Bringing Healthcare Issues into Financial Planning

Many people plan their finances as if they'll never be sick a day in their lives.

Yet the cost of a serious illness is all it takes to devastate most U.S. households financially. During his March healthcare summit, President Obama said that the cost of health care now causes a bankruptcy in America every 30 seconds and by the end of 2009, could cause 1.5 million Americans to lose their homes.

With such dire predictions, it's essential that financial planning take a worst-case scenario view of not only what can happen to your finances if you're sick, but also ways to deal with the financial exposure if you lose your job and your health insurance. A Certified Financial Planner™ professional is trained to discuss key financial preparations you need to make to handle any kind of personal or family health crisis.

But there are steps you can take by yourself to control your risk.

Take off the weight: While dealing first with the numbers on your bathroom scale will have immediate health benefits, it will also make your health insurance options and potential out-of-pocket costs more affordable over time. A recent Stanford University and 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. It added that lifetime medical costs could be reduced by $2,200 to $5,300 following a 10 percent reduction in body weight.

Grill your agent or HR person: 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 your own insurance policy, compare the premium savings from a higher deductible plan with your usage pattern of health services. What you save can often cover your high deductible.

Weigh life insurance options while you're healthy: A CFP® can help you make sure you're carrying the right amount of life insurance to support your family and other heirs as well as cover any remaining medical bills that might remain after you die.

Discuss potential cost of any diagnosis: If your physician diagnoses a particular illness that requires tests, prescription drugs, a hospital stay or ongoing therapy, be very blunt about what you'll be charged, from the doctor's bills to ongoing ancillary costs associated with treatment. Ask the doctor or his office manager to possibly negotiate a discounted fee for service. It's possible to get discounts through cash payments as well.

Ask for generics and 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. While doctors can't get away with passing sample drugs to all their patients, always ask. As long as they are

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prescribing the medication, samples with the proper dosage can provide cost savings to patients.

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.

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. As tough as it may be to focus on money issues at a stressful time, make an appointment with a tax professional or planner to discuss affordability options that will safeguard your assets.

Begin negotiations before there's a problem: The best time to speak with hospital bean counters isn't when you're behind on your payments. Once a diagnosis is made, either you or someone you designate as your agent needs to contact the hospital business office to check on payment schedules and possible discount plans if you are uninsured or fear your insurance may not cover a significant portion of costs. Any creditor appreciates a customer who's willing to come to the table first.

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Ways to Save on Vacation when Times are Tough

If you've been wavering on spending money for a vacation, remember that vacations can be particularly valuable stress relievers during a tough economy. By shopping smart and making small adjustments in your spending on the trip, you can decompress without worrying about money too much.

Weigh the value of driving vs. flying: Check to see where gasoline prices are before you leave **--** driving vacations may not be the cheapest alternative. If you haven't measured the gas mileage lately on your car, do so after your next fill-up and see what it would really cost you to drive to your desired destination – and don't forget wear and tear on the car (roughly 10 to 20 cents a mile), meals or hotels on the road. If you plan significantly ahead of time, traveling by air might not only get you there faster – but cheaper. At the same time, if you fly and need a rental car, don't forget to figure in that cost.

Plan online: Calling hotels and airlines to make reservations will not only put you on hold, they're also likely to cost you more money. If you're not a regular user of the Internet, you should know that airlines and hotels particularly have migrated more of their deals for rooms and meals to their websites because visitors can complete the whole reservation process themselves. That saves airlines, hotels and rental car companies considerable labor cost. Also, if you're flexible, you can check travel sites that offer last-minute deals and travel that way.

Go for the package deal: Online travel sites make it easy to combine hotel, airfare and rental car at a cheaper rate. And remember the days and times that are typically cheaper to fly – Tuesdays, Wednesdays and Saturdays if you're willing to fly early in the morning or late in the evening. Also, if the package deal is good enough, you may opt to keep the flight and rental car components while checking at the last minute with a hotel you'd rather stay at to see if you can get a rock-bottom rate that might make trading up worth your while.

Know when to use travel agents: A good travel agent can be a great money saver, particularly for lengthy or complex trips. It's OK to compare prices yourself, but consult a travel agent if you are going to remote destinations – they'll know the territory, and if you have to make changes, they might be able to help you do so without paying a lot of extra money. Also, don't forget to check currency rates.

Check your telecommunications options: Check with your wireless company to make sure your phone works where you're going – that's particularly relevant if you're going overseas. Ask if your phone will work overseas and what the potential costs will be for roaming charges, which can quickly skyrocket. Also, you might go online to see if your overseas airport rents cellphones at a daily or weekly charge or if it might be worth using a disposable phone you can buy when you get there.

Check on car insurance: For domestic trips, double check whether your own car insurance policy is likely to pick up the bill if you crash your rental car. For overseas trips, check with your rental agencies as well as your credit card company to see what insurance options you have. Don't think only in terms of accidents. Think about blown transmissions in small towns with only one mechanic who doesn't speak English. Also, if you're driving to Canada or Latin America in your own car, be very sure you have adequate coverage required in every country. You might have to buy supplemental coverage.

Consider travel insurance: There is insurance coverage available for travelers who face sudden cancellations as well as medical needs. Trip cancellation can reimburse you for non-refundable costs in the event of things like an illness for you or a family member that causes you to cancel your trip. Look into what your current health insurance covers at your destination, so that you can understand your risk exposure and weigh it against the cost of supplemental insurance. It's important to realize that health insurance issues crop up on domestic trips as well as those overseas – for instance, your health insurer may not cover claims in other parts of the country. Always check. Also, if you're on a business trip, make sure your company health plan will cover you in an emergency.

Prevent theft at home and abroad: Photocopy your driver's license and passports and keep the originals with your valuables in the hotel safe. Also, don't forget to hold your mail and pay all your bills before leaving town.

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Some of the Worst Financial Mistakes are Made in Divorce – Here's How You Can Avoid Them

In these economic times, many marriages slide into trouble over money. But when a marriage dissolves, any hint of financial trouble before the divorce has the potential to slide the split parties into disaster.

Even when money is tight and parties are distracted by the pain of a breakup, financial and tax planning need to be front and center in divorce planning. A Certified Financial Planner™ professional with experience working with divorcing individuals should be part of the team that can assess debt and other financial obstacles.

Here are critical steps that need to be taken by divorcing individuals:

Get some help with a budget: No matter how sophisticated you think you are about your finances, don't pass up the opportunity to do a basic financial budget for your new life. A CFP® professional can help you ask the basic questions that will help you understand what life will be like when you are living with a single job income stream or a temporary income stream provided by an ex-spouse. It's always an eye-opener.

Find experienced divorce advisors: A good divorce attorney isn't necessarily a shark. The choice of attorneys – for men as well as women – should fit the challenges being faced on both sides. Good divorce attorneys definitely cost money, but they pay for themselves, in addition to CPAs and financial planners familiar with the divorce process. Among such major issues as division of marital property, exclusion of non-marital property and various ways to structure ongoing financial contributions from one party to another, all the advisors in the process should understand Qualified Domestic Relations Orders – known as QDROs (pronounced "Quad-Rows") to assure that pension assets will be shared fairly. Most of the legal cost in a divorce is based on the presumption that assets are being hidden. If divorcing couples were to consult a CFP® and a tax advisor prior and draft a financial statement agreeable to both parties, legal fees could be dramatically reduced.

Know the tax ramifications of alimony: It is possible to deduct some alimony payments, but you need to get the advice of a qualified accountant first. There are seven requirements that need to be made, including:

- The payment must be made as part of a legally binding written agreement.
- That agreement cannot state that the payment is not alimony.
- Payment must be made to or on behalf of your ex-spouse unless there are payments diverted to others directed in writing by your ex.
- After you are legally separated or divorce, you and your ex-spouse cannot live in the same residence of file joint tax returns.
- Payments must be made in cash or cash equivalents.
- Alimony cannot be treated as child support.
- Your obligation to pay ceases if your ex-spouse dies.

Value the assets before you agree to take them: If you're getting the house, does it have a 20-year-old furnace and a roof that's about to cave in? A thorough inspection by a licensed inspector could help. If you're getting the family car, is it past warranty with a funny sound coming from under the hood? If your spouse runs a lucrative business that you've worked for or invested in, how do you know you're getting the right share? Hiring a valuation expert may be necessary. Divorcing spouses need to make sure they have enough money to finance repairs and replacement of assets that they'll be paying for as a single person.

Think of the kids: In many states, college-age children have the right to demand financial support or college funding at the state level so their education isn't interrupted. While both parents should advocate in their kids' best interest, this isn't always the case. Be aware of your state's divorce laws with respect to secondary child support.

File taxes wisely: There are always special situations in a divorce that will determine whether a couple will need to file jointly or separately during the last year that the marriage exists. It's best for both sides to get some assistance filing their taxes during their divorce year and the year afterward.

Get help documenting child support: Child support guidelines vary from state to state. If your state has a special program that allows a spouse to pay into a special account so child support is recorded every month, consider it. It provides a paper trail and enforcement system for assuring that kids get the money they need. Federal law requires all child support payments be made by wage assignment and health insurance by Health Insurance Orders. A majority of child support orders go unpaid. Make sure you know the laws to force compliance.

Once the divorce is over – watch the spending: Budgeting early in the process may cut down on the risk of overspending, which is a temptation after a painful event. Both necessary and unnecessary spending after a divorce is a key reason the newly single tip into bankruptcy. Make sure it doesn't happen to you.

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