



MANAGING YOUR COSTS IN RETIREMENT

HEALTH CARE

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Have you accounted for health care in your retirement plan?

Health care is one of the largest expenses you'll need to plan for during retirement. Yet many people don't take the time to consider these expenses when putting together a retirement plan. That could be because of a common misconception that Medicare will cover all your health care expenses. Also, with life expectancies on the rise, you'll most likely need to account for health care expenses for a longer period of time.



Did you know?

- Health care is the second-largest expense in retirement.¹
- Medicare is not free.
- Medicare does not cover all of your health expenses.

The amount you'll spend on health care during your retirement depends on a number of factors, including how healthy you are, how long you'll live, and the level of health care coverage you want. When you decide to retire can make a significant difference to your health care costs.

How much money will I need?

Since Medicare is the primary source of health care coverage for most retirees, a good place to start planning is understanding what Medicare actually covers.

For example, Medicare does not cover hearing aids, eye exams related to prescribing glasses, acupuncture, long-term care, or most dental care.

Your financial professional can:

- Help you estimate your future health care costs and incorporate them into your overall retirement plan
- Show you strategies that include growth and protection to help you address your health care costs in retirement

Married couple retiring at age **65**

Average health care costs
\$315,000²

Only 19% of people are “**very confident**” that they will have enough money to take care of medical expenses in retirement.³

¹ Bureau of Labor Statistics, Consumer Expenditure Survey 2020, accessed February 2024; Table 1300 Mean annual expenditures by age; Age 75+.

² Fidelity Benefits Consulting estimate, 2023. Health care and nursing home costs may vary by state.

³ EBRI 2023 Retirement Confidence Survey, April 27, 2023.

How does Medicare work?

Taking time now to learn about your Medicare options can help you choose the plan that is best for you. You can choose from two Medicare approaches: **unbundled** or **bundled**.

The unbundled approach to Medicare

Also referred to as Original Medicare, the unbundled approach allows an individual to purchase Medicare options separately.

UNBUNDLED—ORIGINAL MEDICARE

Part A: Hospital Insurance

Part B: Medical Insurance

Part D: Prescription Drug Coverage

Medigap optional: Fills gaps of coverage for Parts A, B, and D (deductibles, copayments, and coinsurance)

The ABCs of Medicare

MEDICARE PART A: HOSPITAL INSURANCE

Provides hospital coverage and limited skilled nursing facility coverage.

Part A enrollment	<p>You'll get Part A automatically if:</p> <ul style="list-style-type: none">■ You reach age 65 and are already receiving benefits from Social Security■ You are under age 65, have a disability, and have been receiving Social Security disability benefits for at least 24 months <p>If you are not automatically enrolled, you can apply in the seven-month period beginning three months before the month of your 65th birthday and ending three months after.</p>
Part A monthly premium	<p>You won't pay a monthly premium for Part A if:</p> <ul style="list-style-type: none">■ You are receiving or are eligible to receive Social Security benefits (including spousal and survivor benefits)■ You or your spouse have Medicare-covered government employment <p>Otherwise, your cost for Part A will be based upon your Social Security eligibility and the number of quarters you paid into the system.</p>
Part A hospital inpatient deductible and coinsurance	<p>You pay:</p> <ul style="list-style-type: none">■ \$1,632 per hospital stay deductible■ Days 1 - 60: \$0 coinsurance for each benefit period■ Days 61 - 90: \$408 coinsurance per day of each benefit period■ Days 91 - 150: \$816 coinsurance per "lifetime reserve" day■ Days 151+: All costs paid by patient
Part A skilled nursing facility deductible and coverage	<p>Beyond lifetime reserve days, you pay all costs:</p> <ul style="list-style-type: none">■ Days 1 - 20: \$0 for each benefit period■ Days 21 - 100: \$204 coinsurance per day■ Day 101 and beyond: You pay all costs

Source: U.S. Dept. of Health and Human Services, Notice CMS-8083-N, October 12, 2023

MEDICARE PART B: MEDICAL INSURANCE

Provides non-hospital medical coverage, including doctor visits and outpatient care. Does not include routine vision, dental, foot care, and hearing aids.

Part B enrollment	You'll get Part B automatically if: <ul style="list-style-type: none">You reach age 65 and are already getting benefits from Social SecurityYou are under 65 and have a disability and have been receiving Social Security disability benefits for at least 24 months If you are not automatically enrolled, you can apply during the months surrounding your 65th birthday; i.e., the three months before, the month of, and the three months following your birthday.			
Part B monthly premium—based on Modified Adjusted Gross Income (MAGI)	IF YOUR INCOME IN 2022 WAS		YOUR 2024 MONTHLY PART B PREMIUM IS¹	YOUR 2024 MONTHLY PART D IRMAA IS²
	FILE INDIVIDUAL TAX RETURN	FILE JOINT TAX RETURN		
	\$103,000 or less	\$206,000 or less	\$174.70	n/a
	above \$103,000 up to \$129,000	above \$206,000 up to \$258,000	\$244.60	\$12.90
	above \$129,000 up to \$161,000	above \$258,000 up to \$322,000	\$349.40	\$33.30
	above \$161,000 up to \$193,000	above \$322,000 up to \$386,000	\$454.20	\$53.80
	above \$193,000 up to \$500,000	above \$386,000 up to \$750,000	\$559.00	\$74.20
	Greater than \$500,000	Greater than \$750,000	\$594.00	\$81.00
	Part B deductible	\$240 per year		
Additional costs	You are responsible for a 20% coinsurance on doctor's services and outpatient care and any amounts over the Medicare allowed charge.			

¹ U.S. Dept. of Health and Human Services, Notice CMS-8085-N, Oct 12, 2023

MEDICARE PART D: PRESCRIPTION DRUG COVERAGE

To get Medicare Part D, you must be enrolled in Parts A and/or B, and you must join a plan run by an insurance company or other private company approved by Medicare. Each plan can vary in cost and drug coverage.

Part D enrollment	Initial enrollment is held during the seven-month period surrounding your 65th birthday: the three months before, the month of, and the three months following. If you miss enrolling during this time period, you may have to wait until annual open enrollment, which is Oct. 15 - Dec. 7.				
Premiums	You are responsible for a premium which varies by plan and income. The estimated national average monthly premium in 2024 is \$55.50				
Part D coverage		Prescription drug costs	What you pay	What Part D pays	Your cumulative out-of-pocket expenses
	Annual deductible	\$0 - \$545	100%	0%	\$545
	Initial coverage phase	\$545 - \$5,030	25%	75%	\$5,030
	†Donut Hole	\$5,030 - \$11,477.39	100%	0%	\$8,000
	Catastrophic	Above \$11,477.39	0%	100%	\$8,000

CMS Announcement of CY 2023 Medicare Advantage Capitation Rates and Part C and Part D Payment Policies, April 4, 2022.

* CMS Releases 2024 Projected Medicare Part D Premium and Bid Information July 31, 2023.

** Participants qualifying for Low Income Subsidies (LIS) attain out-of-pocket threshold at \$11,477.39 of drug spending; participants who do not qualify for the LIS \$12,477.11.

† In the donut hole, you'll get a 75% discount on Part D-covered brand-name prescription drugs and a 75% discount on covered generic prescription drugs, which is applied automatically at your pharmacy.

Optional Medigap Insurance



Medicare supplement (Medigap) insurance is sold by private companies to provide reimbursement for out-of-pocket medical costs. It helps “fill in the gaps” of Parts A and B by paying some of the health care costs that Medicare doesn't cover, such as copayments, extended hospitalization, coinsurance, and deductibles.

Medigap enrollment	<p>Enrollment: Six-month automatic enrollment period starts the first day of the month you are age 65 or older and are enrolled in Part B.</p> <ul style="list-style-type: none">■ During this period, you can't be turned down for preexisting conditions—if you miss this enrollment period, you could pay more or be denied coverage for preexisting conditions (the Affordable Care Act ban on denying coverage does not apply to Medicare).
Medigap coverage and information	<ul style="list-style-type: none">■ Flexibility to see any doctor that accepts Medicare.■ 10 standard plans offering different coverage, and plans vary depending on state.■ Cost of coverage will vary by plan and state.■ Some Medigap policies offer coverage for services that Original Medicare doesn't cover, like medical care when you travel outside the U.S.■ Medigap policies generally don't cover long-term care, vision or dental care, hearing aids, eyeglasses, or private-duty nursing.■ Any standardized Medigap policy is guaranteed renewable even if you have health problems. This means the insurance company can't cancel your Medigap policy as long as you pay the premium.■ You cannot have a Medigap policy at the same time you have a Part C Medicare Advantage Plan.

The bundled approach to Medicare

Also referred to as Medicare Advantage, the bundled approach allows an individual to purchase a health insurance plan from a private provider that covers Parts A, B, and often D.

PART C: MEDICARE ADVANTAGE Combines parts of Medicare A, B, and D

- It's a Medicare health plan offered through private insurers that contract with Medicare to provide you with all of your Part A and B benefits.
- Available in three formats: managed care plans (HMOs and PPOs), private fee-for-service, plans or medical savings accounts.
- Private insurers may be able to offer lower premiums than Original Medicare, but can limit you to in-network providers.

Medicare Advantage enrollment	<p>Initial enrollment is held during the seven-month period surrounding your 65th birthday: the three months before, the month of, and the three months following.</p> <p>Open enrollment: Oct. 15 - Dec. 7.</p>
Medicare Advantage coverage and information	<ul style="list-style-type: none">■ Hearing, dental, and vision may be covered.■ Most offer prescription drug coverage.■ Most plans require that you use in-network doctors, hospitals, and other providers or costs may increase for out-of-network providers.■ Each plan can charge different out-of-pocket costs, which range from \$3,850-\$8,850.**■ You usually pay one monthly premium to the plan in addition to your Part B premium and copayments. The average monthly premium is \$18.50.***

Source: “Medicare and You, 2024”; Centers for Medicare & Medicaid Services; CMS Product No. 10050; December 2023.

** CMS, “Contract Year (CY) 2024 MOOP and Cost Sharing Limit Calculations”, Table 1 CY 2024 In-Network Mandatory and Lower MOOP limits; September 6, 2023; Accessed December 2023.

*** Kaiser Family Foundation, “Medicare Advantage 2024 Spotlight: First Look”, November 15, 2023

BUNDLED—PART C MEDICARE ADVANTAGE

An all-in-one plan

— Includes Parts A and B

— Often includes Part D

Here is an average cost example using the unbundled approach. This example shows Medicare coverage for a married couple with Modified Adjusted Gross Income (MAGI) of less than \$206,000 per year.

Coverage	Average annual cost
Part A: Hospital Insurance provides hospital coverage and limited skilled nursing facility coverage	\$0 Premium
Part B: Medical Insurance provides non-hospital medical coverage; for example, doctor's visits	\$2,096 Premium
Part D: Prescription drug coverage: Medicare drug coverage	\$666 Premium
Medigap: ² Optional Medicare supplement insurance that's sold by private companies to provide reimbursement for some out-of-pocket medical costs (Does not cover vision, hearing, or dental)	\$3,636 Premium
Out-of-pocket expenses (deductibles, copays, and coinsurance not covered by Medigap, plus dental, vision, and hearing expenses) ³	\$2,408 Premium
Total per person	\$8,806 Premium

¹ CMS Releases 2024 Projected Medicare Part D Premium and Bid Information July 31, 2023

² Median Cost for Low-deductible Plan G Male Age 65 Non-smoker in Overland Park KS (66013); Median Cost for Plan G Male Age 65 Non-smoker is \$303. Medicare.Gov Medicare Plan Finder; <https://www.medicare.gov/find-a-plan/questions/medigap-home.aspx> October 2023

³ Mean out-of-pocket Spending for Beneficiary in "Good Health". AARP Public Policy Institute: "Medicare Beneficiaries' Out-of-pocket Spending for Health Care", December 2021

Income products can help you cover health care costs

Annuities that provide growth and protection can be part of your strategy to meet the challenges of health care costs in your retirement. Your financial professional can help you decide if an annuity is right for your situation.

At Prudential we offer a variety of strategies that can help you cover health care costs. Our annuities can:

- Help protect your retirement during market downturns
- Offer the opportunity for growth
- Provide tax deferral advantages
- Give you the flexibility to access your account value if needed (subject to contract terms)

Make a plan to pay for health care in retirement

Your financial professional can suggest strategies, including annuities, that can help you cover your health care costs. If you start planning today, you can face the future with more confidence.

How an annuity can help

An annuity is a long-term investment designed to create lifetime income in retirement. With some annuities, the money is allocated to professionally managed investment portfolios where it accumulates tax deferred. When you retire, your savings can be used to generate a stream of regular income payments that are guaranteed for as long as you live. Investment returns and the principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original investment. In addition, variable annuities provide a guaranteed death benefit for your beneficiaries.

It's important to note that with annuities, withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% tax. Withdrawals or surrenders may be subject to contingent-deferred sales charges. Prudential offers a choice of variable annuities to fit your specific retirement needs.

Investors should consider the features of the contract and the underlying portfolios' investment objectives, policies, management, risks, charges and expenses carefully before investing. This and other important information is contained in the prospectus, which can be obtained from your financial professional. Please read the prospectus carefully before investing.

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