



## Evergreen Realty Associates

235 Worcester Road

PO Box 1137

Sterling, MA 01564

Tel: 978-422-8181

Fax: 978-422-8383

[www.EvergreenRealty.com](http://www.EvergreenRealty.com)

## Senior Real Estate Matters

## Quarterly Newsletter – May 2010

### Health Savings Accounts Come Up Short

By Elyse Umlauf-Garneau

The Washington, D.C.-based Employee Benefit Research Institute (EBRI) has a bit of sobering news for those intending to rely heavily on a Health Savings Account (HSA) to fund medical costs in retirement.

HSAs (for more about HSAs, see, <http://treas.gov/offices/public-affairs/hsa>) were designed to allow people to save in a tax-advantaged way for health costs.

Such accounts require participants to be covered by a high-deductible health insurance policy. They then can direct money to an HSA and use the funds to pay for both current and future medical costs.

EBRI assessed how effectively HSAs can generate the necessary funds to pay for health insurance premiums and out-of-pocket expenses for health care during retirement.

The April 2010 report ([http://www.ebri.org/pdf/notespdf/EBRI\\_Notes\\_04-Apr10.HSAs-TaxExpendts1.pdf](http://www.ebri.org/pdf/notespdf/EBRI_Notes_04-Apr10.HSAs-TaxExpendts1.pdf)) found that contribution limits and low interest rates limit the ability of HSAs to grow large enough to cover retiree health expenses.

One example the research offers:

Based on current interest rates, if a 55-year-old in 2009 contributed \$3,000 to an HSA and the \$1,000 catch-up contribution each year for 10 years, a

total of \$48,300 would be in the account after 10 years at a 2 percent interest rate. At an interest rate of 5 percent, \$55,100 would be accumulated at the end of 10 years.

Yet that 55-year-old man, who would reach age 65 in 2019, would need between \$144,000 and \$290,000 in 2019 to (depending upon his use of prescription drugs in retirement) to have a 50 percent chance of being able to cover premiums and out-of-pocket expenses for Medigap and Medicare Part D.

“One of the difficulties in using an HSA to save money for premiums and out-of-pocket expenses during retirement is that contributions to the HSA are limited by law,” said Paul Fronstin of EBRI, author of the report. “As a result, the savings needed for retiree health care far exceed the savings potential of an HSA.”

Retirement readiness

Making the transition between work and retirement is the focus of a new MetLife Mature Market Institute study and workbook.

Though financial preparedness is important, a smooth transition to retirement entails more than just dollars and cents, according to the study

(<http://www.metlife.com/mmi/research/retirement-readiness-index.html#findings>) MetLife Retirement Readiness Index: Are Americans Prepared for the Transition?

It asked respondents to determine their progress on several key issues, such as when they'll retire and if they'll work part-time in retirement and how they'll balance leisure and work in retirement. Additional topics included how retirement would affect relationships and the amount of money they have and would need.

One takeaway for pre-retirees is the importance of advance planning.

After all, the study found that only a third (35 percent) of 45- to 49-year-old respondents felt prepared for retirement, while 64 percent of the 60- to 64- year-olds and 81 percent of 65- to 70-year-olds felt prepared.

It also found that more than half (52 percent) of respondents were behind in their savings goals, and 25 percent who were significantly behind. Only 28 percent were confident that they were on track or had reached their goals.

Yet only a third of people who say they would like to do some type of work when they retire have explored alternate careers, and still fewer, 10 percent, have focused on their employment prospects, according to Sandra Timmermann, director of the MetLife Mature Market Institute.

"A third have not created a contingency plan in case of a financial setback. The financial risks surrounding retirement have increased dramatically because of longevity, low interest rates, the volatile stock market, business performance and employment conditions, among other issues, and everyone should further consider the fact that illness and other unanticipated issues can have an impact on any plans," said Timmerman.

For pre-retirees, the accompanying workbook, Retirement Readiness Workbook

(<http://www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-retirement-readiness-workbook-.pdf>), could prove beneficial because it identifies what people need to consider before retiring.

Those topics are categorized and the workbook includes a scorecard to help users measure progress in each category.

The categories are:

- ❖ Work
- ❖ Leisure and activity
- ❖ Relationships
- ❖ Income and benefits
- ❖ Planning

"Deciding to retire without having substantially completed specific tasks can put a successful transition and satisfying retirement at risk. This type of planning can be complex and lengthy, so it's important that people start preparing as early as possible, even as early as their 20s, to ensure a more fulfilling and enjoyable retirement," added Timmerman.

### **Gay seniors' housing hurdles**

Lesbian, gay, bisexuals, and transgender (LGBT) seniors face all the worries normally associated with aging, such as care-giving, long-term care and financial stability. But they also contend with additional concerns about discrimination and finding housing where they can live openly and comfortably and in an environment of respect.

Several non-profit organizations and developers, both in the United States and Canada, have recognized the challenges facing this niche and have emerged with resources and LGBT-specific housing options.

If you're exploring LGBT housing options or need more information about LGBT-related aging issues, see:

- ❖ Gay and Lesbian Elder Housing, <http://gleh.org>
- ❖ -Gay and Lesbian Association of Retiring Persons, Inc. (GLARP) [www.gaylesbianretiring.org/index.html](http://www.gaylesbianretiring.org/index.html)
- LGBT Aging Issues Network (LAIN): [www.asaging.org/networks/index.cfm?cg=LAIN](http://www.asaging.org/networks/index.cfm?cg=LAIN)

- ❖ -MetLife Mature Market Institute: [www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-lgbt-planning-tips.pdf](http://www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-lgbt-planning-tips.pdf)
- ❖ -Palms of Manasota: [www.palmsofmanasota.com/site/index.php](http://www.palmsofmanasota.com/site/index.php)
- ❖ Rainbow Vision: [www.rainbowvisionprop.com/index.html](http://www.rainbowvisionprop.com/index.html)
- ❖ Services and Advocacy for Gay, Lesbian, Bisexual & Transgender Elders (SAGE): [www.sageusa.org/index.cfm](http://www.sageusa.org/index.cfm)
- ❖ -Urban Home: <http://urban-home.ca/home.html>

**Real Estate Matters: News & Issues for the Mature Market**  
**Evergreen Realty Associates**  
**235 Worcester Road**  
**PO Box 1137**  
**Sterling, MA 01564**  
**Judy Reynolds, CRB, CRS, e-Pro**

