Can I Be Prepared If Cancer Occurs?

Financial Guidance for Those with Concerns about Cancer

NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

Partnering for Financial Well-Being

American Cancer Society®

Can I Be Prepared If Cancer Occurs?

Financial Guidance for Those with Concerns about Cancer

"Cancer seems to be everywhere these days. I have seen it happen to my relatives, friends, and even famous people. I have also seen the effect that cancer has had on them and their families – and their pocketbooks.

I'm afraid that I'll get cancer, too. That's part of the reason why I watch what I eat, what I'm exposed to, and how much exercise I get. It scares me to think about others who have done everything right and still get cancer.

I like to think that I'm in control of my life, but I worry that cancer could change everything. How would I cope if I ever got cancer? Would I be able to keep my job? Could I afford the treatments? What about the people who depend on me? What can I do to protect myself – at least financially – if I'm ever diagnosed with cancer?"

Nefe
NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION
Partnering for Financial Well-Being

American Cancer Society®

©2011, National Endowment for Financial Education. All rights reserved.

Table of contents

Channeling concerns

It seems like there are stories about cancer in the news all the time. Or maybe you've lost loved ones to cancer or have a history of it in your family. Being afraid of getting cancer does no one any good. But knowing more about it and what you can do to prevent it can help you and the ones you love.

Cancer isn't just one disease. It's a general name for more than 100 diseases in which cells in a part of the body start growing out of control. Cancer can start anywhere in the body. Each type of cancer has its own set of risk factors. This makes it hard to tell who is at risk for what type of cancer.

There are many medical problems that can affect the quality or length of your life. Cancer is just one of them. The good thing is that there are steps you can take to reduce your chances of getting cancer and to improve your chance of finding it early – when it is small, has not spread, and is easiest to treat. So some concern (not fear) about getting cancer can be helpful. It can lead you to do things like quit smoking, eat well, limit your time in the sun, and exercise. It can also lead you to talk to a doctor about having regular cancer screening tests, like skin exams, colonoscopies, and mammograms.

Your concern about cancer can be channeled so that it has a positive effect on your life.

Should I forget my concerns?

The answer to this question is yes and no. If you mean should you go on with your life, form relationships, work toward a career that has meaning to you, and challenge yourself mentally and physically, then the answer is yes. But there also are bad situations you should try to avoid. For example, too many Americans are in a lot of debt and live from paycheck to paycheck. They would have a hard time getting through a few weeks without a paycheck, let alone the extra costs of a major illness. Now might be a good time to make some lifestyle changes, too. Using tobacco, drinking alcohol, and being overweight are habits you can try to change in order to reduce your cancer risk.

This is where your cancer concerns can be used in a positive way. You can use your concerns to make healthy lifestyle changes and as the basis to learn about personal finance. Understanding your finances will pay you back in many ways ... just like a healthy diet or exercise. And the more you learn, the more likely you are to make good financial choices.

Managing finances to be ready for a crisis

This information is designed to help you manage your finances so you can be prepared for the unexpected. This is not a complete financial planning booklet, but it does give you the basics. Having this understanding and control of your finances can help you if any serious health issue does come up.

You may face at least 1 major financial crisis during your lifetime. That crisis may include many months without work or coping with a serious illness, such as cancer. The better prepared you are financially, the better your chances are of maintaining a good, stable quality of life. To help you be as prepared as possible for any life event that may come your way, these areas will be covered in this booklet:

- Medical coverage
- Disability coverage
- Life insurance
- Credit life and disability insurance
- Learning to save money
- Organizing for the future

Medical coverage

Where do I begin?

A good first step toward protecting your finances is to understand your medical coverage. You will need to understand the different types of coverage available. These may be employer-provided benefits, or benefits you purchase on your own. Later, we'll talk about ways to save, reduce debt, and organize your future.

Given your concerns about cancer, good medical coverage is the most important resource you can have. Many employers provide some type of medical plan for their workers. More and more, workers have to pay part of the cost of the medical plan. The cost may seem high – especially if you've always been healthy. Still, medical coverage is too important to go without. For many people, even a short-term illness could wipe them out financially if they didn't have good medical coverage.

What is "managed care"?

Managed care is a concept that gained widespread acceptance in the 1990s. It started out as a way to reduce unnecessary costs, and used more of a preventive health model to catch problems before they cost a lot to treat. At first these plans cost less than the other types of health insurance plans. But this is no longer the case, and few managed care plans work in a pure form. Most plans are versions or combinations of the 3 general plans described next. Today, the most common coverage is through plans with a high deductible (the amount you must pay before the insurance starts paying). These work more like the older types of health insurance. Even so, many of the high-deductible plans still pay for routine physicals, as in the managed care approach.

Health maintenance organization (HMO)

A common form of managed care is a health maintenance organization or HMO. It offers plan members a limited choice of doctors and hospitals. In an HMO, your primary doctor must approve most other medical services before you get them. A pure form of this type of plan will not pay if you go to doctors, hospitals, or other medical systems outside the HMO. You would have to pay those costs unless you had an emergency.

The major benefits of HMO coverage are preventive care and the fact that you don't pay an annual deductible. The deductible is the amount you must pay out of pocket each year before the health care plan starts paying a percentage of the bill. With HMOs, you pay nothing or only a small charge (called a co-payment, or co-pay) for each visit. You will also pay some amount for prescription drugs. Co-pay amounts and charges for prescription drugs can vary depending on the plan and specific services. For example, going to the emergency room may have a higher co-pay than a visit to the doctor's office.

Physical exams and other measures to prevent illness usually are covered. These preventive services often include flu shots, childhood immunizations (vaccines), and some blood tests.

Preferred provider organization (PPO)

One health care choice is a preferred provider organization or PPO. In a PPO, you can pick from a network of doctors and hospitals. A pure form of PPO requires that you use doctors, hospitals, and other medical facilities within the network, except for emergencies, if you want the plan to cover the charges. Like an HMO, PPO plans cover preventive care and charge a co-pay for each visit. If the PPO approves treatment outside of the network, those charges are often handled like those in an indemnity plan. (Indemnity plans are described on the next page.)

PPOs may require each plan member to have a primary care physician (PCP). With some plans, the PCP must approve all treatment by specialists. When this is the case, the PCP is called a *gatekeeper*.

Point of service

Another type of managed health care is called a point-of-service plan. It combines HMO and PPO features, as well as some indemnity plan features. (Indemnity plans are described below.) Your costs are lower if you use the HMO or PPO features. Preventive services are often covered.

Today, few medical health care plans fit an exact description. There are some HMOs that allow treatment by providers outside the HMO. Of course, you'll pay more for that care. Some PPOs don't require your primary care physician to refer you to specialists. A few still do. Some indemnity plans pay a greater share of the cost if you choose from a network of providers, much like a PPO. It is important to understand the benefits of the plans that are available to you and to keep your coverage.

My employer offers an "indemnity" plan. What is that?

Indemnity plans were once the most common form of health insurance. There are many things that make indemnity plans different from the other medical plans listed above:

First, in their original form, they covered only costs of illness or injury. Today, most indemnity plans have more broad-based coverage.

Second, each individual member and family has a deductible. This is a dollar amount of covered medical expenses that you must pay before the plan pays anything. Some plans have what is known as a *family deductible*. This is a limit on the overall deductible a family must pay before co-insurance coverage kicks in.

Third, once the deductible has been paid, a co-insurance begins. Under the co-insurance plan, the insurance company pays part of any other medical bills and the individual pays the rest. The most common mix is 80% paid by the company and 20% paid by the insured. Once the insured person has paid a certain amount out of pocket, the insurance company pays 100% of the rest of the covered charges for the year.

Indemnity plans don't limit you to certain providers, but they may limit how much of the treatment charges will be paid. Whether this form of insurance costs the individual more out of pocket than managed care depends on the medical treatments needed.

This type of plan is used with the highly publicized high deductible health care plans (HDHP), which are linked to health savings accounts (HSAs). People who sign up for these plans reportedly save a lot of money, compared to other types of health plans. For very healthy people, this is true. For people with long-term health problems, even if they are not serious, this plan is no better than any other type of plan and may result in much higher out-of-pocket costs.

I get to choose the type of plan I want. What should I think about?

Here are some things to compare when choosing a health care plan:

- Maximum deductible amounts
- Co-payments
- Choice of doctors and hospitals
- Limits on benefits
- Coverage for pre-existing illness (if this is an issue)
- Limits on visits allowed per year for certain types of treatments
- How treatments you know you will need would be covered
- Likelihood of having a physical exam

Don't base your choice only on cost. A plan may seem to be a bargain, but it may not offer very good coverage. Also, don't think just about your current health care needs – keep the future in mind and the needs your family may have over the next year. To help make your decision easier, refer to the chart called "Medical plan features" on page 6.

Here's an example to look at:

Sam and Suzi Sportsnuts are very active and very healthy. They run, swim, climb, play tennis, and do just about anything they can that requires physical exertion. They have been very healthy. They exercise and follow a careful diet, so they chose not to buy health insurance. They figure that the $800- to $1,200-per-month savings could be put to better use, and they could cover any medical expenses out of pocket. This worked fine for a few years.

Then one day while mountain biking, Sam took a spill. He broke his right arm and left leg. The surgeries to repair the serious compound fractures cost more than $25,000. Next came $4,000 of physical therapy. As Sam neared the end of his rehab, Suzi found a lump in her breast. She knew her mother had a lumpectomy at age 46 and that her grandmother, at age 58, had a radical mastectomy. But she was only 31 and figured she had plenty of time to worry about the possibility of breast cancer. Still, she needed to go to a cancer specialist and ended up needing a lumpectomy. The surgery alone cost $20,000.

The lumpectomy went very well, and all the cancer was removed. But Suzi will need to take medicine for at least the next 5 years. She will also need to follow up with her oncologist and have mammograms and blood work done regularly.

In a little more than a year, Sam and Suzi had medical bills that totaled 5 to 8 times the annual premium for a health insurance plan. None of their treatments was considered high cost.

My medical plan has a "pre-existing condition exclusion period." What is that?

At this time, most medical insurance plans have a "pre-existing condition exclusion period." A pre-existing condition is a health problem that you had before you joined your medical plan. Some plans include only conditions that have been diagnosed, while others may consider a condition pre-existing even if you don't know you have it when you apply for the coverage. When this happens, your plan can make you wait before it pays the costs of that medical problem. The wait is usually no more than a year. Once the pre-existing condition clause expires, the policy will pay only for those expenses incurred after that date.

As of September 2010 for children and starting in 2014 for adults, the Affordable Care Act does not allow insurance companies to deny coverage for pre-existing conditions when writing new policies. But for now, there are rules about exclusion periods that may help you. For example, in most states, if you have met at least 1 of the following conditions, then an exclusion period doesn't apply to you when signing up for a new medical plan:

- You have had medical coverage for the past 18 months through a group health plan.
- You have already met the pre-existing condition exclusion period during your previous coverage.
- You have not had a break in health coverage for 63 days or more.

Medical plan features

Feature	Average plans
Yearly deductible. How much of your own money must you spend on doctor bills before the health care plan begins to pay?	$200-$2,900 per person
Annual co-insurance limit. (This has many names. Ask questions so you understand how it works for your plan.) The co-insurance limit is the total amount of your 20% or 30% payment for covered expenses beyond the deductible. How much in total must you pay before the policy pays all covered expenses?	$0-$10,000
Co-payment. How much do you have to pay each time you visit an HMO or PPO health care provider? Co-payment often is called "co-pay."	$10 to $50 per visit
Choice of medical service provider. Can you pick your own doctor, any provider in town, or must you choose from a list of providers who belong to the plan group?	Any provider or a wide choice within a network
Pre-existing condition exclusion period. Sometimes people have an illness – like high blood pressure or diabetes – when they sign up for health insurance. Will you have to wait before the health plan would pay for that illness?	No wait or only a short time period (This may depend on whether you had a health plan before this one.) Note: As of September 2010 for children and starting in 2014 for adults, the Affordable Care Act does not allow insurance companies to deny coverage for pre-existing conditions when writing new policies.
Specific illness excluded. Are there any illnesses (such as cancer) that the policy will not cover?	Most plans cover any and all illnesses, but check the policy you are thinking about.
Specific treatments excluded or limited. Are there any treatments, such as organ transplants, treatment for infertility, chiropractic care, or physical therapy, that the policy limits or will not cover?	Some plans list specific things they will not cover. Individually written plans may exclude existing medical conditions. (See "Pre-existing condition exclusion period" above.)
Hospital costs covered. What share of hospital costs will the policy cover?	There may be a daily dollar limit, or all costs may be covered (after the deductible and/or co-pay).
Days of hospital coverage in a year. If you need to be hospitalized, how many days will the insurance pay for each year?	Limited number up to 365
Prescription drugs. How much do you have to pay for prescription drugs?	Usually $10 to $50 (a co-pay) or 80% of the cost (after deductible)
Lifetime maximum payment. If you are sick or injured many times during your life, what is the cap on total payments the policy will make?	$1 million to unlimited Note: The Affordable Care Act removes lifetime dollar limits on benefits and restricts yearly dollar limits on benefits starting in September 2010. It removes all yearly limits in 2014.
Home care visits. If a nurse needs to see you at your home, how many visits will the policy pay for?	Very limited, up to 52 per year
Mental health therapy. How many outpatient mental health visits will the policy cover in a year?	Usually based on the state's requirements, varies widely
Drug/alcohol treatment. What kind of drug and alcohol treatment will the policy pay for?	Usually based on the state's requirements, varies widely

What should I do if I leave my job?

If you leave your job, it's important to keep your medical coverage. COBRA (the Consolidated Omnibus Budget Reconciliation Act) may help you do just that. The law allows you to stay on your former employer's medical plan (if there was one) for 18, 29, or 36 months (depending on the circumstances), but you must pay for the coverage. COBRA applies if the employer has 20 or more workers. There are many COBRA provisions. To understand them all, it's best to talk with your benefits or human resources department.

COBRA is useful if you have not found a new job or a job that has health coverage. It also can be helpful if your coverage under your new employer's plan won't start for a few months. The only catch – and it's a big one – is that you must pay for the full cost of coverage, plus up to 2% of the premium to cover paperwork and office costs. But the cost is at the employer's group rate.

To take advantage of COBRA, you must sign up for it within 60 days after you leave your job or reduce your hours. Your employer must tell you about the COBRA option, in writing, before you leave work or when your hours are reduced. COBRA is not an option if you lose your job because the business failed.

Another option is to buy a short-term medical policy. This type of policy can provide coverage for up to 6 months. But it will likely have much lower benefit levels and will probably not provide treatment for any pre-existing condition. In the meantime, a better job with better coverage may come along.

The job I have now doesn't have a medical plan. What should I do?

A medical plan is too important to go without. If your job doesn't offer coverage, look into getting it on your own. Many insurance companies and HMOs offer medical policies directly to individuals. All plans are different, so be sure you understand what you are buying. You may want to contact the plan administrator to find out if your doctor is on the plan. You also may want to talk with your doctor to find out which plans he belongs to.

If your spouse has health insurance through an employer, you could look into joining that plan. If you join within 30 days of losing your health insurance coverage, you can usually be added to your spouse's plan without having to prove you are healthy. The rates may be much lower than your COBRA cost. Keep in mind that there is little to no benefit to being covered by 2 plans.

If you must buy an individual plan, it also may cost less than your COBRA plan. But the state laws that require certain health care benefits usually apply only to group plans. Individual plans often provide lower benefits in some areas and none in others. Be sure to understand what is covered in any plan you are thinking about buying.

Aren't there government health programs that can help me?

The government does have a few programs to help people who can't afford to pay for medical care. But your income and assets must be very low to qualify for this type of care. It's best not to count on these programs. You may find it hard to qualify, and your health care choices will be more limited than through most private medical plans.

State-mandated insurance programs

As part of the 2010 Affordable Care Act, states are now able to offer subsidized premiums to people who have been denied insurance because of pre-existing conditions. If a state chooses not to run their program, it will be administered by the federal government for that state. These programs are called high-risk insurance pools or Pre-Existing Condition Insurance Plans. As of this publication's writing, states are in the process of ramping up these programs, *which will be offered until 2014.* Individuals in these programs must still pay part of the monthly premium.

For more information on the high-risk insurance pool offered in your state, visit www.StateHealthFacts.org and enter "high risk pool eligibility" (with the quotes) in the search box. For the most current information on the health care coverage available in your state, go to www.healthcare.gov.

Should I change jobs to get better benefits?

If you are happy in your job, you may not want to change for better benefits. But, you could look into buying the more important benefits (like health insurance) on your own. You could also talk with your employer about extra benefits. To keep good workers, some employers are willing to add or improve benefits. But if your employer can't make any changes and you can't afford to pay for benefits, then it may be time to look for another good job with good benefits.

Good benefits are an important part of your earnings. If you are looking at other jobs, look over the benefits package carefully. Don't ask to see the benefits package during the first interview. But when offered a job, ask to review the benefits before giving your answer. Asking to review the employee benefits packages is entirely proper and even expected by employers. Many include it in the interview process. They usually want applicants to know their company is a good place to work. And most employers won't mind waiting a day or so to get your answer.

Large employers usually offer the most generous benefits. They often offer not only a health care plan, life and disability insurance, but other benefits, too.

Disability coverage

Why is disability coverage important?

Disability income insurance can be a useful safety net. It is used to help replace your income if you become sick or hurt and are unable to work. If you are thinking about this type of insurance, keep in mind that you are much more likely to be disabled for 90 days than you are to die before age 65.

There are 2 basic types of coverage: short-term and long-term disability.

Short-term disability: Your employer may offer a short-term disability benefit for a leave of absence of 6 months or less. In a few states, employers must provide a minimum short-term disability benefit.

Long-term disability: If you meet the definition of "disabled" that is in your policy, these plans pay you a percentage of your monthly income or a certain amount of money. There is a waiting period before benefits start. This waiting period will vary from plan to plan. The benefit most often lasts for at least a year. It could last until age 65 or for life if you meet the plan's definition of disability.

If you have long-term disability insurance, read over the policy and make sure you understand the benefits. Look very closely at these things:

- **Definition of disability:** How does the policy describe "disabled?" For example, are you disabled if you can't work in your own occupation? Or does the policy say you're disabled only if you can't work in any occupation? Note that some employer-provided plans use a different definition after a few years of disability.
- **Monthly benefit amount:** Benefits vary. If the plan is provided by your employer as a benefit, it likely will pay you 50% to 70% of your income (salary or wages, but not bonuses or commissions). If you bought the policy, the benefit will be the amount you chose.
- **Benefit period:** How long will the plan pay a benefit?
- **Waiting period:** How long must you wait before you start getting benefits? For example, if your policy has a 90-day waiting period, you will not get the first check until the month after the 90 days has passed.
- **Residual or partial disability:** Does your policy allow you to work part time and still collect part of the benefit? Also, can you go back to work on a part-time basis after

being on disability and not lose all of the benefit?

If you buy your own disability policy, the benefit is income tax free. If your employer is paying for the policy, the benefit is taxable. If you pay part of the premium for an employer-provided plan, the part of the benefits you pay will be income tax free.

If your employer provides your plan, it's likely subject to something called "coordination of benefits." This means your disability check may not always be 50% to 70% of your monthly earnings. This happens when you also are getting money from Social Security or another state- or employer-sponsored program. For example, say you earn $2,000 a month. You then are disabled, and your company's disability plan covers 70% of your wages. You should be able to get $1,400 a month in disability benefits. But also say that you're getting $300 a month in Social Security benefits. This $300 is subtracted from the $1,400. Your disability check would now be $1,100, but your total is still $1,400 monthly.

If you buy your own disability income policy, the coordination of benefits doesn't apply. So once you meet the plan's definition of disability, you will be paid a certain amount, say $1,500 a month. If you are getting $1,500 from the policy, as well as $300 per month in Social Security benefits, your total monthly income is $1,800.

Long-term disability insurance is a valuable benefit. If you have an employer-provided plan and change jobs, you'll lose this benefit. There is no COBRA extension of disability income coverage. And very few plans let you switch to an individual plan. So when changing jobs, find out if the new employer offers this benefit.

Does the government offer disability benefits?

The government does have some programs for disabled people. These are Social Security Disability Income (SSDI) and Supplemental Security Income (SSI). Both programs can be helpful, but have strict limits. If you're in good health, there are much better choices than government programs. Two options include looking for an employer who offers disability income insurance or buying a policy on your own.

Below is a brief description of the government programs.

Social Security Disability Income: To qualify for SSDI, you must have paid enough into Social Security. The government takes this money from your paychecks. You must also meet the Social Security Administration's very strict definition of disability. (It is often very hard to meet this requirement.) Finally, you must be disabled for at least 5 months to apply for benefits. Your doctor must expect you to be disabled for at least 12 months or for the rest of your life.

Supplemental Security Income: To qualify for SSI, your income and assets must be below a certain level. This level differs from state to state. Also, you must meet the Social Security Administration's definition of disability.

How do I check my Social Security credit?

One financial step that people often overlook is to review their annual Social Security statement. You need to make sure you get credit for your entire work history. Social Security computers have been known to mess up some names. And if you changed your name, you'll want to make sure your work history under both names has been added up. To check your records, take these steps:

- If you are age 25 or older, Social Security sends these out every year, about 3 months before your birthday.
- You can also get a statement by calling 1-800-772-1213 and asking for Form SSA-7004, the Request for Social Security Statement. Complete the form and return it to the Social Security Administration. Social Security will process the form and mail you a copy of your work history and an estimate of your earned benefits.
- You may also request a statement through Social Security's Web site at www.ssa.gov. Click on "Your Social Security Earnings Statement" on the left side of the page, then click "Need to request a statement?" and go to the bottom of the page.

Look over your work history, and make sure nothing has been overlooked. If information is missing or wrong, follow the directions on the form.

Life insurance

Do I really need life insurance?

Many people think that you only need life insurance if you have children or a spouse who will need the money after your death. While you may not need it for those reasons now, you may need it for them in the future. And there is no way to know if you'll be able to get insurance if you need it in the future. Having a family to take care of is a good reason to have life insurance. But life insurance can also be used to help pay the high costs that come with a serious illness like cancer. For example, you may be able to use the policy as a basis for a loan or cash settlement. Your options will depend on the type of insurance you own. So even if no one depends on your income right now, having some amount of life insurance is a good idea.

Many employers offer life insurance to their employees. Your benefits summary should tell you if your employer provides life insurance and how much. You may even be able to buy extra insurance through an employer-provided plan. This often is a low-cost way to buy life insurance. In most cases, you don't have to prove that you are insurable. Another good point to remember is that if you leave your employer, you may be able to convert the policy to an individual permanent life insurance policy. If you do this, you will have to pay the cost of the insurance.

Not all of your life insurance should be through work. Some should be personally owned. Look for a good insurance company. Insurance companies are rated by A.M. Best, Standard & Poor's, Moody's, Fitch, and Weiss ratings. Most experts suggest you get insurance from a company that has 1 of the 3 highest ratings from at least 3 of the rating companies. Those that meet this standard are happy to show you their ratings. You often can find them on the companies' Web sites, too.

The type and amount of life insurance you need is up to you. It depends on things like family size, income, your role in the family, and other investments you own. Detailed information about life insurance can be found in many books, guides, and on the Internet. It also might be a good idea to talk to a financial planner or insurance agent about your life insurance needs. Be aware that a CPA (certified public accountant) is a financial advisor and not always able to give advice about life insurance. The same is true about a stockbroker, investment advisor, or banker.

What are the different kinds of life insurance?

There are 2 basic types of life insurance: term and permanent coverage.

Term insurance: Term insurance is protection. The policy will pay money to your beneficiary at your death. It is much like renting your insurance. This is the type of life insurance that an employer usually provides.

A term policy is written for a set period of time, such as 5 or 10 years – or until a specific age (often 65 or 70). Some policies have an annual renewable provision, which means the premium or cost goes up every year. "Level" term policies offer a set rate for the entire term. This is most often done in a 5- to 30-year policy. At the end of the term, the policy may allow for automatic renewal at a new, higher rate without writing a new policy. You may also have the option to re-qualify (prove your insurability) at current rates, which may be much lower than the higher rate outlined in the contract.

If your term life insurance is provided by your employer and you switch jobs, you may be able to convert the policy to an individual permanent life insurance policy.

Permanent life insurance: Permanent life insurance is just that, permanent. There is no need to re-qualify for it. And depending on the type, the premium (cost) can stay at a certain level for life, or even be scheduled to end after a certain number of years with coverage then lasting the rest of your life. Permanent insurance builds a cash reserve that can grow over time. The reserve is what

makes it possible to keep a level premium. You can borrow against this money, much like you can borrow money based on the value of your home. But you still pay interest on the loan, and dividends, as well as death benefit payouts may be reduced as long as the loan is not repaid. If the loan is not repaid before death, the amount due will be subtracted from the death benefit.

If you buy permanent coverage, you will pay more at first than you would for term insurance. But you can choose a policy where the premium does not change. Also, the younger and healthier you are when you first buy the insurance, the lower the cost. So in the long run, the policy may cost you less than term coverage. Should you ever face a life-threatening illness, you may be able to borrow against the cash value of the policy.

What does it take to qualify for life insurance?

Sometimes you don't need to do anything to qualify for life insurance, like if you have a policy through your employer. But if you buy a policy on your own, expect questions. The insurance company will ask questions about your health, your family's health, and your lifestyle and habits. They also may ask you to agree to a medical exam and/or lab tests.

Underwriting is the process an insurance company goes through to decide if it is willing to insure you and at what price. Some companies are very strict in their standards for accepting people for insurance, while others accept a broader range of applicants. Working with a knowledgeable agent is important so you can be matched with the right company. The underwriting process can take days or weeks, depending on your history and the amount of insurance you want to buy. Some companies offer better policies than others. Good agents will know if you are able to get insurance from the better companies. Some people have high-risk jobs, risky hobbies such as sky diving, or a history of health problems which may result in them being considered "impaired risks." Some companies specialize in underwriting these people. Again, a qualified agent will know how to find the company or companies that are best suited to meet your needs. But you still want to use the highest-rated companies available.

Credit life and disability insurance

Should I insure my loans?

With many types of loans, some insurance is required. For example, when you finance the purchase of a home, you must have property insurance to protect yourself and the lender against losses. But other types of insurance are available to help pay off the debt if you die, or make the payments if you become unemployed or disabled. These types of insurance – credit life and credit disability – are not required.

Credit life and credit disability are offered on many types of loans, including credit cards. (Yes, using a credit card is like taking out a loan.) But most financial advisors do not recommend this insurance for the average consumer because it costs a lot. (The cost of the insurance often is based on the loan balance.) Instead, they recommend having enough in assets, an emergency fund, or individually owned insurance to cover any loan costs. But if you ever become seriously ill, credit life and credit disability insurance are options that you could look into. And on some loans, you may still be able to get credit life and credit disability insurance even after you become ill. In this case, you can expect to face a pre-existing condition exclusion period.

Learning to save money

How can I save for the future when the present takes all my money?

Saving money isn't easy, but let your health concerns drive you to do so. Over time, the drive will turn into habit. And the good news is that you may never face a serious illness. What you will have is the good habit of preparing for the future – no matter what it brings.

Once you have all the important coverages in place (medical coverage, disability insurance, and life insurance), the next step is to set up a savings plan. First, set your sights on having an emergency fund. The purpose of an emergency fund is to pay for unexpected expenses or loss of income. For example, your emergency fund can pay for a car repair or help pay your bills if you lose your job. Most financial advisors recommend having 3 to 6 months' worth of expenses set aside in the emergency fund. The funds should be kept in an account or investment that can be easily changed to cash.

Once you have set up an emergency fund, the next step is to fund a retirement account, such as a 401(k), and other investments. To start a savings plan, follow these 4 steps:

Step 1: Identify your income.

Sources	**Per month**
Wages (yourself)	$ _____
Wages (others in household)	$ _____
Tips or bonuses	$ _____
Child support	$ _____
Unemployment compensation	$ _____
Government programs	$ _____
Interest	$ _____
Other	$ _____
Total income	$ _____

Step 2: List your expenses.

Types	Per month
Rent or mortgage	$ _____
Gas, heating fuel, electricity	$ _____
Water	$ _____
Telephone	$ _____
Other house expenses	$ _____
Snacks, meals eaten out	$ _____
Transportation	$ _____
Life insurance premiums	$ _____
Health insurance premiums	$ _____
Car insurance premiums	$ _____
Doctor and dentist bills	$ _____
Child care	$ _____
Pet care	$ _____
Union dues	$ _____
Clothing/uniforms	$ _____
Loans	$ _____
Credit cards	$ _____
Personal (toiletries, allowances, etc.)	$ _____
Miscellaneous (extras)	$ _____
Savings (IRA contributions)	$ _____
Other (entertainment, etc.)	$ _____
Total expenses	$ _____

Step 3: Compare your income and expenses.

Write down your total monthly income (from Step 1) $ _____

Write down your total monthly expenses (from Step 2) $ _____

Subtract expenses from income and list the amount here $ _____

Step 4: Set priorities and make changes.

Is there money leftover at the end of the month? Great! If you treat it wisely (like putting it into savings or investments), you'll be well on your way to reaching your financial goals.

But, maybe your expenses are more than your income. Then what? First, look carefully at how you spent the money. Closely review all of your miscellaneous or extra expenses. Are there areas where you can cut back? Don't be discouraged if you can only change your spending a little – even small changes can add up to a large amount over time. Also, think about how you and your family members might be able to increase income. Some ideas include:

- Looking for a better-paying job
- Taking a second job
- Turning a hobby into extra income
- Selling unwanted or rarely used items. The Internet makes this a lot easier than it used to be.

Organizing for the future

What is estate planning?

Organizing your future starts with building an estate plan. This plan outlines what will happen to your assets when you die or if a time comes when you cannot make decisions about your finances. Your "estate" includes all that you own: your house, car, jewelry, personal items, and furniture. If you don't make a plan for yourself, the state will step in and make decisions about your estate when you die.

The basis of estate planning is having the right documents in place. At the very least, everyone needs these things:

- A will
- A durable power of attorney
- A health care proxy (also called a durable power of attorney for health care)
- A living will

Will: Everyone needs a will. Your will directs how and to whom your assets will be given. You also use your will to name a person who is legally responsible for any minor children and their assets. Remember that if you die without a will, the state will decide how to distribute your estate and who will raise your children.

Durable power of attorney: A durable power of attorney allows you to name a person who will handle your finances if you are unable to handle them yourself.

Health care proxy: This may also be called a *durable power of attorney for health care*. A health care proxy allows you to name a person who will make decisions about your health care if you are unable to make them yourself. It is important to choose a person who understands your wishes and is willing to take on this responsibility.

Living will: A living will allows you to describe the types of medical treatment you would want or not want if you are unable to talk about these choices. Sometimes this is outlined in a health care proxy. If that is the case, you may not need a living will. Always make your doctor aware of your wishes. Give a copy of your living will to your doctor, and make sure that your loved ones have copies, too.

You might want to talk to an estate lawyer about your estate planning needs. The lawyer can write up the documents for you. He can also advise you on using trusts (a written document that controls property) to protect your assets from taxes and expenses of probate (a legal process where an estate is settled) and to take care of minor children.

If your finances are simple, these documents could be drafted at a legal clinic or non-profit group. Call the American Cancer Society at 1-800-227-2345 for names of organizations that can help you.

After your documents are done, it's a good idea to review them from time to time. Check to make sure the information is still correct and your wishes are the same.

There's so much to think about! Who can help me?

Financial planning can be overwhelming. Think about working with a professional. A qualified financial planner can help you set up a financial plan that will take care of your needs now and in the future. Interview planners until you find one who understands your medical and financial concerns.

For more help in this area, see the booklet called *How to Find a Financial Professional Sensitive to Cancer Issues*. You can get it by calling the American Cancer Society at 1-800-227-2345 or find it online at www.cancer.org.

Putting your health concerns to good use

After reading this information, you may better understand that a major illness, such as cancer, can hurt your finances. But we hope you have also learned that being ready for a financial crisis can be the push you need to prepare for a better financial future. If your concerns about cancer lead you to buy good insurance, have a financial plan, decrease your debt, build your savings, and think ahead, congratulations! You are now well on your way to financial well-being, whatever life may bring.

Glossary

COBRA: COBRA stands for Consolidated Omnibus Budget Reconciliation Act. It is a federal law that lets you keep your health plan after you leave a job. It works only if you had a health plan at the old job. You may be able to keep your old health plan for 18, 29, or 36 months, depending on the circumstances. But you must pay the entire cost of the health coverage.

Disability income insurance: This is insurance that makes monthly payments to people who are injured or sick and cannot work. Disability income plans can be either short-term or long-term plans.

Emergency fund: This is a cash reserve to pay for emergencies. Most financial advisors recommend setting aside enough money to cover 3 to 6 months' worth of expenses. The money should be in an account that you can easily use, such as a money market account.

Family and Medical Leave Act (FMLA): FMLA requires employers with at least 50 employees to provide up to 12 weeks of unpaid, job-protected leave to eligible employees for certain family and medical reasons, such as:

- The birth and care of the newborn child of an employee
- Placement with an employee of a son or daughter for adoption or foster care
- To care for an immediate family member (spouse, child, or parent) with a serious health condition
- Medical leave when an employee is unable to work because of a serious health condition.

Employees are eligible if they have worked for a covered employer for at least 1,250 hours in the past 12 months. The employer must maintain an employee's medical insurance coverage under any company group health plan during the FMLA leave.

Health Insurance Portability and Accountability Act (HIPAA): This law provides continuity of health care coverage. An individual who has met the pre-existing condition clause of a health insurance plan will not have to meet another one unless there is a break in coverage of 63 days or more.

Health Maintenance Organization (HMO): This is one kind of medical group that offers health coverage. If you belong to an HMO, then you must use the doctors within that HMO network. If you use doctors outside the network, you pay the cost. In most cases, you pay a small fee ($10 to $30) each time you see an HMO health care provider.

Managed care plan: This is a general term for a type of health care coverage. Managed care plans set limits on types of care and providers to control costs. HMOs, PPOs, and point-of-service plans are all forms of managed care. Almost all managed care plans cover preventive care.

Medicaid: This government program pays the cost of health care for low-income people. To qualify, your income and assets must be below a certain level. This level is set by the state in which you live. Not all health care providers accept Medicaid.

Medicare: This government program pays for medical care. After 29 months of being disabled and getting Social Security Disability Income, you qualify for Medicare. You may also qualify for Medicare if you are age 65 or older and retired. Almost all hospitals accept Medicare; a declining number of doctors do.

The Patient Protection and Affordable Care Act (PPACA): This law was signed by President Barack Obama on March 30, 2010. The act is designed to give Americans new rights and benefits, including helping more children get health coverage, ending lifetime and most annual limits on care, and giving patients access to recommended preventive services without cost-sharing. You can learn more at www.healthcare.gov.

Pre-existing condition: This is a health condition that you had before you applied for health insurance. If you have a pre-existing condition, you may have to wait before the plan will pay the medical costs of that health problem. The plan will pay for other health problems that begin after you join the medical plan. The Affordable Care Act does not allow insurance companies to deny coverage for pre-existing conditions in new policies for children starting in September 2010 and for adults starting in 2014.

Social Security Disability Income (SSDI): This federal government program pays monthly income benefits if you are disabled. You must meet Social Security's strict definition of disability. Also, you must have paid the minimum amount into the Social Security system. Self-employed people pay their own Social Security. To have paid enough money into the system, you must have worked a certain number of years, which varies based on your age.

Supplemental Security Income (SSI): This government program pays benefits to low-income people who are unable to work, as well as to people who have certain impairments or disabilities. To qualify, your income must be below a certain amount. The level is set by the state in which you live.

Trust: This is a written document that controls property. There are many types of trusts, and each is designed to reach a certain goal, such as saving estate taxes, avoiding probate, or making sure your assets go to the people or places you want them to go to after you die.

Notes

Other publications in this series

In Treatment
Financial Guidance for Cancer Survivors and Their Families

Off Treatment
Financial Guidance for Cancer Survivors and Their Families

Advanced Illness
Financial Guidance for Cancer Survivors and Their Families

How to Find a Financial Professional Sensitive to Cancer Issues
Financial Guidance for Cancer Survivors and Their Families

Coping Financially with the Loss of a Loved One
Financial Guidance for Families

You can get these booklets from your American Cancer Society by calling 1-800-227-2345 or by visiting our Web site at www.cancer.org.

American Cancer Society®

NEFE® National Endowment for Financial Education

Partnering for Financial Well-Being

Can I Be Prepared If Cancer Occurs?: Financial Guidance for Those with Concerns about Cancer was written and prepared as a public service by the Denver-based National Endowment for Financial Education®, or NEFE®.

NEFE is an independent non-profit foundation committed to educating Americans about personal finance and empowering them to make positive and sound decisions to reach financial goals. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit www.nefe.org.

Note: Over time, legislative and regulatory changes, as well as new developments, may cause this material to be outdated. This booklet is meant to provide general financial information; it is not meant to be a substitute for or to supersede professional or legal advice.

Partnering for Financial Well-Being

We **save lives** and create more birthdays
by helping you stay well, helping you get well,
by finding cures, and by fighting back.

cancer.org | 1.800.227.2345

©2011, National Endowment for Financial Education. All rights reserved.
No.350006