Our exclusive research uncovered how financially happy couples make it work.

> Learn their secrets

Medicare’s surprising coverage gaps

Some of the most common health care costs in retirement aren’t covered.

> What you can do

Dreaming of early retirement?

Pursuing old passions and new hobbies. Traveling the world. Spending more time with family.

> How to make it happen
What’s the secret to financial harmony? Our new study on couples and money sheds some light.

Of all the issues that can spark relationship discord, money has long been thought to be at the top of the list. Run a web search on the phrase “couples and money” and you’ll get thousands of results explaining how the topic can trigger arguments, stir up resentment and even push partners toward breakups.

But the picture is more nuanced than that. According to a new Ameriprise Financial study, a remarkable 77% of couples across the United States report they are on the same page with their finances. And while they might sometimes disagree about money, the happiest couples know how to work through their differences.
Love and money: A revealing new study

Couples who are in sync about their finances are highly likely to discuss joint financial goals.

Traits of financially happy couples
Open communication is one hallmark of a healthy relationship. Perhaps not surprisingly, the study found that couples who are in sync about their finances are highly likely to discuss joint financial goals, along with what it will take to reach them. How likely? Nearly 7 out of 10 (68%) describe communication over finances with their spouses/partners as “perfect” or “very good.”

Financially happy couples also:
- **Don’t keep secrets from each other.** The majority have joint banking accounts. And if one partner keeps money separate from the joint account, the other is typically aware of it.
- **Discuss large purchases prior to making them.** Two-thirds (66%) set a spending limit (approximately $400), with an agreement that purchases over that amount must be jointly discussed.
- **Work as a team.** More than 80% share household debt, and 88% say they are pleased with how they’ve divided their fiscal responsibilities.
- **Share the same long-term objectives.** Ninety-two percent agree on their retirement savings goals.

The power of healthy compromise
As anyone in a committed, long-term relationship will tell you, making the partnership work requires just that: plenty of work. Evidence for that emerged in the study, which found that 73% of individuals describe their money management style as different from their partner’s.
Love and money: A revealing new study

According to the study, it appears opposites really do attract. But the most satisfied and financially compatible couples have learned to adjust if one person is, for example, a spender and the other is a saver.

How have they found that balance? Patience, commitment and a willingness to grow and adapt:

- Eighty-two percent say they work to quickly resolve their differences and move on.
- About two-thirds evolved into their financial responsibilities, while one-third deliberately discussed how they would split up their roles.

Resolving disagreements productively

Here’s another unavoidable fact about relationships: Even the most patient, loving and committed couples argue about money. Approximately 31% of all couples — even the happiest ones — clash over their finances at least once a month.

The most common points of disagreement among couples:

- Major purchases (34%)
- Decisions about finances and children (24%)
- A partner’s spending habits (23%)
- Important investment decisions (14%)

The Ameriprise study on couples and money found that turning to a neutral party, such as a shared financial advisor, can be a particularly effective way to deal with disagreements. Approximately 40% of couples who describe themselves as not “on the same page” financially say that advisors have helped them negotiate money issues that might otherwise have caused tension. Your advisor may be able to help you resolve similar sorts of issues and understand how to plan for the challenges and opportunities ahead.
Six out of 10 people expect Medicare to cover most or all of their health care costs in retirement, according to the 2014 Ameriprise Financial Health, Wealth and Retirement study. But the largest expense in retirement for many — long-term care — is not covered by Medicare. And basic Medicare doesn’t cover vision, hearing or dental.

The biggest shocker? Higher earners can pay up to three times more for monthly Part B premiums than those earning $85,000 or less ($170,000 or less for couples). As Medicare costs have grown over a half-century, an income-graded assessment was introduced to keep premiums modest for low-income beneficiaries.

Nearly two-thirds of those surveyed in the Ameriprise study plan to work until they are old enough to qualify for Medicare (for most, age 65). If you are among this group, that gives you plenty of time to prepare.
Medicare's surprising coverage gaps

3 Surprising Medicare Facts

Knowing these could improve your financial health.

Medicare does not cover

- Premiums, deductibles and copayments
- Long-term care
- Dental, vision, hearing
- Medicare Part D “donut hole”: prescriptions generally cost more until your yearly out-of-pocket drug costs reach $4,850 in 2016.

Enrollment is not automatic

You will not be notified when it’s time to sign up. Remember to do so before you turn 65.

Medicare Parts A and B are available to some individuals younger than 65 who:

- Are disabled and have received Social Security disability benefits for at least two years
- Have amyotrophic lateral sclerosis (ALS) or end-stage renal disease (ESRD)

High-income surcharge

If your income is more than $85,000 (individual) or $170,000 (married), you'll pay incrementally more than the standard $104.90 Part B premium:

- maxing out at $389.80 per month for those with incomes of
  - $214,000+ (individual)
  - or
  - $428,000+ (married)

Your advisor can help you plan for these factors.
Look into supplemental coverage

Many people fill gaps in Medicare Parts A and B coverage by buying a supplemental policy called Medigap and a Part D prescription drug plan, or with a previously mentioned Medicare Advantage policy, which provides both medical and drug coverage from a private insurer.

Here’s an overview of these programs and how they compare:

Medigap. This supplemental insurance is designed to cover Medicare deductibles, coinsurance and copays that would otherwise have to be paid out of pocket. Medigap works only with Medicare (Parts A and B) and does not apply if you are enrolled in Medicare Advantage. You must be at least age 65 to be eligible to purchase Medigap coverage, and you must purchase within six months after enrolling in Medicare Part B or there is no guarantee you will be able to get coverage. There are 10 standard Medigap policies that vary in coverage from nursing care to overseas coverage. These plans do not provide prescription drug coverage.

Medicare Advantage. These plans provide additional services that may include vision, hearing, dental and, often, health and wellness programs. You pay a monthly premium, and copayments are usually less than the coinsurance and deductibles under Medicare Parts A and B. Most include Medicare prescription drug coverage. Beginning Dec. 8, Medicare recipients can switch to a Five-Star Medicare Advantage plan. Medicare uses a rating system to help you determine which Medicare Advantage and prescription drug (Part D) plan is best for you. The star ratings can be found in the Medicare Plan Finder tool or by calling 1.800.MEDICARE.

Talk to your advisor about the most efficient ways to set aside funds for health care and long-term care in retirement.

Medicare beneficiaries can make the following changes during open enrollment:

• Change from basic Medicare to a Medicare Advantage plan, or vice versa
• Switch between Medicare Advantage plans
• Enroll in a Medicare Part D prescription drug plan, switch from one Part D plan to another or drop Medicare prescription drug coverage completely
Dreaming of early retirement?

Who hasn’t fantasized about it at least once? The path toward making your early retirement dreams a reality starts by asking yourself a few key questions.

**How much is enough?**
This is the answer everyone is looking for — the magic number in savings and investments that will allow you to retire early. The reality is that there is no one-size number that fits all, but there are some techniques your financial advisor can show you to home in on your equation.

“One old standby is the 4% rule, which is calculating 4% of the portfolio at the time of retirement and keeping the cash flow the same every year after that, but adjusting it upward for inflation,” says Craig Brimhall, Vice President of Retirement Wealth Strategies for Ameriprise Financial.

“But that’s for a 30-year retirement. If you’re thinking about early retirement, you could be looking at a 40-year span, and that can change the equation significantly.”
Dreaming of early retirement?

“**You should have about a year’s worth of lifestyle expenses in cash or liquid assets.**”
— Craig Brimhall, Vice President of Retirement Wealth Strategies

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You might want to consider an adaptive withdrawal strategy, which allows for flexible distributions from your retirement fund. After ensuring that your essential needs are covered, your financial advisor can adjust distributions of your remaining assets to adapt to factors such as investment performance or your age. That way, your withdrawals can be flexible enough to absorb unforeseen market and life events.

Make sure you have access to cash. “You should have about a year’s worth of lifestyle expenses in cash or liquid assets, with another year or two in short-term bonds or certificates,” Brimhall says. “Really, it comes down to your distribution rate and income goals, and those estimates can be made by sitting down with your advisor and working on a plan.”

**Key takeaway:** The “magic number” for retiring early depends on your goals, your lifestyle and a variety of other factors. Sound planning with the help of your advisor should incorporate those factors and alleviate anxieties about having enough money in the long term.

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How do you want to spend your time?
Retiring earlier means you’ll be younger and probably more active. Just keep in mind that doing more might also involve spending more. Work with your financial advisor to ensure your goals are incorporated in your financial planning. “There’s the savings part of it as well as the emotional-preparedness part,” Brimhall says. “I think it’s wonderful when people want to retire early, but you have to ask yourself: How are you going to spend those 40 hours a week for the next 40 years?”

That’s a lot of time to fill. And while you might enjoy cruising the Caribbean or taking care of your grandchildren for a while, if you’re like many retirees, you may find that you want to continue putting your skills and knowledge to use — but on your schedule. “Behavioral psychology plays a role,” Brimhall says. “When you work hard your whole life, it’s hard to just switch that off.” It’s not surprising that many people find themselves filling their hours with an entrepreneurial move. “Around 45% of businesses are started by people who are retiring early,” Brimhall says.

Key takeaway: Think three steps ahead. At the end of the day, the process for planning an early retirement should be an exciting one. “I always say to people, ‘Congratulations! Now explain where you want to be in the next five years, 10 years, 30 years, and we’ll help you get there,’” Brimhall says.

More than a magic number

Is early retirement a realistic goal for you? Here’s a checklist to help you decide.

☐ How will you fill 40+ hours every week?
☐ What is your income goal?
☐ What do you want to be doing in five years? Ten years? Thirty years?
☐ Do you have the best health care plan for your needs?
☐ Do you have long-term health care insurance?
☐ Do you have at least one year’s worth of income set aside?
☐ What would you be willing to trade to retire early?
1 Ameriprise study on couples and money was created by Ameriprise Financial, Inc. and conducted online June 14 to July 14, 2016 by Artemis Strategy Group among 1,514 U.S. opposite and same sex couples (married or living together for at least six months with shared financial responsibility) between the ages of 25-70 with at least $25,000 in investable assets.

2 The Health, Wealth and Retirement study was created by Ameriprise Financial utilizing survey responses from 1,075 Americans ages 50 to 64 employed full-time with investable assets of at least $100,000. The online survey was commissioned by Ameriprise Financial, Inc., and conducted by Artemis Strategy Group from June 26 – July 11, 2014. For further information and detail about the Health, Wealth and Retirement study, including verification of data that may not be published as part of this report, please contact Ameriprise Financial.

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