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What keeps you up at night? For millions of Americans, it's the question of how they will fund their healthcare expenses in retirement.

A survey from Franklin Templeton Investments about retirement costs found that Americans are most concerned about how they'll cover medical and pharmaceuticals

bills. Those fears are well-founded, given the high costs of nursing homes, assisted

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“With proper planning, healthcare costs in retirement are within the means of average and wealthy Americans, provided they are able to afford a Medicare supplement policy.

“But you have to understand how the Medicare system works and what you can expect to pay in out-of-pocket costs throughout your retirement. You must budget for them. For retirees who have enjoyed strong employer health benefits and are unprepared for retirement, the out-of-pocket cost difference can cause an uptick in blood pressure.”

Kearney explains the costs and coverages of different parts of Medicare:

- **Medicare Part A.** Part A was the original Medicare, covering hospitalization. There are no monthly premiums, although a \$1,340 deductible applies as of this year. “After 60 days of hospitalization, the patient becomes responsible for a \$335/day coinsurance,” Kearney says. “After 90 days, the coinsurance goes to \$670/day. After 60 more days, the patient’s coverage runs out.”
- **Medicare Part B.** The optional Part B covers doctor and treatment costs. “Premiums average \$134 per month and patients are responsible for 20 percent coinsurance,” Kearney says. “And with a 20-percent Part B coinsurance, many seniors can expect to pay several thousand dollars or more out of pocket each year. If you have long-term conditions requiring extensive care, it is easy to see how Part A and Part B out-of-pocket costs can eat away even a large nest egg.”
- **Medicare Parts C and D.** Part C, also called the Medicare Advantage plan, is run by private companies and requires a larger premium. “It provides more coverage options such as vision, dental, pharmaceutical, and wellness programs,” Kearney says. “Part D covers prescription drugs, and the older we get, the more likely we are to need them.”

- **Medicare Supplement Policy.** “Without this, the assets you worked all your life to

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