

Three Unexpected Retirement Costs

We all like to think we are prepared, especially for retirement. However, today we are going to talk about three ways that you might be underestimating your retirement costs. Even if you have a retirement plan in place determining how much money you need in retirement is easier said than done. There are so many variables that could impact your retirement savings. That said today we will talk about three reasons you could end up underestimating your retirement costs and paying the price later in life.

1. Medicare Confusion

Medicare can be a confusing system. Many people even assume that Medicare is free and that all health related costs will be paid for later in life. Sadly, this is a misconception. Medicare Part A is generally free and covers hospital stays. However, Parts B which covers doctor visits and Part D which covers prescriptions, charge an annual premium. Then you have to factor in copays and deductibles, just like a regular medical plan.

While those out of pocket costs might be a surprise, there is also a list of medical services that Medicare does not cover, including dental care, vision care and hearing aids amongst others. It is vital to educate yourself on the ins and outs of Medicare, just as you would any regular health plan.

2. Not planning for Long Term Care

You've likely heard that long term care is expensive. But what does expensive really mean in this case? Hundreds of dollars? Thousands? Tens of thousands? According to LongTermCare.gov here are some of the national average costs for long term care in the United States.

- \$225 a day or \$6,844 per month for a semi-private room in a nursing home(also called Long-Term Care Facility or Convalescent Care Facility) Licensed facility that provides general nursing care to those who are chronically ill or unable to take care of daily living needs.
- \$253 a day or \$7,698 per month for a private room in a nursing home
- \$119 a day or \$3,628 per month for care in an assisted living facility (for a one-bedroom unit)
- \$20.50 an hour for a health aide
- \$20 an hour for homemaker services
- \$68 per day for services in an adult day health care center

As you can see, those numbers add up quickly and I think we can agree that those numbers are likely to increase by the time you reach retirement age. It is better to assume you will need long term care than to hope you don't. Financially it can be a huge burden.

3. Hanging onto an aging home

There can be no debate that for many, the home is where the heart is. Many seniors live in homes that are mortgage-free, however that doesn't mean there are not monthly costs to consider. All you'll really need to do is plan on paying for property taxes, insurance, and some run-of-the-mill maintenance, right? Wrong.

Everything has a lifespan. Just think of you appliances alone? How old are they? Are you planning to replace them soon? According to the International Association of Certified Home Inspectors, here are the average lifespan for common household appliances and surfaces:

- Dishwasher 9 years
- Freezer 10-20 years
- Refrigerator 9-13 years
- Interior paint 10-15 years
- Exterior paint 7-10 years
- Carpet 8-10 years
- Central air 7-15 years
- Furnace 15-25 years

Those are just some of the pieces of the home. You can find a full lifespan expectancy from NACHI.org. As you can see an older home could be hiding several expensive problems just around the corner.

If you have a larger home that's aging, you might consider downsizing to a smaller property in retirement to keep your maintenance costs more manageable. Another option? Sell that home and become a renter. Though you'll give up the tax breaks homeowners get, if you plan on renting and land on a monthly figure you can swing, you won't have to worry about the many variables that come with owning property.

The last thing you want to do is kick off retirement before you're financially prepared. So be sure to take the above factors into account when planning for your golden years. Otherwise, you may be unpleasantly surprised at how much retirement ends up costing you.

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