

Financial Lives After 50: Rethinking the Golden Years



A SHOCK TO THE SYSTEM

When Cathy had a health scare a few years ago, she ended up in the hospital. At the time, the mother of five adult children from Wheeling, Illinois was uninsured.

While Cathy anticipated out-of-pocket costs, she wasn't prepared for the total amount she was charged after spending time in the hospital: \$52,000. "I knew I was going to get bills because I didn't have insurance, but I didn't expect them to be in the range that they were," she says.

Cathy is far from alone. Healthcare costs comprise 13.4% of all spending by senior households (defined as a household led by someone who is 65 or older).¹ For low- to moderate-income households, the impact of these costs can be even more devastating. Such costs can cause many to go into debt or forgo healthcare altogether.²

The increased likelihood for medical shocks to cause financial instability for low- to moderate-income older adults stems from various factors, including gaps in insurance coverage, high out-of-pocket costs, and the inability to work. About 15% of these individuals ages 50-64 are uninsured. Even with insurance coverage, unexpected costs can add up. Roughly four in ten adults say they've received a medical bill within the last year that was unexpected³ – and those bills can grow exponentially during a medical scare. One in five older adults end up with debt collection related to medical care on their credit report.⁴

When Larry became sick in his early sixties, he found himself not yet eligible for Medicare and living without medical insurance that he once received from a full-time job. Being diagnosed with cirrhosis of the liver left both Larry and his spouse, Koren, saddled with debt. "We couldn't buy insurance to cover us and we weren't working," Koren recalls. "We were out there in the cold."

1 in 5

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care on their credit report.

¹ [Karla Bowsher, "This Is How Much Seniors Spend on Health Care Every Year," Money Talks News, September 7, 2019.](#)

² ["Redesigning the Financial Roadmap for the LMI 50+ Segment," Financial Health Network, 2019.](#)

³ [Ashley Kirzinger et al., "Kaiser Health Tracking Poll – Late Summer 2018: The Election, Pre-Existing Conditions, and Surprises on Medical Bills," Kaiser Family Foundation, September 5, 2018.](#)

⁴ [Jenifer Bosco, "Medical Debt Strategies for Older Consumers," National Center on Law & Elder Rights, October 2017.](#)



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per year on out-of-pocket medical expenses.

Even those eligible for Medicare are prone to financial shocks. Medicare only provides 80% coverage, leaving a gap for individuals to pay or seek additional health insurance to cover out-of-pocket expenses. In 2016, older adults on Medicare spent an average of \$5,460 on out-of-pocket healthcare.⁵

Thankfully, many older adults end up regaining their health despite the financial pain being long-lasting. In Cathy's case, she's back at work as a caregiver and focused on paying \$150 each month to work down her medical bill. Only once the bill is paid off is she willing to consider retirement: "It's going to take me quite a while to get out of it," she says.

The Best-Laid Plans Derailed

A medical shock can reroute existing plans in order to address immediate health concerns and further strap those who are already living paycheck to paycheck. Adults between 50 and 70 years old spend an average of \$27,000 per year on out-of-pocket medical expenses.⁶ Such a large expense forces individuals to evaluate various tradeoffs to withstand the shock: deplete savings, take on debt, or stay in the workforce longer than anticipated.

But continuing to work isn't always an option, as medical issues can render one unable to continue. Roughly 37% of people retire earlier than planned, primarily citing medical issues.⁷ This often tough decision can have a lasting

impact on one's overall retirement income and devastating consequences for one's long-term financial health.

For Verner, a retired Chicago college professor, the decision to retire wasn't entirely her own. When Verner was diagnosed with shingles, she didn't realize how much of an impact the health scare would have on her financial well-being. With lasting pain on the side of her face, she needed to leave her teaching career and asked for her retirement savings in a lump sum. But the financial move made her even more vulnerable for the years ahead. "Before I knew it, I had no money [left]," she recalls.

Since her illness, Verner has had to make ends meet on a fixed income and by substitute teaching. While formally retired, giving up substitute teaching would leave her in a precarious situation. "It's right for me right now...there's no age limit on it," she says.

FINANCIAL LIVES AFTER 50: RETHINKING THE GOLDEN YEARS

is a six-part video series that follows the lives of low- to moderate-income adults over 50 across the U.S. It offers an inside look at what it means to age in America and what needs to be done to foster financial resilience in millions of homes around the country.

Watch Episode 4 for a look at medical shocks.

⁵ Juliette Cubanski, "How Much Do Medicare Beneficiaries Spend Out of Pocket on Health Care?," Kaiser Family Foundation, November 4, 2019.

⁶ Serah Shin and Hyungsoo Kim, "Health Trajectories of Older Americans and Medical Expenses: Evidence from the Health and Retirement Study Data Over the 18 Year Period," *Journal of Family and Economic Issues*, v.39, 1, March 2018.

⁷ Alicia H. Munnell, "Retiring Earlier Than Planned: What Matters Most?," *Center for Retirement Research*, No.19-3, February 2019.

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