

OPINION

This is how much you should plan to spend on dental and medical costs in retirement



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The least fun aspect of retirement planning is figuring out how much you'll spend on dental and medical costs.

Nailing down your budget for travel, entertainment and other activities is the most fun part, while food and shelter are automatic. With health and dental costs, you're contemplating expenses that potentially cost a lot, bring no joy and document your body's natural decline into old age.

Longer lifespans and a strained health care system add some urgency to including health and dental costs in your retirement budget. But how much should you plan to spend on out-of-pocket expenses not covered by provincial health care plans?

I asked financial planners and advisers this question on my [LinkedIn page](#) recently and got some refreshingly specific answers worth sharing.

Sheldon Craig, a certified financial planner (CFP), said \$300 a month for a couple. Steve Bridge, also a CFP, said \$4,000 a year per couple, depending on the situation, while CFP Zael Miransky suggests people look at what their current health-related bills would be if they didn't have any sort of coverage and then add 10 per cent.

Graham Mayes, chief investment strategist and partner at Exponent Investment Management, said he recently met with several clients and went over their exact expenses. He found that most people had to put aside \$4,800 to \$5,300 a year to cover out-of-pocket expenses for health-related matters.

One more perspective comes from CFP Rona Birenbaum, who said in a recent conversation that retirees who haven't bought a health-insurance plan might want to budget \$5,000 to \$7,000 a year for health-related costs. "Health care and dental care is something that most retirees and seniors underestimate significantly," she said.

The starting point of effective retirement planning is figuring out how much money you'll need after you leave the work force. Health-related spending could be the hardest calculation for people who have worked for an employer with benefits covering at least some of the costs of dental care, prescriptions, glasses, chiropractic care, physiotherapy and more.

It's easy to have only the sketchiest idea of the cost of health care if your workplace benefit premiums are deducted from your paycheque and you just pay the deductible or copay amount when filling a prescription or paying for dental work. Also, many of your health-related expenses will likely be lower in your working years than they are in retirement.

The biggest savings when you're done working is no longer having to save money for retirement. The biggest new cost could easily be related to health care.

A fortunate few retirees will continue to benefit from workplace health and dental benefits, possibly with age limits on coverage. The human resources and pension consulting firm Mercer Canada says its database of workplace health plans shows that about 20 per cent of companies with 500 or more employees currently offer benefits to retirees.

There are premiums to be paid and deductibles in most cases, but Mercer's take is that these plans are better than the health care insurance available to retirees and others from life and health insurers.

Ms. Birenbaum said these plans might cost in the area of \$400 to \$450 a month for a retired couple, plus copay amounts when you make a claim. She also noted

limitations in coverage, particularly on dental care. “The math of these policies doesn’t always make a lot of sense,” she said.

A couple of planners noted that inflation is a big factor in estimating how much you’ll spend out of pocket on health care in retirement. While the overall inflation rate has declined to 4.3 per cent, the year-over-year cost increase for prescription drugs and dental work is in the 7-per-cent to 11-per-cent zone.

If a financial planner has already mapped out your retirement finances, why not give your plan a read to see if it accounts for the thousands of dollars you’ll likely spend on dental costs and health care not covered by your provincial plan? If you don’t see these expenses specifically accounted for, ask your planner for a rewrite.

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