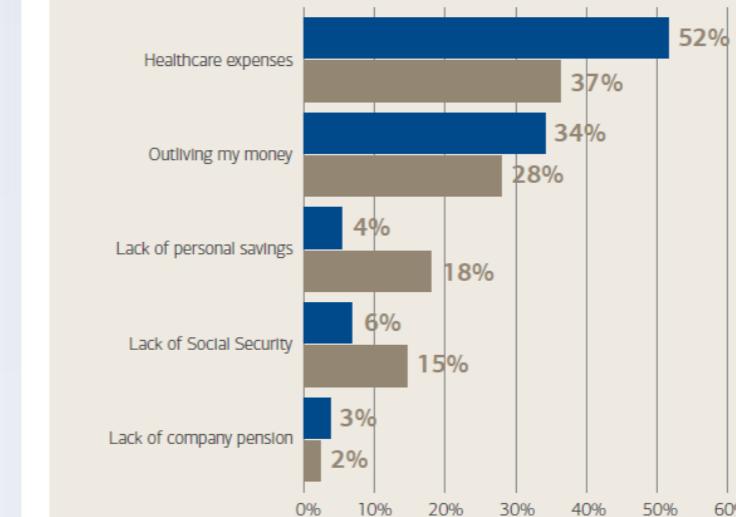
■ May 2020 ■ Mar 2021



Base: U.S. pre-retirees, age 50+ and planning to retire

Figure 8: Top financial worries for retirement

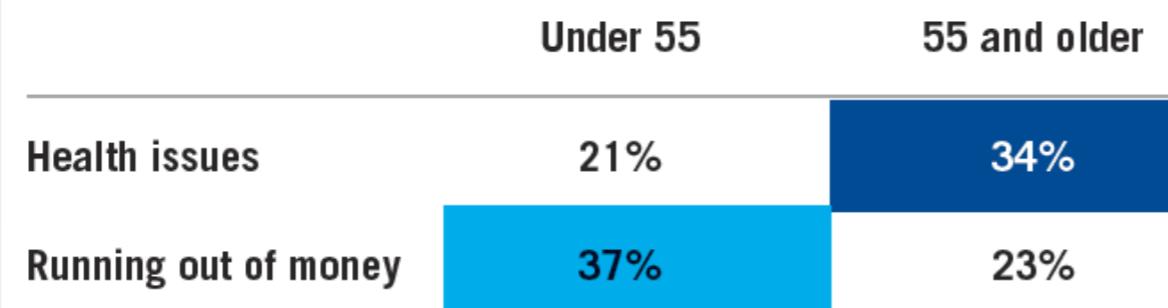
Population by Investable Assets: ■ above \$250k
■ below \$250k



Base: Total population

Which ONE of the following is your top concern for or during retirement?

(% responding 'top concern')

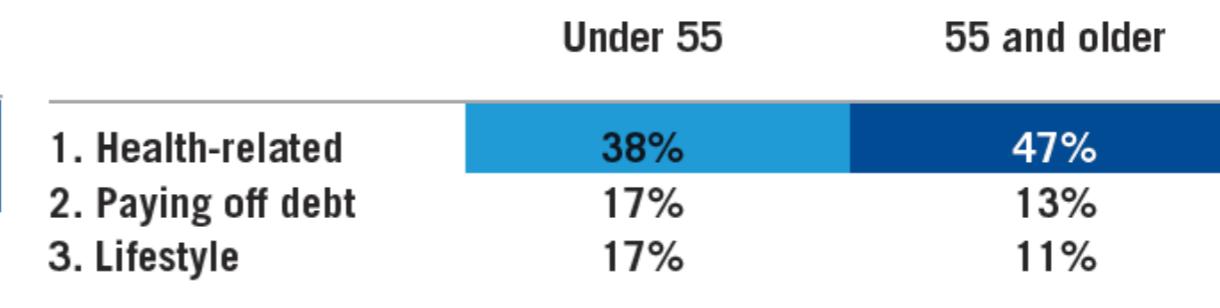


Note: 2019 Total n=2,002.

Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

Which ONE of the following expenses are you most concerned about paying in retirement?

(% responding 'top expense concern')



10 Health- And Longevity-Related Risks That Threaten Your Retirement Security

It's (a lot) more than just rising healthcare costs

#1 HEALTHCARE COSTS



**A 65-year-old couple retiring today
can expect to pay**

\$315,000

in health care costs (excluding long-term care expenses)¹

Health care costs have risen over

600%

in inflation adjusted terms since 1970²

#2 LONG-TERM CARE COSTS

69%

of adults will need at least three years of long-term care¹

Many people want to die at home, but most of them will require 24/7 care late in life at an average cost of about²

\$27 per hour

or about

\$19,400 per month

The average cost of 3 years of long-term care in California is³

\$438,000



Sources: 1 U.S. Department of Health & Human Services, 2 Genworth Cost of Care Data, 3 LTC Insurance Consultants

#3 ILLNESS OR DEATH OF INCOME EARNER

The average age of a first heart attack for a man is¹

65

The median age of a diagnosis of breast cancer is²

63

The typical widow outlives her husband by about³

12 years

Early onset dementia can occur while a person is in their

50's

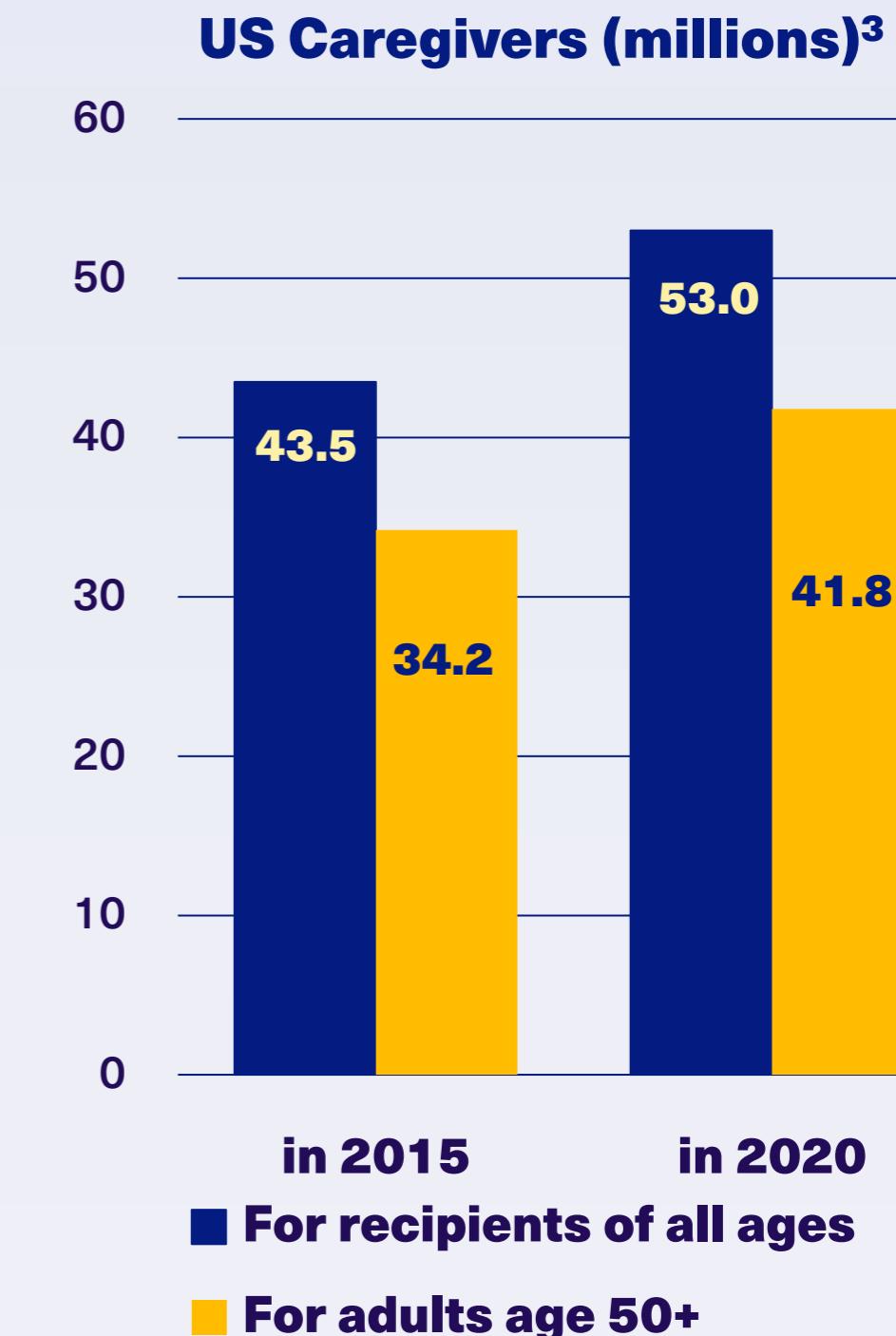


#4 CAREGIVING RESPONSIBILITIES



89%
of caregivers act as financial
coordinators (i.e., help with
paying bills, managing
investments, etc.)

70%
of caregivers provide
direct financial support²



Sources: 1 US Bureau of Labor Statistics, 2 "The Journey of Caregiving: Honor, Responsibility and Financial Complexity", Merrill Lynch study 2017, 3 Care.com

#5 LACK OF TRANSPARENCY IN FINANCIAL ORGANIZATION

Too often when someone dies, family members don't know how to access the deceased's financial account information, hard assets or other personal property.

Poorly organized finances can result not only in financial losses, but also high professional service fees and family discord.



#6 FINANCIAL EXPLOITATION



Estimates of the costs of financial exploitation range from¹

\$3.7 to \$35 billion per year

37%

of older adults experienced financial abuse in any five-year period²

On average, fraud victims lost³

\$72,000

#7 GAPS OR ERRORS IN ESTATE PLANS

ONLY

33%

of adults in the US
have a will¹

50%

have appointed a
Power of Attorney²

AND

45%

of adults over 55 in have no
estate documents at all³



#8 MEDICATION ERRORS AND SIDE EFFECTS



The average older adult in the US takes

4 or more

prescription drugs each day

39%

take five or more¹

Sources: 1 AgingCare, <https://www.agingcare.com/articles/polypharmacy-dangerous-drug-interactions-119947.htm>

#9 DRIVING AND OTHER ACCIDENTS

Adults aged 65-69 are
more likely to die if they
are involved in a car
accident than drivers or
passengers in their 40s.

2X

Adults over 80 are
more likely to die.¹

5X



Each year

3 million

older adults are
treated in emergency
departments for fall
injuries²

#10 OUTLIVING SAVINGS

73%

of consumers had outstanding debt when they were reported as dead

Americans are dying with an average of debt of¹

\$62,000

41%

US adults, or over 100 million, are in debt because of a medical or dental bill²



Sources: 1 Experian, 2 Kaiser Family Foundation

What can you do to reduce your financial risks?

There are many things you can do – and it doesn't need to cost a lot

Have a Plan

- More than savings and investment planning
 - Need to explicitly include health risk mitigation
 - Health costs, long-term care costs, caregiving expenses, etc.
- The behavioral psychology of planning
 - Start early
 - Review the plan on a regular basis
 - When the time comes to implement, you will be psychologically conditioned

Legal Documents



- Power of Attorney
- Will
- Trust

also

- Beneficiary designations, e.g., life insurance, retirement accounts

Healthcare Documents



- Healthcare proxy
- Living will
- Other advance directives, e.g., DNRT, Medical Orders for Life-Sustaining Treatment (MOLST)

Financial Account Monitoring

- Share financial account access info with trusted family members or friends
- Consider implementing a credit freeze
- Utilize fraud monitoring software, e.g., Eversafe

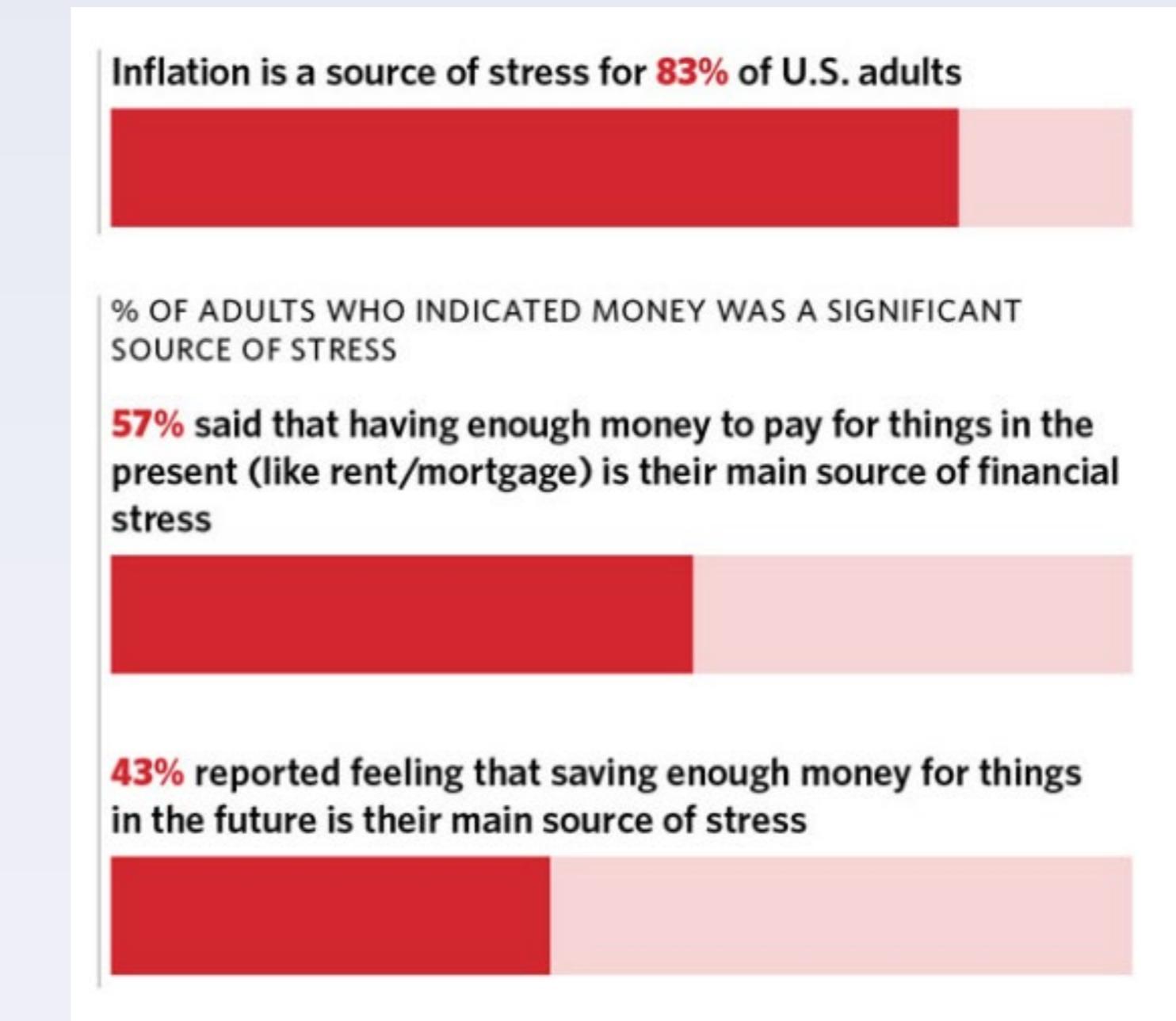
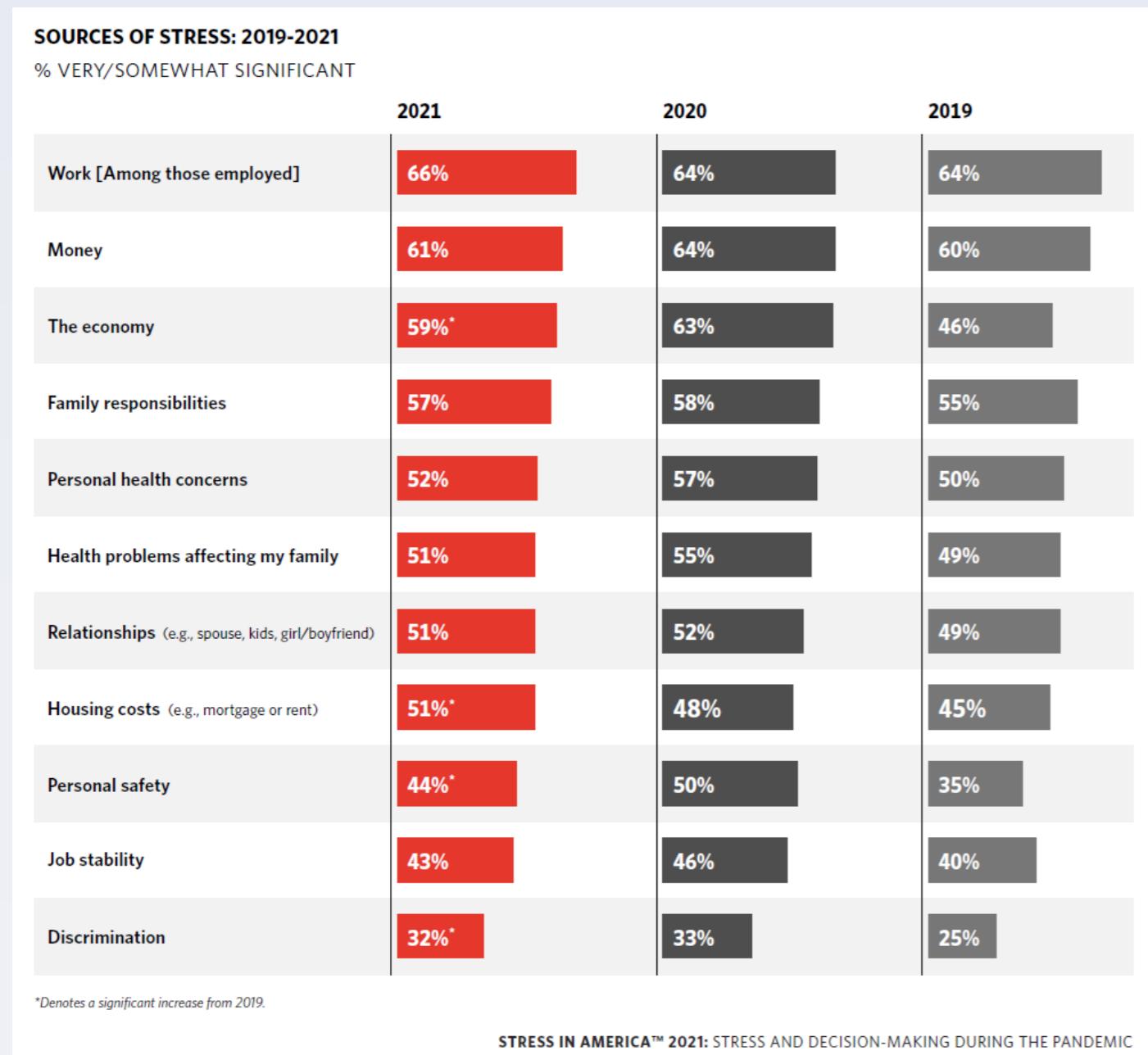
Lifestyle Changes

- Diet
- Exercise
- Sleep
- Stress
- Professional support

When should you start?

Maybe sooner than you think

More people are stressed out about money than they are about their health, personal relationships, or family responsibilities.



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