

The cost of health: planning for the economics of aging

Managing Your Money

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Naturally, when planning for your long-term financial future, it is clear (especially these days) that we need to consider inflation, or a cost-of-living adjustment, usually somewhere around 2.5% over the long-term. But what can also be very costly, yet is often overlooked, is the cost of aging adjustment. Beginning somewhere in a person's 30s or 40s, the effects of aging start to appear. It could be some gray hairs, more frequent changes to their eyeglass prescription, or joint aches and pains that weren't there before. It's a process we all go through in one way or another, and for some it's an easier journey than others. Accounting for this inevitable progression through your financial plan can ease the ride, and provide the freedom to make choices that suit your needs best.

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The dollar amount or percentage rate at which aging increases the cost of living can vary widely depending on individual circumstances, such as lifestyle choices, health, economic factors, insurance coverage, etc. Generally, the rate will increase slightly each decade as the effects become more pronounced. The rate can also vary considerably depending on the extent a person wants to optimize their health and well-being. Of course, some of the costs associated with getting older can be considered discretionary but having a ‘cost of aging’ adjustment built into your financial or retirement plan can provide you greater freedom - freedom to choose better and broader alternatives to health and wellness as you face the inevitable challenges.

Each decade has its own specific health challenges related to vision, hearing, dental, and joint health. On top of the basic issues, the risks of chronic disease and cognitive issues increase with age. The later decades can also bring on needs for assistive devices, home health care or long-term care. We are so fortunate in Canada to have “free” medical care (yes, of course we pay through our taxes). However, I know that many people don't want to be fully dependent on the government and the public medical system. Last week I was

speaking to a client in her 70s who just spent \$7000 on two new hearing aids. A friend of mine in her 50s is undergoing private physiotherapy twice a week and the costs are already running into the thousands. Another client opted for hyperbaric oxygen therapy after a suspected mini stroke. I won't even mention how much that cost!

What I have seen personally is a larger emphasis put on health as people age- a focus on improving ‘healthspan’ and not just lifespan. I've also seen friends and family whose issues, or underlying conditions, have been “dormant”, but then flare up as they move through life. Hence why many people may choose or are forced to invest more in wellness at a certain point, with the goal of going above and beyond what the public medical system can offer them. As Peter Attia states in his best-selling book *Outlive: The Science and Art of Longevity*: “Unfortunately, in today's unhealthy society, “normal” or “average” is not the same as “optimal”.

As people head into their 30s, 40s or 50s, many will start spending more on wellness-related products or make dietary changes to support their health goals and address age-related concerns. These expenses can include the cost of vitamins, minerals, dietary supplements, and organic and specialty foods. The same can be true about physical fitness. Maintaining physical fitness and overall wellness becomes increasingly important as stiffness, aches and pains set in. Expenses associated with gym memberships, personal trainers, fitness classes, and wellness programs may arise as people prioritize their health and well-being.

Some people may choose or explore alternative or complementary therapies such as acupuncture, chiropractic care, massage therapy, or naturopathic treatments to manage health conditions or improve overall well-being. These therapies may involve out-of-pocket expenses, especially if they are not covered, or if the costs exceed medical insurance coverage. If budget allows, those faced with critical illnesses or particularly difficult cases may even opt to explore options in the United States. Consideration of these scenarios often pushes our clients to ask us about Critical Illness Insurance for them or their children that can help support these more extreme situations.

Another cost that can limit freedom is travel insurance. Often built into medical insurance offered by employers, it usually terminates at retirement. Health can be a major determinant of the rates you will pay for travel insurance, with costs continuing to increase with age. Unfortunately, I have had a few clients who were forced to limit their travel within Canada because the cost of travel insurance became exorbitant. If travel is an important element, consider the added impact travel insurance will have on your budget as you get on in years.



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As mental health becomes more widely talked about, and as younger generations are more open to getting mental health support, these expenses can also increase during certain periods. While mental health concerns such as stress, anxiety, and depression can often become more prevalent in one's 30s and 40s due to various life changes and stressors, these concerns can intensify during circumstances such as menopause and retirement, leading people to seek counseling, therapy, or psychiatric services through various life stages.

An element of getting older that may seem less significant to some but can be a very important part of looking and feeling good to others, is aesthetics. From coloring grey hair, whitening teeth, applying anti-aging serums and creams, to lasers, skin tightening treatments, and cosmetic surgeries, those who choose to “manage aging” in these ways can expect their cost of aging to be even higher. Preparing for those costs can help to maintain the expectations one might set for one's future self.

“When health is absent, wisdom cannot reveal itself, art cannot manifest, strength cannot fight, wealth becomes useless, and intelligence cannot be applied.”

Take action on this as you plan for the future. Consider what you are expecting as you age and think through different scenarios. On the next annual review of your financial plan with your wealth advisor, ask if they factor in ‘cost of aging’ in their projections. Ensure that the % they use is based on your personal circumstances and expectations. While the cost of staying healthy through life may seem high, consider this quote by Herophilus: “When health is absent, wisdom cannot reveal itself, art cannot manifest, strength cannot fight, wealth becomes useless, and intelligence cannot be applied.”



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