

# Health, Disability Insurance

The past few weeks I have been talking about insurance. This week, I will continue that discussion and hopefully finish with this topic. I know that this has been a long discussion, but insurance is vital to establishing your financial plan and it is a complex subject.

## HEALTH INSURANCE

If you belong to a group health plan at work or through some other association, then you are well ahead of the game. For an average \$600 a year, you can get a policy which pays 80% of your medical expenses, after you pay an annual deductible of about \$200. Many of the group plans will limit your total annual out of pocket expenses to \$1200 (including deductible) and will often have a maximum of \$1,000,000 or more that the company will pay out in total medical expenses.

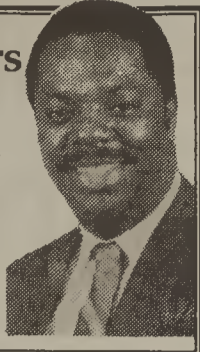
While these numbers may seem high and too expensive, just think about the cost of medicine. A typical 3 day stay at a hospital can run into the thousands of dollars. I doubt that many of us have \$15,000 what it cost a client of mine for a two week stay at the hospital due to a heart attack.

If you do not have group coverage or access to group coverage, the cost of health insurance rises on individual policies. An individual policy can easily cost \$1,500 a year just for the individual. If you insure your entire family you can easily run that cost up over \$2,500 a year.

One other difference between individual and group policies is the fact that under group policies you do not have to provide evidence of insurability whereas under individual plans, you do have to provide it. Under writing requirements for health insurance are stricter than those for

## Dollars and Sense

By Leon Orr



life insurance. Therefore, even if you have the money, the insurance company may refuse to insure you.

In buying health insurance it is important to understand that this insurance pays for bills only, it does not pay money directly to you. The types of policies pitched on TV, which pay money to you, are not good policies cost wise. These policies are very narrow in their coverage, and as stated previously, the best way to get a deal in the insurance industry is to buy in bulk.

One alternative to traditional health policies is the (HMO) Health Maintenance Organization or the PPO, Preferred Provider Organization. With both of these you pay a flat annual fee and all your health care expenses are taken care of by the organization.

The fees for these organizations are roughly the same as your regular health policy. The problem with these types of insurance plans is that you have to use specific doctors or specific facilities when you have a problem. If you do not mind a little less freedom of choice, then these organizations can be the best buy for you and your family.

Health care costs are rising at better than 12% per year or more than double the annual inflation rate. If you do not have a health care plan you can have your entire financial plan wrecked by one illness.

## DISABILITY INSURANCE

Have you ever thought of what would happen if you were unable to work for a year or more due to injury or illness? Contrary to popular belief, the chance of this happening are

fare greater than most people realize. At age 35 your chance of becoming disabled are five times greater than your chances of dying.

In the previous section, we talked about having insurance to pay for your medical bills. In this section, we are talking about insurance to replace lost income in case you do not go straight back to work after the illness or accident.

Your cash reserves and company sick leave benefits should be able to cover short periods of disabilities, six month or less. The truth of the matter however, is that the majority of disabilities last longer than six months.

I have talked about insurance as a means of protecting your assets. You protect your house, car, health and life with insurance. If you really look at it, however, your largest asset is your ability to earn an income. At \$20,000 a year, in thirty years, you have earned over \$600,000.

Since your ability to earn is your most valuable asset, it should be protected also. You should carry enough coverage to pay you 60% of your gross income. Your basic premium will be decided by your age, occupation, and how much income you want replaced.

Other factors that will affect the cost are the waiting period, that is the time between the day you are disabled and the day benefits start, and the duration of the payments (i.e. 5 years, to age 65 or life).

Among the options that you should seek are:

1. Non-cancellable Contract - company must keep policy in force at same price as long as you pay premium.
2. Residual Benefits - company pays you while recuperating. Can work part-time and still receive benefits.
3. Cost of Living Adjustments - benefits automatically rise to keep pace with inflation. Furthermore, if you are a professional you should seek a policy that defines disability in terms of your own occupation.

Regretfully, again, I come to the end of my column. Next week I will cover the last of insurance and then I will talk about some tax saving ideas. If you have any specific issues or items you would like to see discussed in this column, please let

The Charlotte Post or myself know. Until next week: Think and grow prosperous.

Leon Orr, Jr. is a Financial Planner and may be reached C/O The Charlotte Post or by calling (704) 525-2063.

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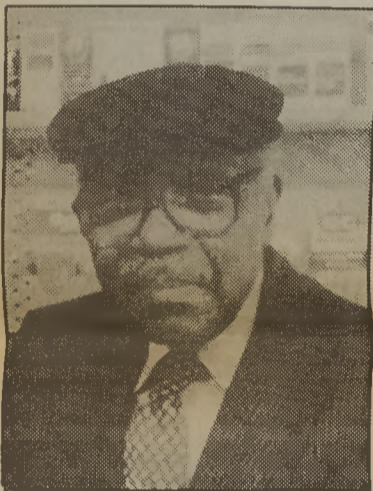
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Edwards

## Edwards Passes At Age 86

Continued From Page 1A

body of pictures were relative to the perspective of the viewer. He constantly sought the utmost in his portrayals of individuals both noteworthy and not so noteworthy. He made the year book edition at area black schools, including Johnson C. Smith University, an affordable remembrance. He more or less put to rest the notion that producing a good yearbook was something that was too expensive and complicated for a black institution in the post-Depression South to handle. After closing his studio, he worked extensively with Bullock's Studios on Beattles Ford Road.

If he didn't feel well one sure way to brighten him up was to ask him a question about photography. He was an imaginative and resourceful mentor. His advice and tales were free, "but pictures cost money," he would always remind his students. He will be sorely missed by all of the Charlotte community.

Mr. Edwards was a member of Oethsemane AME Zion Church for more than 60 years. His funeral will take place there on Sunday at 3 p.m. The Rev. George Battle will deliver the eulogy. Interment will be Monday at Oaklawn Cemetery at 10 a.m.

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