
Savings and Retirement Conference 2008

February 28-29, 2008

Impact of Healthcare Costs on Retirement
Readiness: Policy and Reality

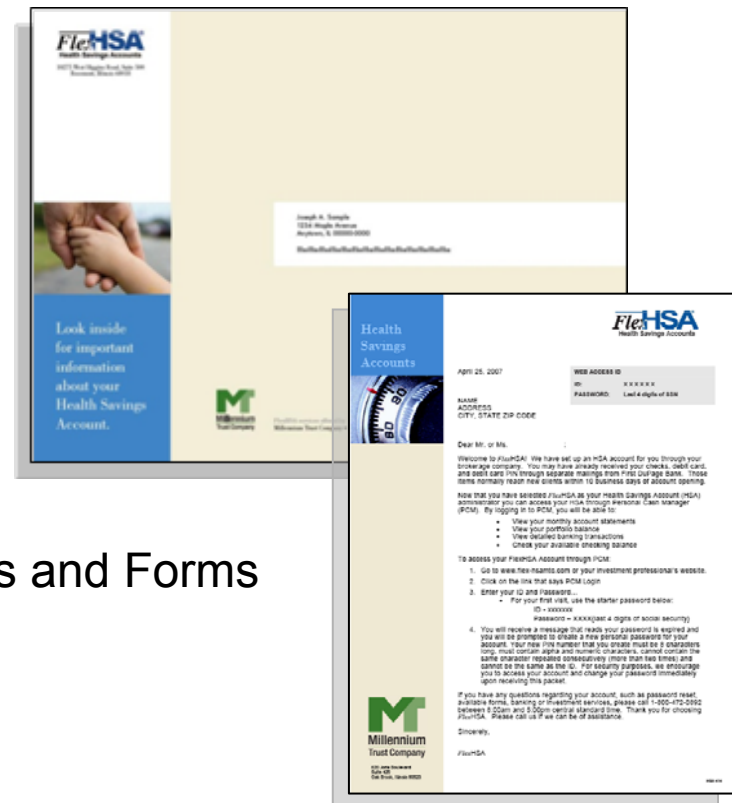


Presented by Reggie Karas
Millennium Trust Company

Millennium Trust Company

Offering HSAs since inception in August 2004

- Provides HSA investment solutions for:
 - Advisors/RIAs
 - Clearing Firms
 - Financial Institutions
 - TPAs
 - Individuals and groups
- Advisor Training
- Client Materials
- Client Service Teams
- IRS Approved Documents and Forms



Trends to Review

- Between 2001 & 2007
 - Health insurance premiums rose 78%
 - Inflation rose 17%
 - Worker's earnings rose 19%
- More Americans are worried about their healthcare costs than about:
 - Losing their job
 - Paying their rent or mortgage
 - Losing money in the stock market
 - Being the victim of a terrorist attack
- Women consistently express more healthcare worries than their counterparts

Baby Boomer Readiness

The evolving needs of retirees are changing the industry structure, creating new roles for companies that choose to compete.



Successful advisors have deep customer relationships, a trusted brand, and have the ability to understand the nuanced needs of different customer segments and tailor their advice to the specific needs of the individual.

Health Savings Accounts (HSAs)

Mission

- Health Savings Accounts (HSAs) were created by the Medicare bill signed by President Bush on December 8, 2003 and are designed to help individuals save for future qualified medical and retiree health expenses on a tax-free basis.

Health Savings Accounts

- Put consumer in “driver’s seat” concerning their own healthcare
- Put consumer in control of their healthcare dollars
- Anyone can contribute to an HSA on behalf of the account holder
- Triple tax-advantaged - unused funds remain in HSA and build tax-free
- Similar to an IRA, but better
- The account is portable and belongs to the individual
- Wide range of investments permitted in HSA

Some Experts Predict

- 20 million accounts
- \$200 billion assets
- 87% employers will offer CDHC, including HSAs
- Greater w/ Universal Healthcare

Bearing Point
2012



- 15-25 million HSAs holding over \$75 billion in assets

U.S. Treasury
2010

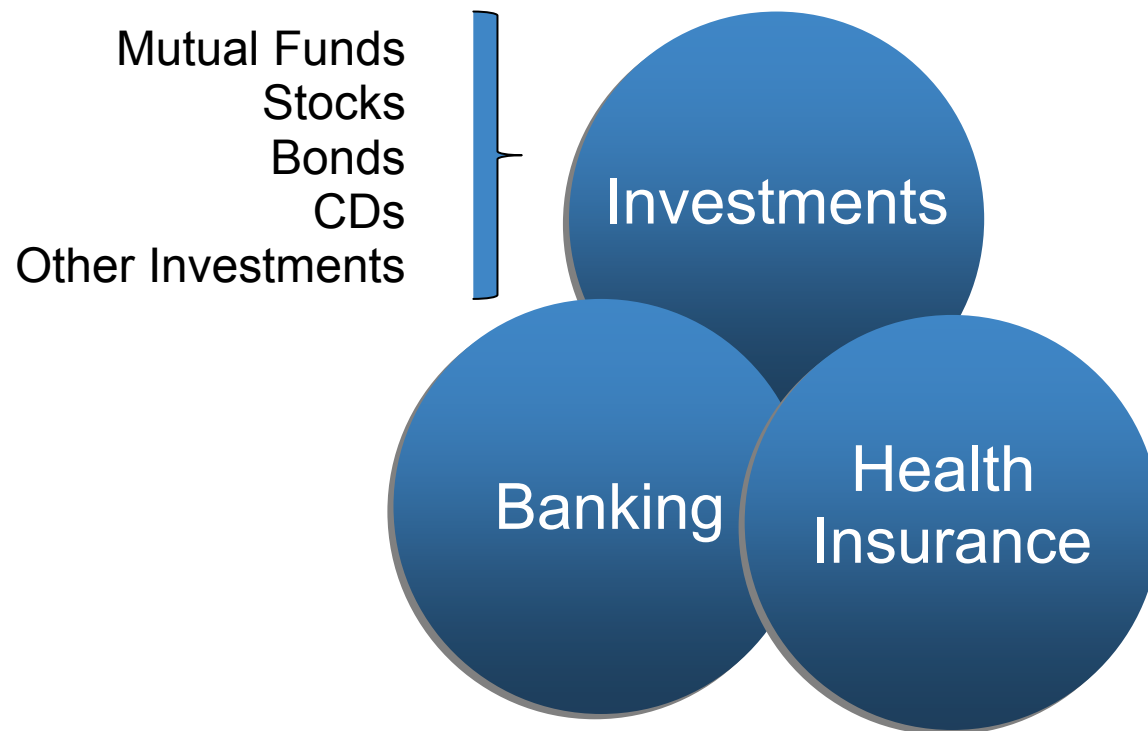


- 60% growth in 2007-2008
- 40 – 50% annual growth next five years
- 6.5 million 2010

Celent LLC
2010



Health Savings & Investment Accounts



Must be enrolled in a
Qualified High-Deductible
Health Plan

Why Consider HSAs

- A way to deal with 77 million Baby Boomer retirees
- The average 65-year old couple retiring in 2007 will need \$215,000 to cover medical costs over the next 15 years
- Retiree benefits are being terminated as post-retirement healthcare becomes more of a personal responsibility
- 50% of HSA account holders do not spend the funds in the account and are seeking investment solutions
- A large segment of the HSA market is in the Advisor's existing or targeted client base
- Similar to IRAs and 401(k)s
- Investments could be the largest portion of HSA accounts

Health Savings & Investment Accounts ...Made for Financial Advisors

- Clients need advice and guidance
- Clients seeking a holistic financial/investment plan to manage their wealth and their healthcare
- Provide alternative approach to the changing needs of clients
- Develop long-term, strategic solutions for clients
 - Strengthen ability to be single source Advisor and manage client's entire portfolio
- Represent viable approach to long-term healthcare change
- Baby Boomers

HSAs to Manage Health & Wealth

Money goes in tax-free	— —>	Immediately vested
Money grows tax-free	— —>	As long as it is in the HSA
Money comes out tax-free if used for medical expenses	— —>	Funds in the account are “never” taxed if used for medical expenses
Wide ranges of investments	— —>	Maximize dollars in the account today for tomorrow
Maximize contributions, including catch-up until eligible for Medicare	— —>	Use HSA funds instead of retirement savings for future healthcare expense
Can no longer contribute to an HSA once age 65, but	— —>	Funds available at 65 for medical expenses, some insurance or retirement*
Money belongs to YOU	— —>	YOU decide <u>how</u> and <u>when</u> to use the HSA

*Taxes apply if used for non-medical expenses.

Experience with HSAs & Advisors

- .Existing clients “waited” for Advisor to have HSA investment solution
- .Transfers and rollovers generate accounts and assets
- .Largest account is over \$70,000
- .Liquidity provides access to funds for current expenses
- .Education and client service support is key
- .Health insurance provides new or broader opportunity
 - . Offer HDHP solutions
 - . Partner with insurance brokers or benefit experts
- .Momentum is building

Questions?