

# FINANCIAL MANAGEMENT

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## Medical Debt and Personal Disaster

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According to statistics from the Commonwealth Fund, a nonprofit health care action group, more than one in six Americans—or 17.7% of the non-elderly population—lived in families spending more than 10% of after-tax income on health care in 2004—up from 15.9% in 2001.

One of the most damaging aspects of medical debt is that it may occur suddenly and pile up at lightning speed. Depending on tests and treatments, an overnight hospital stay may easily cost several thousand dollars.

The bottom line: Health is potentially your biggest money issue.

Yet as with most financial crises, it's tough to find solutions in the middle of an emergency. So setting up preventive measures now, before a crisis occurs, with these steps is perhaps worth your consideration:

**Review health insurance coverage.** If you are insured through an employer or buy your own coverage as self-employed professionals, investigate what that coverage actually provides in everything from minor emergency-room visits to major catastrophic diseases, such as heart problems or cancer. There's a good chance those benefits change—and have probably decreased—year-to-year.

**Check disability coverage.** If you were sick and unable to work for a lengthy period of time, when would your disability coverage kick in and how long would it pay your living expenses? If you are self-employed or don't have health benefits at work, what other options are available to you?

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**Pre-plan a health care spending strategy.** Granted, it's tough to ask how much a hospital's tests, medications, and procedures are going to cost if you're strapped unconscious to a gurney. But everything in a hospital has a price—everything from tissues to MRIs. I encourage you to talk to your primary care physician about ways to save on costs during office visits and prior to any planned hospital stays and also talk about extended payment options if you feel you will need one.

**Put tax-advantaged savings strategies in place.** Many of you may have the option to put money into flexible spending accounts (FSAs) at work and/or set up health savings accounts (HSAs) as part of your enrollment in a qualified high-deductible health plan. Unlike FSAs, HSAs allow balances to be carried forward year-to-year, growing on a tax-free basis as long as they're used for medical expenses. This way, you can accrue a fairly large nest egg against uncovered expenses while you are still healthy.

**Create a health insurance emergency fund.** A medical emergency fund, which is separate from the main emergency fund, would be useful to cover the deductibles and co-insurance on health insurance if you don't have an HSA in place. Health insurance policies will list a "total out of pocket" amount on the coverage page, which can run thousands of dollars. I encourage you to keep this amount in reserve.

Rich Rizzardi is a Financial Planner and Registered Investment Advisor Agent having more than 35 years of entrepreneurial experience, 13 of those years working in the financial services industry with A.G. Edwards and currently Raymond James Financial Services, Inc., Member FINRA/SIPC. His practice focuses on defined benefit and defined contribution plans, business succession planning and consulting, and retirement and estate planning. As a former entrepreneur and owner of three successful companies he understands the needs of both individuals and business owners. You may contact Rich at (203) 255-4347, or e-mail [rich.rizzardi@raymondjames.com](mailto:rich.rizzardi@raymondjames.com).