



Broken Promises

Companies are slashing retiree medical benefits. Here's what you can do about it. BY MICHELLE ANDREWS

When Al Rodgers retired in 2001 after 32 years with Lucent Technologies, he didn't worry about how he would pay for medical care. Under the company's retiree-benefits plan, Rodgers thought he could count on subsidized health insurance for himself and his wife, plus dental and drug coverage. But that was then, this is now. Last year, Lucent eliminated his subsidized dental benefits; this year the company dropped subsidized health insurance for dependents for a portion of its former management that included Rodgers. His

drug co-payments have also risen sharply. As a result, he is now shelling out almost \$350 a month more for less coverage.

To help pay their health-care bills, the couple has cut back on entertainment such as movie nights and restaurant meals. The resulting drop in their expenses, combined with their earnings from part-time jobs at a local weekly newspaper, enables them to just about cover the additional costs. But Rodgers, 61, a former public relations specialist at Lucent's Oklahoma City manufacturing facility, says he feels shortchanged. He notes

bitterly: "This is a real financial hardship."

Unfortunately, there are no easy solutions for retirees like Rodgers. But there are strategies you can use to better plan for the medical expenses you'll face when you leave the work force, and to find the coverage you need if you're already retired. Planning ahead is critical. Just over a third of companies with 200 or more workers now offer retirees some form of health benefits, down from 66% in 1988, according to the Kaiser Family Foundation. Meanwhile, employers that still offer retiree health benefits are scaling back across the board and sharply raising premiums and co-payments on the remaining coverage. (For details on these cutbacks, see "Future Shock" on page 50.)

As a result, retirees, already adjusting to life on a lower income, are faced with an increasingly heavy financial burden, especially in the years before they become eligible for Medicare. The Employee Benefits Research Institute (EBRI) projects that, if recent trends continue, a typical retiree who is 65 now and lives to be 90 will need to save nearly \$300,000 to pay his premiums (including Medicare) as well as his out-of-pocket medical bills, if he has coverage from a former employer. That same retiree will need to save around \$180,000 if he instead relies on Medigap insurance to supplement Medicare. Eric Tashlein, a financial planner in Milford, Conn., says, "Health-care expenses are easily the largest underestimated cost in retirement."

To make sure you don't get caught short, take the following steps now.

BENEFIT BUST

To keep costs down, more and more employers are cutting medical benefits for retirees.

COMPANIES WITH BENEFITS:

In 1988	In 2004
66%	36%

SOURCE: Kaiser Family Foundation.

