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

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 fear that I have an increased risk of getting cancer. That's part of the reason why I watch what I eat and what I'm exposed to and get a lot of exercise. It scares me to think about others who have done everything right but 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?"

Table of Contents

Channeling Your Concerns 2
Medical Coverage 3
Disability Coverage 8
Life Insurance 10
Credit Life and Disability Insurance 11
Learning to Save Money 12
Organizing Your Future 14
Glossary 15
Other Publications in This Series 18

Channeling Your Concerns

Many of us fear getting cancer. It's hard not to, especially since a story about cancer appears almost daily in the news. Still, it's important that fear not paralyze us or interfere with the running of our lives. In reality, there is often a gap between those who fear cancer and those who are *actually* at an increased risk for developing cancer.

Part of that gap is because cancer isn't one disease. It's actually an umbrella term for at least 100 different but related diseases. And each type of cancer has its own set of risk factors. That's why it's hard to tell exactly who is at risk for what type of cancer.

But some amount of concern (not fear) can be helpful. For example, concern about obesity can prompt us to exercise. And exercise pays us back in several ways. Certainly it reduces our body fat, but it also helps us cope with stress and increases our energy. Your concern about cancer also can be channeled so that it has a positive effect on your life.

Should I forget my concerns and act like my friends?

The answer to this question is simple: yes and no. If you mean should you go on with your life, form relationships, seek a meaningful career, and challenge yourself mentally and physically, then the answer is yes. But many people have bad habits that you shouldn't follow. For example, too many Americans are heavily in debt and live from paycheck to paycheck. They would find it tough to recover from a few weeks of unemployment, let alone the expense of a major illness.

This is where your cancer concerns can be used in a positive way. You can use your concerns as the basis for learning about personal finance. Understanding your finances will pay you back in many ways – just like exercise. The more you learn, the more likely you are to make sound financial choices.

The purpose of this booklet is to help you begin to get a grip on your finances so you can reach your goals. While this is not a complete financial planning booklet, it does give you the basics for understanding your finances.

This booklet also is meant to help you be prepared if the unexpected happens. Unfortunately, many of us will face at least one major financial crisis during our lifetime. That crisis may be facing months without work or coping with a serious illness, such as cancer. The better prepared we are financially, the better our chances are of maintaining a good, stable quality of life.

Medical Coverage

Where do I begin?

A good first step toward understanding your finances is to look at and understand the different types of medical coverage available. These may come in the form of employer-provided benefits, or you may purchase them 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 to their workers. More and more, workers are expected 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 simply too important to go without. For many people, even a short-term illness could wipe them out financially without good medical coverage.

What is "managed care"?

Managed care is a concept that gained widespread acceptance in the 1990s. It was based on providing preventive care to catch problems before they became too expensive to treat. At first, these plans were less expensive than older insurance plans. This is no longer the case, and few managed care plans work in a pure form. Most plans are versions or combinations of the three general plans described in the following paragraphs. A growing form of coverage consists of plans with a high deductible (the amount you must pay before receiving insurance) and that operate more like older, established forms of health insurance.

Health Maintenance Organization. A common form of managed care is a health maintenance organization (HMO). It offers plan members a limited choice of doctors and hospitals. In an HMO, your primary doctor must approve the majority of services before you receive 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.

The major benefits of HMO coverage are preventive care and the fact you don't pay an annual deductible. The deductible is the amount you must pay each year out-of-pocket before a plan starts paying a percentage of the bill. With HMOs, you pay nothing or only a small charge (called a "copayment", or "copay") for each doctor's visit. You will also pay some amount for prescription drugs.

Physical exams and other measures to prevent illness usually are covered. These preventive services often include flu or childhood immunization shots and tests that check cholesterol levels.

Preferred Provider Organization. Another health care choice is a preferred provider organization (PPO), which offers 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 fairly small copay for each visit. If the PPO okays treatment outside of the network, those charges generally are handled like those in an indemnity plan. (See page 4.)

PPO coverage requires each covered individual to have a primary care physician (PCP). With some plans, the PCP must approve all treatment by specialists. When this occurs, the PCP is called a "gatekeeper." Some PPO plans do not have this requirement.

Point of Service. The newest 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 will be lower if you use the HMO or PPO features. Preventive services usually are covered.

Today, few health care plans fit an exact description. Some HMOs permit treatment by providers outside the HMO. Of course, you'll pay more for that care. Most PPOs don't require your primary care doctor 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. The important thing is to understand the benefits of the plans that are available to you, and to keep up your coverage.

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

Indemnity plans were once the most common form of health insurance. There are several unique features of indemnity plans. First, they only cover the costs of an illness or injury. Second, each individual and family has a deductible. This is a dollar amount of covered medical expenses that must be paid by the insured before the plan pays anything. Third, once the deductible has been paid, the coinsurance provision begins. This states that the insurance company will pay a portion of subsequent bills and the individual will pay the rest. The most common mix is 80 percent paid by the company and 20 percent paid by the insured. Once the insured has paid a specified amount out of pocket, the insurance company pays 100 percent of the rest of covered charges for the year.

Indemnity plans don't restrict access to providers, but they may limit how much of the treatment charges will be considered covered. Whether this form of insurance costs the individual more out of pocket than managed care depends on his or her specific medical treatment.

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

Some items to compare when choosing a health care plan include:

- Maximum deductible amounts
- Choice of doctors and hospitals
- Limits on benefits
- Coverage for preexisting illness (if that is an issue)
- History of visits allowed per year
- How expected treatment is covered
- Likelihood of having a physical exam

Don't base your choice only on cost. A plan may seem to be a bargain, but its coverage may fall short. Also, don't think just about your current health care needs – keep the future, and your family's potential demands, in mind. To help make your decision easier, refer to the chart, "Medical Plan Features," on the next page.

Medical Plan Features

Feature	Typical Range of Plans
Yearly deductible. How much of your own money must you spend on doctor bills before the health care plan begins to pay?	$200 to $2,600 per person
Annual coinsurance limit. (This has many names. Ask questions so you understand how it works for your plan.) The coinsurance limit is the total amount of your 20 or 30 percent payment for covered expenses beyond the deductible. How much in total must you chip in before the policy pays all covered charges?	$2,000
Copayment. How much would you pay each time you visit an HMO's or PPO's health care provider? Copayment often is called "copay."	$10 to $45 per visit
Choice of medical service provider. Can you pick your own doctor from anyone in town, or must you use someone who belongs to the plan group?	Any provider or a wide choice within a network
Preexisting condition exclusion period. Sometimes people have an illness – high blood pressure or diabetes, for example – when they sign up for health insurance. Will you have to wait before the health plan would pay for treatment of that illness?	None or only a short time period (May depend on whether you had a health plan before this one. See page 6.)
Specific illness excluded. Are there any illnesses (such as cancer) that the policy will not cover?	None (only if written in policy)
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?	Few or none
Hospital costs covered. What share of hospital costs will the policy cover?	All (After deductible and/or copayment)
Days of hospital coverage in a year. If you need to be hospitalized, how many days will the insurance pay for each year?	365
Prescription drugs. How much do you have to pay for prescription drugs?	Usually $10 to $50 (a copayment) or 80 percent of cost (after deductible)
Lifetime maximum payment. If you are sick or injured several times during your life, what is the cap on total payments the policy will make?	Unlimited or $1 million
Home care visits. If a nurse needs to see you at your home, how many visits will the policy pay for?	52 per year
Mental health therapy. How many outpatient mental health visits will the policy cover in a year?	Varies widely by state
Drug/alcohol treatment. What kind of drug and alcohol treatment will the policy pay for?	Varies widely by state

My medical plan has a "preexisting condition exclusion period." What is that?

Most medical plans have a preexisting condition exclusion period. A preexisting condition is a health problem that you had before you joined your medical plan. When this happens, your plan will make you wait before it pays the costs of that medical problem. The wait is no more than a year. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) limits the time a group health plan can stop you from getting coverage because of a preexisting condition exclusion. If you have met the following, then an exclusion period doesn't apply to you:

- You have had medical coverage for 18 months.
- You have already met a preexisting condition exclusion period.
- You have not been without health coverage for more than 62 days.

What should I do if I leave my job?

If you leave your job, it's important to keep your medical coverage. COBRA may help you do just that. The initials stand for the title of a 1985 tax act, the Consolidated Omnibus Budget Reconciliation Act. COBRA lets you stay on your former employer's medical plan (if there was one). COBRA applies if the employer has 20 or more workers. You can continue your health care coverage for 18, 29, or 36 months (depending on the circumstances). The COBRA act has many 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 several months. The only catch – and it's a big one – is that you must pay for the full cost of coverage, plus up to two percent to cover paperwork and office costs. But the cost is at the employer's group rate.

To take advantage of COBRA, you must activate its coverage within 60 days after you leave your job or your hours are reduced. Your employer must tell you about the COBRA option, in writing, before you leave work or when your hours are reduced. COBRA will not be available 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 six months; however, it will likely have much lower benefit levels and will probably not provide treatment for any preexisting conditions. Meanwhile, 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. Look into getting coverage 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 plan networks he or she belongs to.

If your spouse has health insurance through their employer, you could consider joining that plan. Typically, you may be added to the plan without having it written into the policy specifically if you join within 30 days of losing your health insurance coverage. The rates may be much lower than your COBRA cost.

If you are married and your spouse is employed where he or she has a medical plan, joining that plan if you must leave your current employment is likely to provide better coverage at a lower cost than continuing your own plan. There is little to no benefit to being covered by two plans.

Are 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. However, your income and assets must be very low to qualify for this type of care. It's best not to rely on these programs. You may find it difficult to qualify, and your health care choices will be more limited than through private medical plans.

Should I change jobs to get better benefits?

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

Good benefits are an important part of your earnings. When considering 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 package before giving your answer. Most employers won't mind waiting a few extra hours or a day to get your answer.

Disability Coverage

Why is disability coverage important?

Disability insurance provides a useful safety net. It helps replace your income if you become sick or hurt and are unable to work. Realize that you are much more likely to be disabled for 90 days than you are to die before age 65.

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

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

Long-term disability. These plans typically pay you either a percentage of your monthly income or a specified amount if you meet the definition of "disabled" that is in your policy. There is a waiting period before benefits start. This waiting period will vary from plan to plan. The benefit usually continues 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 this type of insurance, read the policy and make sure you understand the benefits. Specifically, look at the following:

- **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? Some employer-provided plans even change the 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 percent of your income. 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 earn benefits? For example, if your policy has a 90-day waiting period, you will not get the first check until a month after that 90 days.
- **Residual or partial disability.** Does your policy allow you to work part time and still collect part of the benefit? Also, could you return to work on a part-time basis after being on disability and not lose your entire benefit?

If you buy your own disability policy, the benefit is income tax free. If your employer is paying the premium, the benefit is taxable.

If your employer provides your plan, it's subject to something called "coordination of benefits." What this means is that your disability check may not always be 60 to 70 percent of your monthly earnings. This happens when you also are getting funds from Social Security or another state or employer-sponsored program. For example, say you become disabled, earn $1,000 a month, and your company's disability plan covers 70 percent of your wages. You should be able to receive $700 a month in disability benefits. But, suppose you're getting $200 a month in Social Security benefits. This $200 is subtracted from the $700. Your disability check would now be $500.

If you buy your own disability policy, the coordination of benefits doesn't apply. Once you meet the plan's definition of disability, you will be paid a specific amount, say $700 a month. If you are getting $700 from the policy, as well as $200 per month in Social Security benefits, your total monthly income is $900.

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

Does the government offer disability benefits?

The government does offer some programs for disabled people. Primarily, these are Social Security Disability Income (SSDI) and Supplemental Security Income (SSI). Both programs can be helpful, but they have strict limitations. If you're in good health, there are better options than to rely on government programs. Two options include looking for an employer who offers disability 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. (This money is automatically deducted from your paycheck.) Second, you must meet the Social Security Administration's very strict definition of disability. (Frankly, it is often difficult to meet this requirement.) Third, you must be disabled for at least five months to apply for benefits, and your disability must be expected to last at least 12 months, or end in your death.

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

Checking Your Social Security

One often overlooked financial step people should take is to check their Social Security records at least once every three years. You need to make sure you get credit for your entire work history. Social Security computers have been known to mishandle some names. Also, if you changed your name, you'll want to make sure your work history has been combined.

To check your records, take the following steps:

- If you are age 25 or older, Social Security now sends a statement out automatically three months before your birthday.
- If you do not receive this statement, call 1-800-772-1213 and request Form SSA-7004, the Personal Earning and Benefit Estimates Statement. The form is also available at Social Security's Web site at www.ssa.gov.
- 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.)
- 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 need life insurance only if you have children or a spouse who will need the benefits after your death. While you may not need it for those reasons now, you may need it for them in the future, and future insurability is not guaranteed. Of course, these are all good reasons to have life insurance. But life insurance also can help pay the high costs that come with a serious illness such as 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, having some amount of life insurance may be a good idea.

Many employers offer life insurance to their employees. Your benefits book 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 of buying 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 or permanent life insurance policy. Of course, then you would have to pay the cost of the insurance.

Not all of your life insurance should be through employment. Some life insurance should be personally owned. When choosing a company, be sure it's a quality insurance company. Insurance companies are rated by A.M. Best, Standard and Poor, Moody's, Fitch, and Weiss Ratings. Most experts suggest you purchase from an insurance company that has one of the three highest ratings from each of at least three of the rating companies. Those that meet this standard are happy to show you their ratings, and you generally can find them on the company's Web site.

The type and amount of life insurance you need is a personal decision. Often, it depends on factors such as family size, income, your role in the family, and other investments you own. Detailed information about life insurance is available in many consumer publications and over the Internet. It also might be a good idea to discuss your life insurance needs with a financial advisor. A CPA (certified public accountant) is a financial advisor and not always competent to give advice regarding life insurance. The same is true with a stock broker, investment advisor, or banker.

What are the different kinds of life insurance?

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

Term insurance. Term insurance is pure protection. The policy will pay money to your beneficiary at your death if the policy is in force. It is similar to renting your insurance. This type of insurance is what an employer usually provides.

A term policy is written for a set period of time, such as five to 10 years – or until a specific age (typically 70 or 75). Most policies have an annual renewable provision, which means the premium increases every year. "Level" term policies offer a set rate for the entire term (usually seen in a five to 10 year policy). At the end of the term, the policy may allow for automatic renewal at a higher rate (without writing up a new policy). You may also have the option to requalify (with writing a new policy) 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 specific form, the premium can be at a guaranteed level for life or scheduled to end after a certain number of years with coverage lasting your whole life. This kind of insurance builds a cash reserve which can become larger over time. It can be accessed through borrowing, much like borrowing on the value of your home.

If you buy permanent coverage, you will pay more at first than you would for term insurance. But you may 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 nothing is required to qualify for life insurance – if you have only a policy provided by 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. The company also may ask you to agree to a medical exam and lab tests.

Underwriting is the process an insurance company goes through to decide if it wants to insure you and at what price. This process varies among companies, so it might take time to be matched with the right company. But don't be discouraged. Some companies offer better policies than others. Also, some companies specialize in hard-to-place insurance.

Credit Life and Disability Insurance

Should I insure my loans?

With many types of loans, some insurance is required. For example, when you finance buying 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 of its high cost. (Often the cost of the insurance is based on the loan balance.) Instead, they recommend having enough in assets, an emergency fund, or individually owned insurance to cover these costs. However, if you ever become seriously ill, credit life and credit disability insurance are options that should be studied. And, on some loans, you may still be able to obtain credit life and credit disability insurance even after you become ill. In this case, you can expect to face a preexisting 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 provide your incentive. Later on, 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 establish a savings plan. At first, set your sights on building an emergency fund. The purpose of an emergency fund is to pay for unexpected expenses or loss of income. For example, your emergency funds can pay for a car repair or keep you afloat if you lose your job. Most financial advisors recommend having three to six months' worth of expenses in the emergency fund. The funds should be kept in an account or investment that can be easily changed to cash.

Once you are on your way to setting up an emergency fund, use your savings plan to fund a retirement account, such as a 401(k), and other investments.

To start a savings plan, follow these four steps.

Step 1: Identify 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 Expenses

Types	Per Month
Rent or mortgage	$ ______________
Gas, heating fuel, and electricity	$ ______________
Telephone	$ ______________
Other house expenses, such as groceries	$ ______________
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, and so on)	$ ______________
Miscellaneous (extras)	$ ______________
Savings (IRA contributions)	$ ______________
Other (entertainment, etc.)	$ ______________
Total Expenses	$ ______________

Step 3: Compare 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 amount here. $ ______________

Step 4: Set Priorities and Make Changes

Was there money left over 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 were more than your income. Then what? First, look carefully at how you spent the money. Especially review all of your "miscellaneous" 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 large amounts over time. Also, think about how you and your family members can 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

Organizing Your Future

What is estate planning?

Organizing your future starts with building an estate plan, which 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.

The foundation of estate planning is having the right documents in place. At least, everyone needs the following:

- A will
- Durable power of attorney
- Health care proxy
- Living will (possibly)

A 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.

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. The 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.

Living will. The living will allows you to describe the types of medical treatment you would want or not want if you are unable to communicate these choices. Make your doctor aware of your wishes.

If possible, discuss your estate planning needs with an estate lawyer. He or she can draw up the documents. Also, a lawyer can advise you on using a trust (a written document that controls property) to protect your assets from taxes and expenses from probate (the legal process where an estate is settled) and to take care of minor children.

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

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

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

Consider working with a professional. A qualified financial planner can help you set up a financial plan that will address your current and future needs. Interview planners who can understand your medical and financial concerns.

For more help in this area, refer to the brochure, *How to Find a Financial Professional Sensitive to Cancer Issues,* available through the American Cancer Society. Call 1-800-ACS-2345.

Gaining perspective. After reading this booklet, you must realize that a major illness, such as cancer, can hurt your finances. But you also may have learned that preparing for a financial crisis can provide the push you need for preparing for a sound financial future. If your concerns about cancer prompt you to have good insurance, have a financial plan, decrease debt, build savings, and think ahead, congratulations! You are now well on your way to financial well-being.

Glossary

COBRA: COBRA is a 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 can keep your old health plan for 18, 29, or 36 months (depending on the circumstances). You must pay for the cost of the coverage. ("COBRA" stands for Consolidated Omnibus Budget Reconciliation Act.) If the employer goes out of business, COBRA is not an option.

Disability insurance: Insurance that makes monthly payments to people who are injured or sick and cannot work. Payments are made each month. Disability plans can be either short term or long term.

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

Family and Medical Leave Act (FMLA): The Family and Medical Leave Act of 1993 (FMLA) is administered and enforced by the Wage and Hour Division, Employment Standards Administration of the US Department of Labor. 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:

1. For birth and care of the newborn child of an employee
2. For placement with an employee of a son or daughter for adoption or foster care
3. To care for an immediate family member (spouse, child, or parent) with a serious health condition
4. To take 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 previous 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 preexisting conditions clause of a health insurance plan will not have to meet another one unless he or she permits a lapse in coverage that extends beyond 62 days.

Health Maintenance Organization (HMO): One kind of medical group that offers health care. If you belong to an HMO, then you typically must use the doctors within that HMO. If you use doctors outside the HMO, you pay that cost. Typically, you pay only a small fee each time you see an HMO doctor, perhaps $10 to $30.

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 in order to control costs. HMOs, PPOs, and point-of-service plans are all forms of managed care. Virtually all managed care plans provide preventive care.

Medicaid: This government program, funded by both federal and state governments, is operated by each state. It pays health care expenses for low-income people. To qualify, your income and assets must be below a certain level. That level is set by the state in which you live. Not all doctors and hospitals take Medicaid. Benefits vary among the states.

Medicare: This government program pays for medical care. After 29 months of being disabled and receiving Social Security Disability Income, you qualify for Medicare. You also qualify for Medicare if you are age 65 or older. Many doctors and hospitals accept Medicare. Medicare will only pay for "skilled" nursing care in a nursing home.

Preexisting condition: This is a health condition for which you received treatment within a specified period of time before you became covered by a medical plan. Often, if you have a preexisting condition, you will have to wait before the plan will pay the medical costs of that health problem. The plan will pay for other health problems if they occurred *after* you joined the medical plan.

Social Security Disability Income (SSDI): This government program pays 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 fund. Self-employed people pay their own Social Security. To have paid enough money into the fund, you must have worked a number of years.

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, income must be below a certain amount. That level is set by the state in which you live.

Trust: 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. Trusts may be costly to set up.

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

These titles are available through the American Cancer Society by calling 1-800-ACS-2345.

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®; William L. Anthes, PhD, *President*; Brent A. Neiser, CFP, *Director of Collaborative Programs*; and Carolyn S. Linville, *Project Coordinator.*

NEFE is an independent nonprofit 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: Certain content areas in this material are current as of the printing, but, over time, legislative and regulatory changes, as well as new developments, may date this material. 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.

NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION

Partnering for Financial Well-Being

I Can Cope®

1.800.ACS.2345
www.cancer.org

Hope.Progress.Answers.®

©2006, National Endowment for Financial Education. All rights reserved.
No. 350006-Rev. 08/06