NewRetirement

9 Ways to Cover Your Health Costs for an Early Retirement

January 16, 2019

There are a lot of hurdles to overcome when figuring out how to retire early — before 65. However, early retirement healthcare is one of the most challenging. Medical care is going to be expensive no matter when you retire, but the picture is more serious for those who retire early, by choice or otherwise.

1. Go Private

Private individual coverage may be your most expensive but most flexible insurance option. It is worth pricing this option and comparing to other insurance.

2. Use Obamacare for Early Retirement

Whether you love the program or hate it, for a few years, Obamacare did make early retirement health insurance much more affordable.

One of the ideas behind Obamacare was that everyone could get insurance — preexisting conditions were not a factor. This was especially useful for people in their 50s and 60s — most of whom have had or are facing some kind of health issue.

While you can still get coverage if you have a preexisting condition, Obamacare insurance has gotten a lot more expensive and the future of the program is in flux.

Many insurers have significantly raised premiums, in part because the Trump administration decided to stop payments to insurers that cover the discounts, they are required to give to some low-income customers to cover out-of-pocket costs.

Nonetheless, if you are retiring early, it is still worth it to explore your Obamacare health coverage options on healthcare.gov.

3. Early Retirement Insurance — Are you eligible for COBRA?

In certain circumstances if you lose your job, you can still be eligible to benefit from your company's group health plan for a limited period of time. Using the Consolidated Omnibus Budget Reconciliation Act (COBRA), you can expect to be paying about 2% more than the full cost of health insurance on your old company's plan," says founder and CEO of Northwoods Financial Planning, Corey Purkat.
"It is going to be more expensive than if you were still employed at a company, but it will still be less expensive than paying for your health insurance on your own," he says. "The only way someone wouldn't be eligible for COBRA would be in situations where there was a very good reason a person was let go, such as a criminal investigation."

Continuation coverage under COBRA is typically available for a relatively short period of time, typically 18 to 30 months.

4. Spousal Benefits Can Enable Insurance for an Early Retirement

An option that you may have if you are married is to use your spouse's health insurance plan, Purkat explains.

"I see in many cases, one spouse may be retiring early, but the other is still working full-time," he says. "This is a great situation, because if you can cover the years before you turn 62 with your spouse's insurance, it can save you a lot of money."

5. Self-Fund with an Health Savings Account

If you are retiring at 62 or before — or any time before Medicare eligibility at 65 and are really left with no other options, you can always self-insure, explains Purkat.

"Unfortunately, this can be the most expensive option," he says. "But, if you have time on your side, I always recommend a Health Savings Account (HSA) to help with some of the high co-pays."

An HSA is a good option, regardless of your age, and can be a huge help if you retire early and need funds to pay for a high deductible health plan or other out-of-pocket health care costs.

"This type of savings account has **triple tax benefits** and also grows tax-free as you let it sit there," Purkat says. "With this option, it makes it a bit easier for someone to self-

fund their health insurance and then use funds from an HSA to pay for premiums and costs in between times."
Learn more about the many benefits of an HSA.

6. Insure, But Also Take Good Care of Your Health

The biggest thing to remember about early retirement, though is to stay active and healthy, Purkat shares.

"The worst thing you can do in retirement is sit around the house all day," he says. "Be sure to exercise, stay involved in your community or even work a part-time job. These acts will all contribute to your overall health and wellbeing and can help keep your health care costs lower."

7. Get a Part Time Job with Benefits

An increasingly popular option for getting medical benefits for an early retirement is a part time job.

You can retire, but find a low stress gig somewhere that offers healthcare as a benefit to both part- and full-time employees.

There are fewer and fewer national companies offering these types of benefits, but check out the following companies who do offer healthcare to their part time help. To qualify, you'll need to work for a probationary period and usually commit to at least 20 hours a week:

- Whole Foods (Must work 20 hours a week. Eligible after first 800 hours.)
- Costco (20 hours/week. Eligible after first 180 days.)
- Lowe's (No minimum hours/week. Eligible within first 31 days of employment.)
- Starbucks (20 hours/week.)
- UPS (1 hour/week. Eligible after first year of employment.)
- JP Morgan Chase (20 hours/week. Eligible after 90 days.)

8. Explore Healthcare Sharing Programs

Healthcare Sharing Programs are a very new phenomenon. These programs are defined by a group of likeminded people banding together to help pay each other's medical expenses.

The most well-known healthcare sharing programs are Christian based and a belief in the Christian faith is required to participate. (These health sharing programs are able to be formed based on legal religious exemptions.)

Dr. Jim Dahle, the White Coat Investor, describes the programs like this: "One option that one of my partners has used (for early retirement coverage) is to use one of the Christian health sharing ministry kind of options. This isn't really health insurance but it's similar to it, in that you can use it to help decrease the burden of unexpected health care costs.
The real benefit is it's dramatically cheaper. Now, it doesn't cover some things that health insurance covers. So, there's some risk there but his theory is, if you develop something that's terrible or some chronic condition, within a few months, you'll be able to go on the exchange and buy an Affordable Care Act eligible policy and kind of hedge his bets that way."

Here are some of the more popular Christian healthcare sharing programs:

- Medi-Share
- Samaritan Ministries
- Christian Healthcare Ministries
- Liberty Healthshare

Trinity Healthshare / AlieraCare may be more flexible and only require a statement of belief. You can be Christian, Jewish, Muslim or non-denominational to participate.

9. Have a Good Overall Retirement Plan

Covering your health costs whenever you retire — early or late — is important.

Having an overall plan for how to fund retirement is absolutely necessary.

A really good retirement plan defines how much money you have now and into the future and it describes how much you are spending now and into the future. The NewRetirement Retirement Planner is an easy to use tool that helps you figure this out. This tool was recently named a best retirement calculator by the American Association of Individual Investors (AAII).