

As You Gobble, Give Some Thought to the Rising Costs of Healthcare

The holidays are when everyone takes a break from the diet and the gym because there's too much fun ahead and plenty of time to think about those things in January. However, before the holidays really get going, it's really important to give at least a little thought as to what poor eating and exercise habits could cost you in the future.

In 2005, a Harvard Medical School study pointed out that nearly half of all bankruptcies, involving 700,000 American Households and more than 2 million people annually file due to illness or medical debt. And in case you haven't heard, a significant amount of healthcare debt is owed by people who already *have* health insurance.

As the population ages and there remains no serious move toward a lower-cost national health insurance solution, consumers need to be aware of ways to control medical costs – preferably before they get sick. Smart consumers understand that in the future, we'll increasingly become purchasing agents for our own healthcare. Some ideas:

Deal with your weight: While lowering the numbers on your bathroom scale will have immediate health benefits, it will also make your health insurance options and potential out-of-pocket health costs more affordable over time. A Stanford University/Rand Corporation study reported that lifetime medical costs related to diabetes, heart disease, high cholesterol, hypertension and stroke among the obese are \$10,000 higher than among the non-obese. The study added that lifetime medical costs could be reduced by \$2,200 to \$5,300 following a 10 percent reduction in body weight.

Know your insurance options: Whether you buy health insurance through an agent or your employer, insist that they explain exactly what you're getting for your premium, and where deductibles do and don't apply. If you're purchasing health insurance independently, compare the premium savings from a higher deductible plan with your usage pattern of health services. You might also want to talk with a financial planner about high-deductible policies paired with a health savings account (HSA) option.

Be proactive about the numbers: If your physician diagnoses a particular illness that requires tests, prescription drugs, a hospital stay or ongoing therapy, ask what you'll pay from doctor's bills to ongoing ancillary costs associated with treatment. Politely ask your doctor if he or she will consider a discounted fee for service if the numbers are onerous or if they might discount in exchange for cash payments. Dealing with insurance companies is costly for doctors and they may be open to options that cut their overhead. Also, depending on your condition, there might be foundation or grant support for your care.

Ask for samples: Many physicians are willing to recommend a generic substitute or at least supply you with a few samples of the drug they're already prescribing until you absolutely need to purchase a prescription. While doctors can't get away with passing sample drugs to all their patients, always ask.

Do your homework: If your doctor has a solid track record, don't treat her like a dope. But do be aggressive about researching your particular health situation and get the answers you need. Also, if your research indicates that more than one drug or course of treatment may be effective in your situation, always ask the physician why they made the choice they did and if a cheaper alternative will still produce optimal results.

Check local pricing resources: In non-emergency situations, you should always compare prices on treatments. Check with local medical boards and state health officials to see if they have online databases on costs for various medical procedures. Also, if there is a support group for your condition, talk to members about what they paid locally for care and what saved them money.

Talk to a financial advisor about planning for long-term care: If you or a loved one is diagnosed with a chronic illness, that's a financial issue that requires a plan. However, healthy individuals over age 50 should consider long-term care insurance if their own resources won't cover such costs. The best time to buy is when you're healthy.

Start talking if there's a problem: The best time to speak with hospital bean counters isn't when you're behind on your payments. Any creditor appreciates a customer who's willing to come to the table first if a problem is looming.

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Give Yourself a Special Gift at the Holidays: A Season without Debt

The holidays are a time to be generous, particularly to children and charity. But there's no requirement that you have to enter or deepen debt that you'll be paying off for months and possibly years. Make a plan now.

Assess your current financial situation: It's not a conventional holiday gift, but if you're trying to get your finances in order, plan a visit now with a financial planner. This meeting should extend beyond your holiday spending to setting goals for saving, investing and extinguishing debt and setting financial goals for the future.

Set a budget: Obviously if you have credit card debt now, you don't want to elevate those numbers. Set a spending number you will *not* exceed and start setting aside cash in an account to cover it. When should you make the budget? As early in the year as possible, but if you haven't started shopping yet, figure out how much money you can realistically set aside and stay as close to that number as you can.

Set a new gift policy with your adult friends and family: Does everyone on your gift list over the age of 21 *really* need a present? The answer is as individual as your family and friends, but if you think it might be welcome, make a suggestion for a gift drawing, a budget limit, a moratorium on gifts or some other alternative where you trade off gifts for quality time. For instance, you might agree to take each other out to dinner during the New Year or find some other fun way to spend time together. You'll save money and gas wandering around the mall wondering what to buy, and personal time might be more enjoyable in the long run.

Go debit: Debit cards wearing a bankcard logo are typically welcome at most stores where credit cards are accepted. This way, you pay cash without carrying cash. If you don't have such a card, you can probably get one from your bank to replace your traditional ATM card, but remember to tell them to limit your buying power to the cash balance in your account.

Create a year-round Christmas shopping list. With your budget figure in mind, start jotting down items when your kids or other friends and family members mention something they want. If it's something you know they'll definitely want, keep an eye peeled for that item on sale before the holiday craziness begins. Granted, you might see an item at deep discount when the holiday season officially begins, but you won't need to fight your way into parking lots and through crowds to get it, which may be worth the whole difference in price.

Price gifts online, then compare by phone: Whether you plan to shop online is a separate issue, but browsing online can be a very good idea. "Shop-bot" websites like mySimon.com can help you determine general price ranges for gifts you need that are sold online. Once you have those ranges, get on the phone and determine whether you can buy the same items more affordably at retailers close to home. Also, there are several websites that feature manufacturers' coupons – some may cover the gifts you're looking for.

Don't forget taxes, shipping or fine print when shopping online: Online prices might look like a great deal until you realize you may be spending another 20 percent of the gift's price to

get it to your house or the recipient. Also, read product descriptions very carefully to make sure what you're buying contains all the features of the item that you could buy at the store. At the same time, if there is a legal opportunity to avoid paying sales tax, watch for that.

Allocate spending for charity: You can either make charity a separate item in your annual budget or part of your holiday budget, but if there are specific charities you want to support by yearend, it's a good idea to decide on those amounts before the holiday shopping season gets underway. This way, you'll support the organizations you wish to without going outside your budget. Also, don't forget to check with your employer to see if they'll match your contribution and consider gifts of appreciated stocks rather than cash if it fits your charitable goals and tax situation.

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Your Personality is a Big Part of Your Investment Approach

How important is your personality to your investment picture? It's hugely important. Your personality determines not only the amount of risk you're willing to take, it also affects how deeply you want to be involved with your money over the long haul.

Are you comfortable keeping most of your money in the stock market or do you believe in safeguarding principal at all costs? In addition to your investments, do you also have an emergency fund and a household disaster plan?

If you've never worked with a financial planner before, one of the first steps in the process will be reviewing or filling out a risk analysis questionnaire.

Why is risk analysis important before you make decisions with your money? Risk tolerance is an important part of investing – everyone knows that. But the real value of answering a lot of questions about your risk tolerance is to tell you what you *don't* know – how the sources of your money, the way you made it, how outside forces have shaped your view of it and how you're handling it now will inform every decision you make about it in the future.

The most important thing a risk questionnaire can tell is what's important about money to you. Trained financial advisers can determine your money personality through a process of questioning discovery. Planners can then guide investors within their money personality. Do you want certainty, are you willing to take a little risk or let it roll because I can always make more of it?

A financial planner tries to see through the static to find out what you really need to create a solid financial life. But it might make sense to ask yourself a few questions before you and your planner sit down:

1. What's important about money?
2. What do you do with your money?
3. If money was absolutely not an issue, what would you do with your life?
4. Has the way I've made my money – through work, marriage or inheritance – affected the way I think about it in a particular way?
5. How much debt do I have and how do I feel about it?
6. Am I more concerned about maintaining the value of my initial investment or making a profit from it?
7. Am I willing to give up that stability for the chance at long-term growth?
8. What am I most likely to enjoy spending money on?
9. How would I feel if the value of my investment dropped for several months?
10. How would I feel if the value of my investment dropped for several years?
11. If I had to list three things I really wanted to do with my money, what would they be?

12. What does retirement mean to me? Does it mean quitting work entirely and doing whatever I want to do or working in a new career full- or part-time?
13. Do I want kids? Do I understand the financial commitment?
14. If I have kids, do I expect them to pay their own way through college or will I pay all or part of it? What kind of shape am I in to afford their college education?
15. How's my health and my health insurance coverage?
16. What kind of physical and financial shape are my parents in?

One of the toughest aspects of getting a financial plan going is recognizing how your personal style, mindset, and life situation might affect your investment decisions. A financial professional will understand this challenge and can help you think through your choices. Your resulting portfolio should feel like a perfect fit for you.

However, a planner can help you do much more than control risk on the investment side. You can also work to develop an emergency fund that will support you in case you lose a job or go through a protracted leave of absence due to health or caregiving issues. A planner can also make sure you have a disaster plan in place in case you're disabled or your home is hit by a natural disaster. Financial risk can take many forms, and a planner can help you work through those issues key to your lifestyle.

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