

Tangible Solutions

Financial Information to Meet Your Needs

Winter 2011

Introduction

Many of my clients are seeking useful information to help them make educated decisions on financial matters. Each issue focuses on a specific topic to provide pertinent information which I believe that you will find valuable. If you have a suggestion for a future topic or concern, please let me know. I look forward to your input and feedback.

- Sandy Voit, Owner, *Tangible Solutions*

FOCUS: Divorce & Insurance

Health Insurance: Each spouse's health insurance situation should be included in the final divorce decree. If you have a child(ren), their insurance coverage should also be included. In addition to the health insurance, you should determine who will be responsible for unreimbursed expenses, such as the deductible, co-pay, co-insurance, vitamins, over-the-counter items, orthodonture, etc.

If your medical coverage was through your ex-spouse's employer's plan, you may qualify to continue your coverage, for up to 36 months under COBRA (Consolidated Omnibus Budget Reconciliation Act). Assuming you qualify, coverage isn't automatic. You must contact the employer within 60 days and complete the necessary paperwork. (There is a separate *Tangible Solutions* newsletter on **Divorce: Health Insurance & COBRA**)

If you don't qualify under COBRA, consider a standard health insurance plan, or perhaps a catastrophic (major medical) plan. You can contact the Washington State Insurance Commissioner's Office (1-800-562-6900, or www.insurance.wa.gov) to identify insurers offering plans in Washington State.

Life Insurance: Review your existing policies – are they still needed? If so, do you want to change the beneficiary(ies)? (*Check with your attorney before changing.*) If you are financially responsible for your children, examine whether or not you may need more coverage. If you are relying on your ex-spouse for financial support, consider purchasing additional coverage on your ex-spouse, naming you the beneficiary, so that if your ex-spouse dies you will still have a source of income. Even if you are the spouse providing support, should you, or your spouse, die, will you be able to afford to replace all that your spouse provided? All of these issues should be addressed in your final decree.

Disability Insurance: Should you become disabled and unable to work (or if your ex-spouse is providing you financial support and becomes disabled), a disability policy pays a monthly benefit (usually around 60% of your gross wages – taxable if your employer pays the premium; tax-free if you pay at least a part of the premium). If you are relying on employment income for yourself, or your ex-spouse for maintenance and/or child support, a disability policy can be essential should an employment income source no longer be available due to disability.

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Homeowner's / Renter's Insurance: These policies protect your residence and contents from damage and theft, as well as provide for liability protection should someone be injured on your property. During a separation or divorce, it is critical to know that the "Named Insured" (the name of the person listed on the policy who is control of it) only covers you for liability if you are living on the premises. When one spouse moves out, s/he is no longer covered. (The same is true under your "umbrella" coverage – additional coverage.) Contact your insurance agent as soon as one spouse moves out to assure continued coverage. Failure to do so may void your coverage...

Consider purchasing Replacement Cost coverage (reimbursement for the cost to replace an item). Most policies offered provide Actual Cash Value – the original price minus the depreciation – reducing the amount the insurance company will pay for an item. They will pay the depreciated value or the market value, whichever is lowest.

To reduce the cost of your premium, you may want to consider increasing the amount of your deductible.

Auto Insurance: This policy covers damage and theft to your vehicle, as well as the damage your vehicle causes to others. Separate policies may be required if both spouses are not living together. When you divorce you will need to remove your spouse from your policy. Review what your policy covers – as a single person you may now want to consider options like towing, roadside assistance, rental reimbursement, etc. as you won't have your ex-spouse (and their care) to rely on should something happen to your care.

Long-Term Care Insurance: At some point your health may require in-home care, assisted living support, and/or skilled nursing care. Do you have sufficient assets to assure you a choice in the level of care you need/want? If not, consider obtaining Long-Term Care insurance. Purchasing it while you're healthy and young enough helps you obtain desired coverage at lower premiums.

End Note: Thank you for taking the time to read this article. I hope you have found it useful. If you have any questions or concerns about this topic, or any other topic, please contact **Sandy Voit**, Tangible Solutions, 206-890-1174, or sandyvoit@gmail.com.