BOSTON, March 31, 2011 – Fidelity Investments® (“Fidelity”), a leading provider of employer benefits, today announced the first-ever decline of its annual estimate of future health care costs for retired couples. Fidelity® estimates a 65-year-old couple retiring this year will need $230,000\(^1\) to pay for medical expenses throughout retirement, not including nursing-home care. This represents an 8 percent decline from last year, when the estimate was $250,000.

The annual health care costs estimate, now in its 10th year, is calculated by Fidelity’s Benefits Consulting business, which helps employers assess and design their workplace benefits programs. Until this year, the estimate has increased an average of 6 percent annually since the initial calculation of $160,000 in 2002.

The $20,000 decline in the estimate from last year was driven by Medicare changes contained in the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, both signed into law in 2010. These changes, which reduced out-of-pocket expenses for prescription drugs for many seniors, resulted in the reduced estimate.

“While the savings generated through the health care reform laws is a welcome relief to many seniors, it should be considered a one-time adjustment, at least for the time being,” said Brad Kimler, executive vice president of Fidelity’s Benefits Consulting business. “Today’s workers still face the prospect of significant medical expenses in retirement and must begin to include those costs in their retirement plan strategies.”

\(^{1}\) Assumes no employer-provided retiree health care coverage and life expectancies of 17 years for men and 20 years for women.
Looking forward over the next few years, Americans should expect health care expenses to continue to increase annually due to a number of factors including higher costs for medical services, the introduction of new technology and an increased utilization of health care services like diagnostic testing,” Kimler added.

**Under New Law, Prescription Drugs Offered at Discount Rates**

The Patient Protection and Affordable Care law requires pharmaceutical companies beginning this year to offer a 50 percent discount on brand name drugs that fall into the so-called “donut hole” -- a gap in Medicare’s drug benefit plan that begins when an individual’s prescription drug costs exceed the initial coverage limit ($2,840 in 2011) and continues until their total out-of-pocket spending qualifies them for Medicare’s catastrophic coverage (a $4,550 threshold in 2011). Seniors with no employer-sponsored prescription drug coverage who are not eligible for the low-income subsidy can benefit from this discount.

The Health Care and Education Reconciliation law goes further to reduce out-of-pocket costs by phasing out the concept of the donut hole by 2020.

**Health Savings Accounts Are Convenient Way to Save for Medical Expenses**

With the health care reform laws mandating the purchase of health insurance for most U.S. citizens and legal residents by 2014, many companies have expressed interest in high-deductible health plans (HDHPs) which can be less expensive for participants and employers to use than traditional health plans. Participation in HDHPs also qualifies users to enroll in Health Savings Accounts (HSAs) – accounts that allow individuals to pay for qualified medical expenses on a federal tax-free basis. The funds can be used to pay for current qualified medical expenses or they can continue to accumulate and be used in the future to pay for qualified medical expenses in retirement.

“Health Savings Accounts are a smart way to set aside funds specifically for medical needs,” said Kimler. “HSAs have no ‘use it or lose it’ policies and are completely portable for individuals who change employers.”

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2 Fidelity business data as of March 2011.
On an annual basis, Fidelity HSA® account holders contributed an average of $2,620\(^3\) in 2010. At Fidelity, 95 percent of HSA account holders carried over a balance from 2010 to 2011.\(^4\)

For Majority of Pre-Retirees, Cost of Medical Care in Retirement a Top Concern

In a recent Fidelity survey\(^5\), almost seven in 10 (68\%) of pre-retirees said the cost of medical care in retirement is one of their three biggest financial concerns (outliving savings and inflation were the other worries).

This year, Fidelity has developed a program to help individuals nearing or living in retirement to assess their income needs and create a strategy to help ensure their retirement savings will cover expenses throughout their retirement years, including health care costs. An important part of the program is the Fidelity Income Strategy Evaluator\(^{SM}\) ("Evaluator"), a sophisticated income planning tool (www.fidelity.com/incomestrategy).

The Evaluator is the first tool of its kind to be offered online directly to individuals that incorporates a broad range of Fidelity and non-Fidelity income and investment products as the building blocks for its suggested income-stream strategies. When combined with the education and guidance provided by Fidelity’s investment professionals, the Evaluator helps answer key questions on the minds of today’s pre-retirees regarding health care costs and other major expenses in retirement.

In addition to the Fidelity Income Strategy Evaluator, Fidelity’s income planning program also includes the following components:

- The Fidelity Guide to Retirement Income Investing (www.fidelity.com/incomeguide): new online material that includes 13 interactive modules to help investors learn more about key considerations associated with creating a retirement income plan and selecting an income strategy;
- One-on-one consultations with Fidelity investment professionals; and

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\(^3\) Fidelity business data as of September 30, 2010 and pro-rated for full year. Includes contributions from both participants and employers.

\(^4\) Fidelity business data as of September 30, 2010 and pro-rated for full year.

\(^5\) Fidelity’s retirement Mindset Research was conducted online among pre-retirees aged 55 or older. Data was collected by independent research firm Synovate between October 7 and 12, 2010. Synovate Inc. is not affiliated with Fidelity Investments. The results of this survey may not be representative of all investors meeting the same criteria as those surveyed for this study.
Methodology

As in years past, the Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government’s insurance program Medicare. The calculation takes into account cost sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

About Fidelity’s Benefits Consulting

Fidelity’s Benefits Consulting business helps employers nationwide assess the effectiveness of their benefits programs. The business provides a holistic approach to benefits design, strategy, funding, communications and delivery by looking at clients’ health care and retirement plans before diagnosing business solutions. The group’s specialties include retirement and health care plan consulting, custom data administration, compliance and employee communication. Benefits Consulting has offices in Boston, New York City, San Francisco, Chicago, Raleigh, Dallas and Merrimack, N.H.

About Fidelity Investments

Fidelity Investments is one of the world’s largest providers of financial services, with assets under administration of $3.6 trillion, including managed assets of more than $1.6 trillion, as of February 28, 2011. Founded in 1946, the firm is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing and many other financial products and services to more than 20 million individuals and institutions, as well as through 5,000 financial intermediary firms. For more information about Fidelity Investments, visit www.fidelity.com

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IMPORTANT: The projections or other information generated by Fidelity’s Income Strategy Evaluator tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

Estimates of potential income and assets illustrated by the tool are in future dollars and are based on data you have entered, product attributes and Fidelity Income Strategy Evaluator assumptions, including market performance assumptions based on hypothetical scenarios using historical data. Other investments not considered by Fidelity Income Strategy Evaluator may have characteristics similar or superior to those being analyzed. Numerous factors make the calculations uncertain, such as the use of assumptions about historical returns and inflation as well as the data you have provided. Our analysis assumes a level of diversity within each asset class consistent with a market index benchmark which may differ from the diversity of your own portfolio. Results may vary with each use and over time. Fund fees and/or other expenses will generally reduce your actual investment returns and, other than the applicable annual annuity charges for the variable annuity, are not reflected in the hypothetical projections generated by this tool.

Fidelity Income Strategy Evaluator is an educational tool.

Guidance provided by Fidelity is educational in nature, is not individualized and is not intended to serve as the primary or sole basis for your investment or tax-plan.

The retirement planning information contained herein is general in nature and should not be considered legal or tax advice. Fidelity does not provide legal or tax advice. This information is provided for general educational purposes only and you should bear in mind that laws of a particular state and your particular situation may affect this information. You should consult your attorney or tax advisor regarding your specific legal or tax situation.

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