

## How to Plan for the Navigating Complexity Phase of Retirement



In the early 1900s, robbing a bank was simple. Robbers picked a bank, waited until nightfall, then blew open the vault with dynamite. In the 1920s, banks added complex alarm systems and blast-proof vaults. A new era of security was expected, but it never happened. During that time, Herman Lamm's gang stole over one million dollars.<sup>1</sup> How? Each person on his team had a role: Lookout, lobby man, vault man, and driver. Lamm overcame banks' complex security systems through effective planning.

Likewise, you'll need effective planning when you enter what the MIT AgeLab calls the "navigating complexity" phase of retirement. It's the third of four phases. In the earlier phases, life is simpler. Healthcare may consist of annual checkups. Expenses are somewhat predictable. Most people can drive and don't need a caregiver. Later, life gets more complex. It becomes a full-time job to manage more frequent medical appointments, medications, stretched finances, and mobility challenges. These challenges can seem daunting. But, like Lamm's bank robbing method, it's better to be aware and plan for them ahead of time, rather than to be surprised by them as you age.

### We'll Cover Complexity Caused by Declines in:

- Physical resources
- Cognitive resources
- Social resources
- Financial resources



**74%**  
OF CONSUMERS ARE  
**CONFUSED  
BY EOBS  
(EXPLANATION  
OF BENEFITS) &  
MEDICAL  
BILLS**

Source: 2016 Trends in  
Healthcare Payments Annual  
Report, InstaMed, 6/13/17.  
Most recent data available.

### First, Complexity Increases as Physical Health Declines

Nearly 95% of older adults have one chronic condition and 80% have two or more.<sup>2</sup> People 80-84 take an average of 18 prescriptions per year.<sup>3</sup> You'll likely have more medical tests to schedule and be dealing with more medical specialists and pharmacists. Plus, you'll have more healthcare decisions to consider.

Depending on your medical needs or if you become hospitalized, you may be transitioned from the hospital to a rehab facility, then back home, or to a long-term care facility. This cycle can repeat itself if you take longer to recover or your health worsens.

### More Medical Care; More Paperwork

You'll get bills from doctors, hospitals, rehab facilities, and other providers. You'll get insurance statements from Medicare, or insurance companies, that summarize what medications and services are covered and which ones aren't. These statements say, "This is not a bill." But they certainly look like one, because they indicate amounts you're responsible for.

It's a daunting task to keep track of them all. But you should, because a study found that 49% of Medicare-paid claims have at least one error.<sup>4</sup> Other groups that review bills on patients' behalf found error rates close to 80%.<sup>4</sup> In addition to increasing paperwork, caregiving often adds complexity in this retirement phase.

### In Earlier Phases of Retirement, When Your Health Is Better, Your Need for Caregiving Is Likely Minimal

It may only consist of phone calls from family or periodic check-ins. Family members may remind you to refill prescriptions or take medications on time, in the correct dose, and with the appropriate meal.

In the navigating complexity phase, other caregiving needs may emerge, such as transportation to the doctor's office or routine home maintenance, such as changing a light bulb. In many instances, a caregiver may also serve as a healthcare advocate or intermediary, speaking with physicians, pharmacists, and other medical providers.

Caregivers may also assist with financial responsibilities such as paying bills or balancing the household checkbook. Increasing physical frailty or limitations may require a

### Managing Your Health Can Become a Full Time Job<sup>3</sup>



**85%** of older adults have at least one chronic disease

**60%** have at least two



**15** On average, individuals 65-69 years old take nearly 14 prescriptions per year

**18** Individuals age 80-84 take an average of 18 prescriptions per year



caregiver to help with activities of daily living, such as washing, dressing, and toileting, adding significant physical and emotional demands to the caregiver.

### **How to Manage Complexity of Declines in Physical Health**

To reduce complexity in this phase, try to avoid the need for medical treatment. Stay in the best shape possible with a healthy diet and exercise plan. Staying healthy can also lessen your need for caregiving. Schedule annual health screening tests to identify health problems as early as possible. Many of these screening tests are completely covered by insurance or Medicare.

To help manage your medical needs, consider finding a geriatrician. They can design care plans to address your needs by managing your medications, coordinating treatments, and answering healthcare-related questions.

### **Second, Complexity as a Result of Cognitive Decline**

Forty-five percent of 80–84-year-old adults experience some level of cognitive impairment.<sup>5</sup> If your ability to reason declines, you may need help making decisions related to your finances, health, and property. Even if you're not affected by cognitive decline, an illness may put you in a state of mind where you're simply overwhelmed by the complexity of these decisions. Cognitive decline can also put you at risk of being taken advantage of by people that prey on older consumers.

### **How to Manage Complexity of Decline in Cognitive Resources**

If your mental capacity declines to a point where you're incapable of making important decisions on your own, consider arranging a durable power of attorney. This involves designating someone you trust to make financial decisions on your behalf, typically your adult children. About half of people over age 70 have set up a durable power of attorney.<sup>6</sup> The "durable" aspect of this arrangement allows the designated person to make financial decisions both while you're mentally capable and also when you're not. It's essential to set up this agreement while you're of sound mind, otherwise, the agreement may not be valid.

**Medical Power of Attorney:** You also can create a durable medical power of attorney to assign someone to make medical decisions on your behalf. Without this, you'll be leaving medical professionals and possibly ill-prepared family members to decide when and how to provide life-prolonging treatments. Consider working with an elder care attorney to set up these agreements. In addition to getting decision-making help from others, there are things you can do to maintain your mental health.

**Learn New Things:** Strive to keep your brain strong. Neuroscience research found that learning new things, especially outside of your area of expertise, significantly lessens the risk of memory loss and slows down brain aging.<sup>7</sup>

Consider taking a free, online college course. Massive Open Online Courses (MOOCs) offer courses on thousands of subjects. Since they're free, you don't get official college credits, but you can still learn new and interesting things and get a certificate for courses you complete. These accessible courses were designed with individual enrichment and enjoyment in mind, rather than credit accumulation.

### Third, the Complexity of Declining Social Resources

As we age, our social network tends to shrink. We lose half of our friends every seven years.<sup>8</sup> As we lose friends, we become at risk of dementia, mental health challenges, and chronic conditions like heart disease.<sup>9</sup> If our health declines as a result of isolation, we may be forced to make complex decisions about where to live, such as moving to an assisted-living community, or a nursing home. The downside of losing

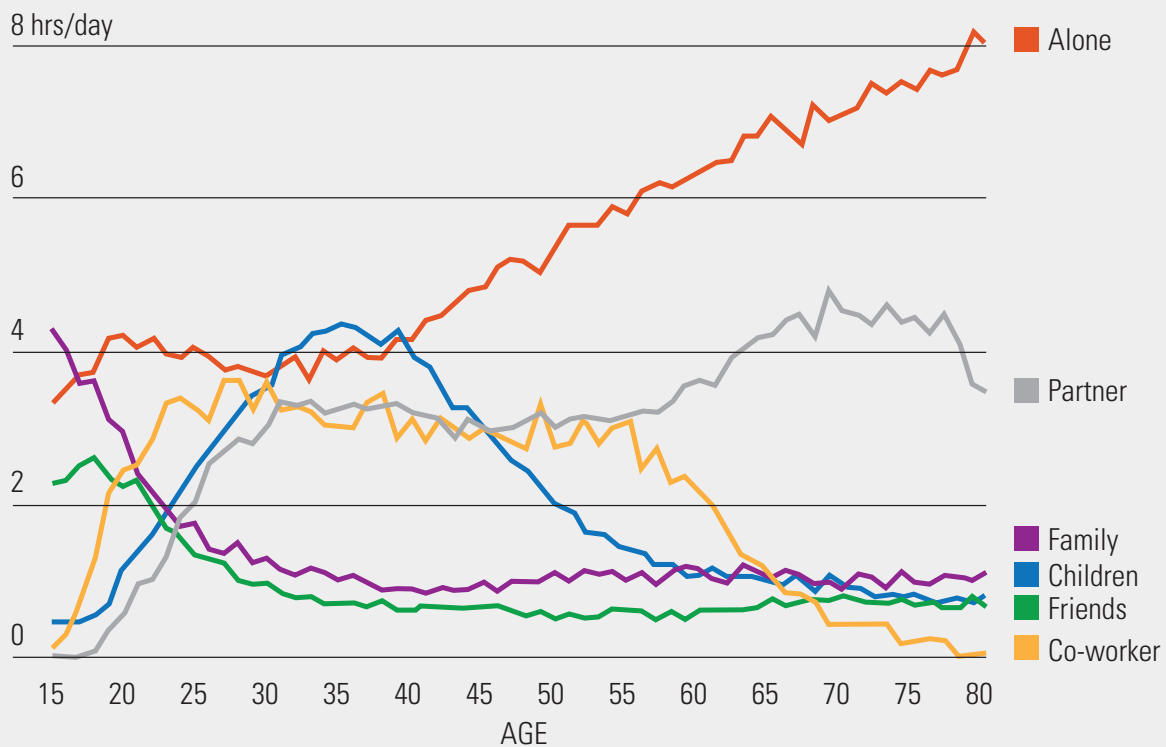
friends is significant, but if you can maintain friendships, there's an upside.

### A Strong Social Network Can Improve Health

Strong social play a significant role in promoting your overall health. Adults with strong social connections have a reduced risk of many significant health problems, including depression, high blood pressure and an unhealthy body mass index (BMI). In fact, studies have found that older adults who have meaningful relationships and social support are likely to live longer than their peers with fewer connections.<sup>10</sup> If keeping friends is so important, why do we lose them?

We tend to lose friends in this phase because of mobility challenges. Because of declining health, driving to visit a friend or family member can be challenging, for both you

### As We Age, We Spend More Time Alone











Source: *The Trick to Keeping Friends as We Get Older*, The Wall Street Journal, 11/20/18. Most recent data available.

and your friends. Friends your age could be managing their health-related issues which makes driving and maintaining connections a greater challenge. Since keeping friends is more difficult than it was when you were younger, it requires more planning and effort to keep them.

### How to Keep Your Friends in this Phase

To make and keep friends, be intentional about it. Try to find someone you can do something with weekly, such as going to the gym, watching a movie, or having lunch. Sticking to this kind of consistent schedule can be challenging because of medical appointments and other commitments. But to make close friendships, your friends will need to be a top priority in your schedule.

### Consider these ideas for finding new friends:

-  Do volunteer work
-  Enroll in a college course
-  Frequent a neighborhood coffee shop
-  Use online social networking to meet others
-  Join a travel club
-  Enroll in an exercise class
-  Ask family and friends for an introduction to others
-  Attend a senior center

You may be able to find friends online. Stitch is a website built to help people over 50 make friends. Consider signing up to find new friends in your area. Stitch makes it easy to meet others in a group setting, whether it's a new movie, exhibit, or just dinner.

### Fourth, Complexity with Finances

In this phase, you may need to make decisions that have large financial consequences. One of these may be about where you'll live. If you continue living at home, you may need to make home modifications, such as widening hallways, adding ramps, installing no-step showers, and more. Basic modification project costs (e.g. a bathroom renovation including flooring, sink, faucet, and shower) average \$9,500.<sup>11</sup> A whole-home aging in place renovation averages \$50,000.<sup>11</sup>

Depending on your health, you may need help with household chores. If you don't have family to help, you could hire help. Home-health aides cost on average \$28,080 per year based on 20 hours of help per week.<sup>12</sup> Getting help around your

house could be expensive, but the financial impact of having to move out of your home can be even more costly.

### Aging in Your Home Can Increase Your Risk of Falls, Which Could Lead To A Broken Hip

A broken hip will keep you from driving, meaning you wouldn't be able to get to the grocery store or doctor appointments. A broken hip can also make it impossible to cook, clean, and maintain your home. These challenges could prompt you to consider moving to an assisted-living community, or a nursing home. The average cost of assisted living is \$54,000 per year and a nursing home is \$108,405.<sup>12</sup> Along with the high cost of housing in this phase, healthcare costs also tend to rise considerably.

Total health care spending for Americans 65 and older is about \$15,000 per year, on average, nearly three times that of working-age Americans.<sup>13</sup> Fidelity estimates that a couple will need \$315,000 for healthcare in retirement.<sup>14</sup> You might think, "That's OK, I'll have Medicare." But traditional Medicare only covers about 80% of healthcare costs, and it doesn't cover anything for assisted living or nursing home expenses. You're responsible for the rest and there's no limit on how much you could have to pay out of pocket.

### How to Plan for Financial Complexity

A financial professional can help you navigate the complexity of this phase by anticipating your financial needs. And they can offer guidance, or connect you with other professionals, to help with decisions on Medicare choices, such as Medicare options A-D, and supplemental coverage options A, B, C, D, F, G, K, L, M, and N. These options may reduce your risk of large healthcare expenses.

If you want to age in your home, consider hiring a certified aging in places specialist (CAPS) or an occupational therapist. They can help you determine home modifications, and costs, that will make it easier and safer for you to age in place.

If you're not sure if you want to age in your home, a retirement community, an assisted-living community, or a continuing care retirement community, a geriatric care manager can help you and your family understand the pros and cons of each option. They'll also know about the quality and cost of these options.

### **With All the Complexity in This Phase, It Sounds Like All Doom and Gloom**

The challenges facing us in this phase of retirement are significant. As a result, you might think that living through them will be sad and depressing. Surprisingly, despite the complexity and increasing costs, things probably won't be as glum as you'd expect. A 2015 *Gallup-Healthways State of Well-Being Rankings for Older Americans* revealed that people over 75 had the highest level of well-being in the areas of purpose, social, financial, community, and physical.<sup>15</sup> Another study found that our psychological well-being peaks at age 82.<sup>16</sup>

### **When Planning for the Navigating Complexity Phase, Remember These Four Things**

- First, as your health declines, you may be managing multiple health problems. These problems mean more tests, more treatments, and lots of bills and statements to keep track of.

- Second, if your mental capacity begins to slip, you may need help making decisions. Consider setting up a durable power of attorney with a loved one.
- Third, we tend to lose friends as we age, and isolation can become a risk. Be intentional about making and keeping friends.
- Fourth, finances get more complex because of healthcare and housing needs

### **You're Never Sure When You Might Enter the Navigating Complexity Phase**

We tend to think of retirement as one long vacation where we get to rest, relax, and enjoy ourselves. Alternatively, the MIT AgeLab says retirement has four phases: the honeymoon phase, the big decision phase, navigating complexity phase, and the solo journey phase. Each phase has its distinct challenges. The trick is that we're never sure when we're going to enter each phase. Like Herman Lamm's detailed bank heist planning, we'll increase our chances of successful retirement if we anticipate and plan for the challenges we'll face in each phase.

### **Next Steps**

1. Visit [hartfordfunds.com](http://hartfordfunds.com) and search for our *8,000 Days* MIT AgeLab white paper that describes the four phases of retirement
2. Visit the healthcare section of AARP's website to learn about health insurance options
3. Meet with your financial professional to create a plan for navigating complexity phase



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- <sup>11</sup> How Much Does It Cost to Remodel a Home for Aging in Place? FIXR, 2/24/21. Most recent data available.
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- <sup>16</sup> Here are the ages you peak at everything throughout life, Business Insider, 3/16/17. Most recent data available.

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