INSIGHTS

PACIFIC LIFE

Healthcare Planning for Clients: One Size Fits None

Healthcare costs are a major part of retirement planning, yet they're often viewed through a broad lens rather than a personalized one. But a host of factors, including a client's individual circumstances, can impact the outcome—so what should you be paying attention to?

Just like other aspects of retirement planning, costs and risks are driven by a range of factors. While many resources focus on enrollment timing and Medicare decisions, far fewer highlight the potential risks and planning gaps that can emerge after coverage begins. The conversation often starts and stops with three vital talking points:

Income-Related Monthly Adjustment Amount (IRMAA)	IRMAA impacts what clients pay for Medicare based on income, making tax planning and distribution strategies important to help manage premium surcharges.
Coverage Decisions	Choosing between Medicare Advantage, Medigap, and Part D plans can affect both monthly premiums and out-of-pocket expenses.
Enrollment Timing	To avoid penalties and ensure coverage begins at the right point in retirement, timing is critical.

But these factors are only a starting point. The bigger planning opportunity comes from understanding what drives healthcare costs over time, including location, longevity, inflation, and how far a client is from retirement. These variables can have a sizeable impact on long-term outcomes for healthcare costs—and can be devastating if ignored. A well-rounded strategy should account for both pre- and post-enrollment considerations, recognizing that healthcare costs are not a one-time decision but an ongoing component of the retirement plan.

Start with the Big-Picture View

Here are some factors to consider as you begin to develop your client's financial healthcare plan.

- **Longevity**

  People today live about three to four years longer than they did 30 years ago. This means more years in retirement—and more time for healthcare costs to add up. And it's not just about living longer but rather the cumulative impact of living longer with expensive healthcare requirements. Studies show that 93% of Americans age 65 and older have at least one medical condition, and 79% have two or more.[1] When you combine longer lifespans with higher rates of chronic conditions, it becomes clear why healthcare is such a significant and ongoing expense for retirees.

- **Inflation**

  This is tied closely to the longevity issue, as inflation can directly translate to increased healthcare costs over time. While often thought of in terms of general living expenses, inflation can steadily increase healthcare costs in terms of premium, prescription costs, and out-of-pocket expenses year after year. The longer the time horizon to retirement (and the longer a client is in retirement), the more exposure there is to these rising costs, which can materially change the overall picture of their retirement readiness. This is why healthcare should not be treated as a static estimate but instead as a dynamic component that must adapt as inflation pushes costs higher.

- **Location, Location, Location**

  Did you know retiring in Texas can be more cost effective than retiring in Florida? At first glance, that might be surprising to clients, as both states have no state income tax. The difference isn't about taxes—it's about healthcare costs. Where a client chooses to live can significantly impact what they pay for premiums, coverage, and out-of-pocket expenses. If clients have flexibility as to where they retire, factoring in healthcare cost differences by location may help them save money over time.

Clarify Your Clients' Understanding

For many clients, the familiar adage is true: A picture is worth a thousand words. Illustration tools can provide a clearer image about healthcare planning for a client's specific situation. Some go beyond simple estimates, allowing financial professionals to build dynamic, client-specific projections that show how costs could evolve over time. Instead of providing a single number, these tools can incorporate different results by adjusting IRMAA, inflation assumptions, and locations of the retiree.

Start Healthcare Planning Early

Planning for healthcare is an ongoing part of retirement planning and should not be treated as a one-time estimate. While it tends to come into focus towards the end of each year during open enrollment, those conversations shouldn't start there. Planning early can mean better choices for what can be one of retirement's most significant and evolving expenses.

ACTIONS YOU CAN TAKE RIGHT NOW

- **Identify pre-retirees who need to evaluate healthcare costs and begin planning.**
- **Run personalized illustrations to show clients during meetings.**
- **Have dedicated conversations about where clients may want to live in retirement.**

[1] U.S. Life Expectancy | Historical Data | Chart | 1950-2026. Macrotrends. Accessed June 23, 2026.

Additional Resources and Links

Healthcare Costs Vary Greatly

Healthcare Expense Analyzer Tool

Know Your Medicare Options

For more information about retirement planning, please contact our Retirement Strategies Group at RSG@PacificLife.com or (800) 722-2333, ext. 3939.

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