Inflation and rising health care costs can be big issues for retirees.

However, when you've followed up on the items on our list, you will have taken a big step toward managing those issues.

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TALK TO YOUR FINANCIAL PROFESSIONAL

They can provide you with more guidance on how you can plan a retirement that aligns with your income and spending goals.

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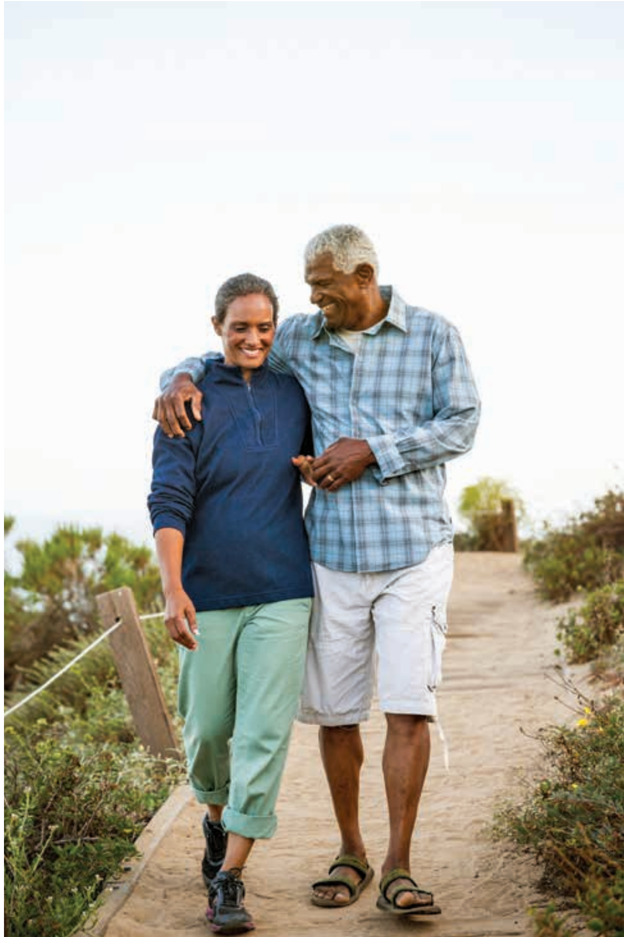
Inflation and rising health care costs

Why inflation is a retirement concern and how you can prepare for it



Why does inflation matter to retirees?

Until recently, the inflation rate in the United States had been fairly low. After record highs in 2022, the Consumer Price Index (CPI) dropped to 4.1% in 2023, finished 2024 at 2.9%, and closed the year of 2025 at 2.6%.[1] As a result, inflation and rising costs remain a concern for the general population, and especially for those in retirement.

This is because retirees have spending habits that are different from those of the general population. The "consumption basket" (a collection of goods and services used to measure inflation or spending trends) for retirees (those individuals age 65 and older) shows that they spend more of their money on health care costs and medical services than the general population. In fact, when compared to younger age groups, retirees aged 65+ spend 12.7% of their income on health care expenses versus only 7.9% for all ages.[2]

Health care spending is projected to be one-fifth of the economy within a decade.[3]

From 2024 – 2033, U.S. health care spending is projected to increase an average of 5.8% and account for more than 20% of the nation's gross domestic product (GDP).[3]

Now more than ever, retirees need to consider the number of years they might be in retirement. With better health care and longer life expectancies, someone retiring today at age 65 could expect to live another 20-30 years, based on life expectancy tables. Even with a modest inflation rate of only 2.5%, costs would double after about 28 years.

So how can you prepare for these increasing expenses during your retirement?

[1] U.S. Inflation Calculator, Historical Inflation Rates: 1915 – 2026.
[2] U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, September 2025.
[3] Centers for Medicare & Medicaid Services, National Health Expenditure Fact Sheet, Projected NHE, 6/24/2025.

How to prepare for rising health care costs and other expenses

Fortunately, you can utilize certain strategies today to help you deal with the impacts of inflation in the future.

1. **Understand how inflation could impact your retirement expenses.** Determine your potential retirement income expenses and consider the impact of inflation on your consumption basket.
2. **Estimate how many years you may be retired.** Consider your current health status and your potential life expectancy. If you are married, consider the possibility that one of you may live for 30 years or more in retirement.
3. **Familiarize yourself with Medicare options.** Keep in mind that Medicare does not cover everything and supplemental insurance may be necessary for you, which would add to your monthly expenses.
4. **Begin a review of your retirement income sources.** Determine whether cost-of-living adjustments or increasing income opportunities apply to those sources of income.
5. **Consider the impact of low interest rates and high inflation rates during retirement.** Your total rate of return may be different than anticipated.
6. **Manage your overall expectations of the impacts of inflation and focus on what you can control.** Be realistic when you plan for your retirement income.
7. **Work with a financial professional** to see what products, such as annuities, can help address the risk of inflation and rising health care costs during retirement.