



8 steps to fiscal

Pursue a clean 'bill' of health with these financial planning tips.

by Matt Alderton



Multiple sclerosis doesn't just affect your health. It also can affect your wealth.

Just ask Angela Bradford of Edmonton, Alberta. On July 1, 2018, she was out socializing with friends when she suddenly lost the ability to walk. Nearly a year and countless stumbles later, she found out why: She has MS.

Even though she has insurance to cover her care and treatment, she's been seeing dollar signs ever since. Because she's more vigilant about her health, for example, she's spending more on groceries and fitness classes in pursuit of better nutrition and more exercise. Every time she goes to the doctor, she has to pay for parking. And if her illness progresses, someday she might not be able to work.

"The financial ramifications of a chronic illness can be crazy," says Bradford, 37, whose saving grace was her profession: Four years ago, she became an independent financial broker who assists individuals, families and businesses with financial planning. Because she practices what she preaches, she had ample resources to counter any financial issues.

Not everyone is so lucky: According to the Federal Reserve, 25% of Americans are "just getting by" or worse, and 4 in 10 do not have enough cash, savings or credit to cover an emergency expense of \$400. And chronic illness costs a lot more than \$400: Research shows that the average American with one or two



PHOTO COURTESY OF ANGELA BRADFORD

Angela Bradford, who has MS, helps others with financial planning.

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fitness



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chronic illnesses pays approximately \$4,000 per year in out-of-pocket healthcare costs, and that the onset of a chronic disease reduces one's wages by 18%.

"I would be hard-pressed to find anyone whose illness hasn't affected their financial well-being," says

Annelise Bretthauer, a certified financial planner who used

her own experience with chronic illness — she was diagnosed with Crohn's disease in 2017 — to establish Rise Up Financial, a Hillsboro, Oregon-based practice that specializes in financial planning for individuals with chronic disease.

According to Bretthauer, health and money are inextricably linked. "I think it's really important that people take ownership of their health," she says. "Financial planning is part of that."



Annelise Bretthauer specializes in financial planning for those with chronic illnesses.

PHOTO COURTESY OF ANNELISE BRETTHAUER

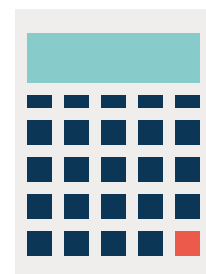
Although fiscal health is as individual as physical health, a strong financial plan is universally helpful. It starts with the following steps:

1 Take a financial inventory.

Financial planning starts with two fundamental questions: How much money do you need, and how much do you have?

Certified financial planner Dick Bell likens it to a shopping-mall directory. "Let's presume we're at the Mall of America ... and we want to find a particular store," explains Bell, owner of Bell Financial in Calabasas, California. "We could wander around all day until we find it, or we can go to the directory, which tells us not only where it is, but more important, our starting point."

You can define your financial destination by calculating your current and future living expenses — how much money you require for housing, food and other expenses, including healthcare. The latter can be especially difficult to define for people with MS



because they can fluctuate widely based on disease progression. Your doctor's administrative staff, however, may be able to help you estimate based on potential scenarios, Bretthauer says.

Once you have an understanding of what you need, you must assess what you have, including income sources such as employment, Social Security, assets (your home, savings, retirement funds, investments) and liabilities (debt).

"You can't plan unless you know what you're dealing with," Bell says.

2 Eliminate credit card debt.

If what you need is greater than what you have, you must fill the gap, which is impossible when you have credit card debt, the interest on which can wreak havoc on your wallet.

Although there are numerous debt-reduction methods, Bell is partial to the avalanche and snowball methods. With the former, you focus on paying off the credit card with the highest interest rate first, which can help you get out of debt more quickly. With the latter, you focus on paying off the credit card with the lowest balance first, which gives you a quick win that can keep you motivated.

However you approach it, debt reduction likely will require sacrifices — putting the money you spend on new clothes or lattes, for example, toward debt repayment. "You should have more money coming in every month than you have going out," Bell says. "If you don't, you have to cut back on spending."

3 Step up your savings.

Just as important as reducing debt is increasing savings.

"If I'm driving to work and get a flat tire, it's going to cost \$200. For somebody who doesn't have \$200, that's a real problem," Bell says. "So, it's important to build up a pot of money for a rainy day."

Bell recommends stockpiling at least three months of living expenses; once you reach that goal, he says, aim for six months.



"If you have trouble saving, have money automatically put into a savings account," continues Bell, who says many banks and credit unions allow you to do this by setting up automatic withdrawals from your paycheck.

Supplemental income also can help with savings. You could take on a roommate and collect rent, for example, or start a home-based business — as long as you're careful not to jeopardize needed public assistance by exceeding associated income limits.

"In today's world, 'work' means a lot of different things. Even if you have a disability that keeps you out of the traditional workforce, there might be other ways you can earn income," explains Bretthauer, who recommends a "bucket" approach to saving: Divide savings into separate accounts earmarked for specific purposes.

For people with MS, one of those buckets should be for healthcare. "I recommend looking at your health insurance to see what your out-of-pocket maximum is and having at least that much money set aside in a healthcare emergency fund," Bretthauer says.

4 Exercise your insurance options.

Speaking of insurance: Because it can keep financial crises at bay, it's a critical piece of everyone's financial plan.

"An ounce of prevention is worth a pound of cure," says certified financial planner Nilay Gandhi with Vanguard Personal Advisor Services, who recommends conducting an insurance review to determine what policies you have, what your premiums and copays are, and whether there are any exclusions or elimination periods (the amount of time before you begin receiving benefits).

Along with health insurance, people with MS should consider disability and life insurance. Because both can be prohibitive to obtain with a chronic illness, those who work should take advantage of group policies when their employers offer them.

"Having group coverage means you don't have to go through the underwriting process," Bretthauer says. "That can be vital to getting covered when you have a chronic illness."



Group disability policies typically replace a portion of your income (50–60%) during a finite benefit period. Because they have value in the eyes of the IRS, such policies are taxable if the benefit is paid for by your employer, although employers typically let you decide whether you want to pay taxes on the value of the benefit now or be taxed if you develop a disability later.

People with MS should pay them now, says Ben Soccodato, a certified financial planner and chartered special-needs consultant at Barnum Financial Group in Westchester, New York. The reason is simple: If you pay taxes now, you'll be taxed on the value of the premiums, which in most cases is less than \$1,500 per year. If you pay taxes later, you'll be taxed on the value of the benefit you receive.

"A couple hundred dollars of additional tax money upfront could provide you tens of thousands of dollars in extra income if you actually become disabled," Soccodato says.

If you have dependents, sign up for group life insurance, suggests Soccodato, who says employers typically offer an optional supplemental benefit people



Nilay Gandhi recommends insurance reviews.



The timing of your tax payments can make a difference in your savings, says Ben Soccodato.

PHOTO COURTESY OF NILAY GANDHI

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with MS and their spouses should take advantage of. "The employer plan may only give you \$50,000 of coverage, but you can elect another \$100,000 or \$200,000 in coverage without going through medical underwriting," Soccodato explains.

5 Home in on your home.

Because it's probably your biggest investment, your home is low-hanging fruit if you need to improve cash flow in the face of chronic illness.

"The home is close to the heart.

To reduce its effect on your finances, work with your lender to see if there are actions you can take to mitigate the impact of your mortgage," advises Gandhi, who says you may be able to lower your monthly payments by refinancing, which can lighten your financial load and help you avoid or delay foreclosure if money gets tight.

Although a low mortgage payment can help your short-term finances, what's best for your long-term finances is having no mortgage payment at all, according to Bell, who recommends applying extra cash when you have it toward your mortgage principal. Doing so, he says, will help you pay off your loan sooner so you can retire debt-free. That will help you feel emotionally secure in your home, allow you to direct money toward other financial goals and give you a nest egg in the form of home equity.

Whether you need it for retirement or long-term care, you can access that equity by selling your home or securing a reverse mortgage. "I look at the home as a last-resort place to take money from," Bell says. "But if your house is paid off and you start to accumulate



medical or other bills you can't handle, a reverse mortgage might make sense in order to generate extra income."

6 Redefine retirement.

Retirement planning is especially important for people with MS because they might have a shorter working life.

"When I talk to the average person about retirement, we're usually planning on a time horizon of 30 years. But when you have a chronic illness, you might need that money in three years," Bradford says.

That uncertainty requires thinking differently about retirement, according to Bretthauer, who says people with MS should still save for retirement but should invest their retirement savings differently. For example, whereas a typical person in their 30s or 40s may invest aggressively in stocks — which can lose significant value overnight as a result of market fluctuations — people with MS should think about investing more conservatively to ensure funds are available when they're needed.



An employer-sponsored 401(k) plan is the best retirement savings vehicle, according to Bell, who suggests putting as much money as possible into your 401(k) so as to take advantage of employer matches. "The more you can put into your retirement plan, and the earlier, the better," he says.

7 Fast-track legal planning.

Financial planning goes hand-in-hand with legal and estate planning — especially for people with MS.

"Being prepared for death is necessary for everybody, but when you have a chronic illness it brings it to the forefront," explains Bradford, who says everyone should have the following estate-planning documents:



- A will, which sets forth how and to whom you wish your property to be distributed.
- An advance directive, which describes what medical

treatments you want if you're dying, permanently unconscious or otherwise unable to make medical decisions.

- Durable financial and healthcare powers of attorney, which name proxies to make financial and healthcare decisions for you, respectively, if you're incapacitated.

If you have wealth that you want to pass on to your heirs, an estate-planning attorney also can help you set up a trust, which can be a tax-efficient and probate-resistant means of bequeathing assets.

Certain types of trusts can even benefit you while you're living, according to Soccodato, who recommends that people with MS ask an elder-law attorney about Medicaid asset protection trusts and special needs trusts, both of which can help you qualify for Medicaid and/or Supplemental Security Income (SSI) by putting your assets into the hands of a third party who can distribute them to you for certain allowable living expenses.

8 Plan with a professional.

Find a financial professional to help you navigate all these issues.

Although there are many types of financial professionals, Bretthauer says "fee-only financial planners" are ideal because they give independent, objective advice and do not make income from commissions on financial products. You can find one near you by consulting the National Association of Personal Financial Advisors (NAPFA), which has a "find an advisor" tool on its website.



The Society also can help: Its Financial Education Partners (FEP) program, led by Bell, provides pro bono financial planning and education to individuals with special health or financial circumstances. You can be screened for a financial planning referral by contacting an MS Navigator at 1-800-344-4867, emailing **ContactUsNMSS@nmss.org** or going online at **nationalMSsociety.org/navigator**.

Whoever you choose, it's important to make sure they have not only the right credentials — a certified

Planning and progression

Multiple sclerosis symptoms can change. Your financial needs and objectives should therefore evolve as your illness progresses, suggests Annelise Bretthauer, owner of Rise Up Financial in Hillsboro, Oregon.

Based on her own experience — she has Crohn's disease — Bretthauer says people with chronic illness typically fall into one of two financial planning groups, the first being the newly diagnosed.

"There is so much to learn about your disease when you are first diagnosed, and money is a big part of that," Bretthauer says. "To take care of your health, you need money, and to make money, you need your health. It's a very emotional cycle that impacts a family from every angle." Bretthauer says people who are newly diagnosed with MS should ask the following questions when doing their financial planning:

- What medications will I need, and how much will they cost?
- Are there other lifestyle changes I need to make— for example, to diet, exercise or sleep — that will cost money?
- What benefits are available to me through my employer or the government?
- Do I have insurance? Am I still insurable?
- Do I need to change my spending habits in response to increased medical expenses?

After they live with their illness for a while, people eventually graduate to a new, more mature stage of financial planning that is less reactive and more proactive.

"Chronic illnesses can be unpredictable. We need to prepare financially for that unpredictability," Bretthauer says. "It's a balance between finding small, easy financial adjustments you can make today and planning ahead for the bigger adjustments you may need to make tomorrow."

Bretthauer says individuals who are more mature in their illness should ask the following questions:

- What steps can I take to slow or stop the progression of my disease, and will those cost money?
- If I cannot stop the progression, how do I want to continue living my life and what resources will that require?
- Is my family set up financially if something were to happen to me?
- Have I completed my estate plan?

Whatever stage of illness you're in, it's important to remember that financial wellness often hinges on mental wellness.

Concludes Bretthauer, "Having a chronic illness can be overwhelming. If you get your mind in the right space, doing what you need to do financially is a lot easier."

financial planner (CFP) designation is the gold standard — but also the right chemistry.

"It's important to find someone who fits well with who you are," Bretthauer concludes. "Otherwise, it can be very hard to want to implement their recommendations." ■

Matt Alderton is a Chicago-based writer and editor.



Learn more about financial planning, resources and how to find the right professional at ntlms.org/financialplanning.

The Financial Planning for a Life with MS brochure is available at ntlms.org/planningpdf.

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