Disaster Preparedness Makes Sense for Finances, Too

They've been on the market for years – so called "beneficiary books" and other template-based filing tools that can help an heir, spouse or executor sort through a person's affairs upon their incapacitation or death. There's no question that these tools make a lot of sense – but they're not only for the retirement set.

If 9/11 has taught Americans anything, it's that anyone, at any age, needs to plan for the unthinkable.

Any individual with assets should create an easy-to-find, easy-to-understand file of financial information and keep that data in a safe, accessible place at home, with their attorney or CERTIFIED FINANCIAL PLANNER™ professional and possibly with a trusted friend or relative who lives a safe distance away from the aforementioned locations.

This information may be organized in a pre-purchased kit, a school binder, or in scanned documents stored on a computer disk:

- Birth, death, marriage certificates (make a note to the holder of this file that they should immediately make at least 10 copies of each in case they are executor or are asked to help an executor);
- Divorce decrees with all relevant settlement information;
- Location of wills, trusts and any power of attorney information;
- Advanced healthcare directives;
- Adoption papers, if applicable;
- Key identification numbers, including drivers' license, passport and employee identification data;
- Recent bank and brokerage statements;
- Detailed funeral and burial wishes;
- Location of cash that may be used to handle emergency expenses;
- Recent medical records that may be good to have on hand if the individual is incapacitated;
- Copies of residential deeds and mortgage data;
- Car title, lease, loan information and license plate data;
- All insurance policy (health, disability and life) and agent contact information;
- Photocopies of credit and debit cards, front and back (displaying the individual's signature);
- A current copy of the individual's home financial software program reflecting up-to-date financial data;
- The locations for all critical paper documents and stocks and bonds;
- Where safe-deposit, lockbox and filing cabinet keys are;
- Contact information for the individual's human resources department at work;

- Location of tax returns for the last three years;
- All relevant contact numbers for executors, financial advisers, trustees, guardians, attorneys and any other pertinent individuals;
- All user IDs and passwords for online accounts, including access to computer;
- Guidelines on what to do about orphaned pets, including set plans for who will adopt them and pay for their care.

In organizing all this information, it makes sense for the individual to put themselves in the shoes of the people they've selected to handle things in a crisis. Since these individuals may be capable but still frazzled or upset, it's essential this information be simple to navigate and updated as often as possible. Some guidelines in organizing the documents:

Start with a simply written table of contents: When someone dies or is incapacitated, loved ones are typically distracted. They may forget details they've been told. That's why a detailed index of this data (with page numbers or folder labels) is so critical. Many people think that putting together a comprehensive binder or box of information is all they need to do, but a simple summary is particularly appreciated at stressful times.

Set a time each year to review and revise this information: Some experts advise individuals to update their will and other estate preparations every five years or as often as change takes place. This crisis information should be updated more often – optimally, every year. A person's address, relationship, job status and financial details can certainly change within a given year – that's why record keeping needs to keep pace with this information.

Keep the team informed: It's never easy to talk about death or illness with loved ones, but individuals need to make time to show their chosen family members and professionals this crisis kit, preferably where all this information is kept. If family members or advisers have questions or suggestions on how to better present this data, those ideas should be incorporated as time goes on.

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Becoming Your Own Health Care Cost Advocate

A Harvard Medical School study earlier this year pointed out that nearly half of all bankruptcies, involving 700,000 American Households and more than 2 million people annually, are attributable to illness or medical debt.

And in June, the Commonwealth Fund, a nonprofit health-policy research group in New York, reported that people with high-cost, high deductible health insurance are catching up to the uninsured when it comes to medical debt. That means that rising uninsured medical costs are not just for low-income Americans anymore.

As the population ages and there is no 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 they will have to become the purchasing agent for their own health care. Some ideas:

Deal with your 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. The study added that among the overweight, lifetime medical costs could be reduced by $2,200 to $5,300 following a 10 percent reduction in body weight. This doesn't apply only to individuals buying their own insurance – employers are increasingly offering pricing incentives for healthier workers. Don't be left out.

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.

Discuss potential cost of a diagnosis: If your physician diagnoses a particular illness that requires tests, surgery, 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 prescribing the medication, samples with the proper dosage can provide cost savings to patients.

Politely question all physician recommendations: If in your research you find that more than one drug or course of treatment may be effective in your situation, always ask the physician why they made their particular choice. Physicians, hospitals and other players in the health care system face pressure from suppliers to pick their product or brand, so if you're paying for the most expensive form of treatment, you need to know why it's the best choice.

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 adviser about planning for long-term care: If you or a loved one are 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 during an emotionally stressful time, make an appointment with a CERTIFIED FINANCIAL PLANNER™ professional to discuss affordability options that will safeguard your assets, including Medical Spending Accounts that can backstop out-of-pocket costs on high-deductible policies.

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.

- 30 -

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New Roth 401(k)s Call for a Full Review of Individuals' Retirement and Tax Picture

As many employees begin their open enrollment benefits registration in the coming weeks, a big change may be the option to sign up for the new Roth 401(k) plans that will start in January.

These new Roth 401(k) plans were set in motion very quietly in the Economic Growth and Tax Relief Reconciliation Act of 2001, with a Jan. 1 launch date. The much-touted benefit of the new Roth 401(k)s – Roth 403(b)s for nonprofit employers -- is that unlike conventional Roth IRA accounts, they don't limit participation by income level. So the Roth's primary benefit –tax-deferred growth and tax-free qualified withdrawals – will be potentially available to all employees no matter how much they make.

Yet the new Roth 401(k) isn't a slam-dunk for everyone. In fact, experts strongly urge potential investors to check with their own tax advisor or a CERTIFIED FINANCIAL PLANNER™ professional before deciding to funnel retirement dollars into this new type of employment retirement savings plan. An employee's decision to participate may hinge on age, tax status and years until retirement – and it can get pretty complicated.

Here are some issues to consider:

Think about your income level at retirement: Most younger workers could easily be in a higher income bracket by the time they retire, which means they're paying a smaller amount of tax in the early years of their Roth 401(k) contributions. Generally, most advisers think the Roth 401(k) is a young person's game, though there are cases where these accounts work quite well for older workers.

Weigh contribution rules: In 2006, a conventional (non-employer) Roth IRA will limit contributions to $4,000 a year for people under 50, and $5,000 for those over 50. Under the rules that will apply to Roth 401(k)s in 2006, employees can stash up to $15,000 in 2006, and people over 50 can contribute another $5,000 a year in catch-up money. Remember, though, that these limits apply for *all* 401(k) contributions combined. You don't get to put an *additional* $15,000 away in a Roth 401(k). In the end, for workers who can benefit most at retirement from Roth tax treatment as opposed to the ordinary 401(k) treatment, the Roth 401(k), will help them maximize those Roth-type contributions.

Consider how matching will work: There's no free lunch when it comes to employee matching under the Roth 401(k) rules. An employer can contribute a match to the Roth 401(k) contributions, but those employer contributions are subject to traditional 401(k) employer-matching rules, which mean the gains on the employer contribution will be taxed as income when withdrawn.

Figure when you'll need the money: A big difference between the Roth IRA and the Roth 401(k) is that workers will have to start withdrawals from the Roth 401(k) at age 70 ½ while traditional Roth IRA funds can stay in place indefinitely. So workers might want to consider a rollover to a conventional Roth at that time if they want to keep the money intact.

Plan for the expiration date: Roth 401(k) plans are scheduled to expire at the end of 2010. Therefore, after 2010, Roth contributions could remain in the plan, but no new Roth contributions could be made after that time. Obviously, Congress could extend these provisions at some time in the future if they really catch on.

Consider future job changes: You will be able to roll over your Roth 401(k) balance into a Roth IRA if there's not another Roth 401(k) option at your next employer. Talk to your financial adviser about how that may affect your retirement situation, particularly if you are a frequent job-changer.

Make sure your employer can explain the benefits: A recent Hewitt Associates study pointed out that two thirds of employers it surveyed recently plan to delay introduction of the new Roth 401(k)s because they find the product "confusing" to explain to employees. Because these new investments need separate accounting software, some companies consider them too expensive to launch for now. It's also expensive for companies to launch these plans since they need to account for them separately. So for now, Roth 401(k)s may be the province of larger corporations or organizations, not smaller ones.

- 30 -

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