

LATE IN LIFE HEALTH PROBLEMS CAN DRAIN YOUR FINANCES

Most people are aware of the way a serious illness can ravage your finances. However, the later in life a serious illness occurs, the more damage it does to a person's finances. That means that seniors who want to maintain their wealth, need to start by maintaining their health.

In a study published in the third issue of 2008 of the Journal of Population Economics, researchers from Ohio State University discovered that when seniors develop a new and serious health problem, what they referred to as a "health shock", early in retirement, they lose a substantial amount of their savings immediately. But if they experience the health shock later in life, they lose even more money.



This study found that healthy seniors are 6 to 7 percent more likely to keep a significant portion of their savings, compared to those who have medical conditions. Using data from the National Institute on Aging's Asset and Health Dynamics of the Oldest Old (AHEAD) survey, the Ohio State researchers compared the long-term effects of pre-existing chronic health problems with those caused by the sudden onset late in life of one of the five most common health conditions: diabetes, cancer, lung disease, heart condition, and stroke.

They examined the way in which the wealth of over 5,500 AHEAD participants, age 70 or older, changed between 1995 and 2002 because of the onset of one of these health conditions. In 1998, participants who experienced a health shock lost approximately 5.5 percent of their overall wealth. However adding two years to their age caused them to lose 8.7 percent of wealth when a health shock occurred. By the time they were four years older, they lost 9.5 percent, an increase of 40 percent from when the participants were first studied in 1998.

The findings seem to indicate not only the high cost of American health care, but also how little Medicare does to assist seniors in meeting these costs. Medicare typically pays a little over half of one's medical bills, making patients, most of whom are living on a fixed income, responsible for paying the balance from their savings. The scenario worsens when you consider the fact that Americans are living longer, and the cost of health care keeps rising. The upshot is that even when a patient recovers physically from a health shock, the financial repercussions continue long after the condition is under control.

The lesson to be learned from all of this is that Americans need to plan for their retirement with health care costs in mind. People with chronic diseases in their family history should talk to their doctor about the likelihood of their developing these diseases. They should also make healthier lifestyle choices, lessening their risk of becoming sick.

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