

MANAGING YOUR FINANCES

Will Your Health Insurance Cover Your Expenses?

(NAPSA)—One of the most important ways you can preserve your financial security is to make sure that you are adequately covered for unexpected events. According to a recent study by Harvard University, nearly half of all personal bankruptcies were the result of a medical event — and most of the people filing bankruptcy had health insurance.

Steps You Can Take

Major medical insurance is the cornerstone of any comprehensive health care coverage. The plan is designed to cover the bulk of your medical expenses and pay your doctors and the hospital in case of a major illness or injury. These plans are typically offered by your employer and vary widely in terms of the cost, out-of-pocket deductibles, eligible expenses and lifetime maximums.

However, major medical policies are not designed to help you pay out-of-pocket expenses, deductibles and household expenses such as rent, groceries and utilities. To understand your financial risks if you get sick or hurt, it is important that you read your policy carefully.

According to a recent Aflac study, conducted by Strategy One, approximately 70 percent of Americans are concerned about lost wages from missing work if they become ill or injured. Many financial advisors recommend that you save at least six months' salary to prepare yourself for unexpected events. While this is an excellent idea, for many it is not practical — in which case supplemental insurance might be a good option for you.



Supplemental insurance can be an effective way to help cover expenses (and lost income) if you become ill or injured.

Supplemental Insurance

"Supplemental insurance is not coordinated with other medical policies, and it pays benefits to help you with expenses that may not be covered by major medical insurance," said Jeff Herbert, chief marketing officer at Aflac. More often than not, he said, benefits are used toward family expenses such as mortgage payments, lost wages from missing work, child care or other household bills.

There are many different types of supplemental insurance policies, including accident, short-term disability, hospital intensive care, cancer/specified-disease, hospital confinement indemnity, long-term care, specified health event, life, dental and vision. Each plan pays benefits to help with expenses not covered by major medical.

Other financial products that can help you with medical expenses are flexible spending accounts (FSAs) and health savings accounts (HSAs).

Flexible Spending Accounts

Flexible spending accounts allow you to put aside pre-tax dollars to be used for medical

expenses. An FSA is best used in conjunction with a major medical policy and for expenses that you know you will incur during the covered period.

Here's how it works: When you enroll in a plan, you choose how much money you want deducted from your paycheck every period and put into your FSA account. It is important that you come up with a realistic estimate of your out-of-pocket medical expenses, because if you don't use all the money, you will lose it.

Health Savings Accounts

To be legal, an HSA must be created in conjunction with a qualified insurance policy that has a yearly deductible of at least \$1,100 for an individual and \$2,200 for a family. These accounts allow you to put away pre-tax dollars to be used for qualified medical expenses. If the money in the account is unused, it continues to grow over time and, upon disability and/or at age 65, the money can be withdrawn and used for anything, without penalty.

Getting a clearer picture of your finances will help you determine what changes you might want to make to help protect yourself in case of a medical event. Fortunately, there are many books and Web sites with work sheets that can help you calculate your income, expenses and assets. If you need additional guidance on how to move forward with your financial planning, you may want to consult a financial planner, insurance agent or nonprofit organization that offers financial counseling. For additional information about supplemental insurance, visit www.aflac.com.