



Marriage means health, wealth ...and financial responsibilities

“Married people healthier than singles,” states the AP headline (12/16/04). All the tongue-in-cheek debates about toilet seat positions and Mars vs. Venus aside, most married people enjoy traveling down the road of life as a couple. The stability and routine generally lead to prosperity and longevity. At the same time, it also brings with it financial responsibilities.

The benefits of married life: Wealth! Married folks, in general, are more prosperous. The U.S. Census Bureau reports median household income in the U.S. in 2003 was \$43,318. For single men, it was \$40,668; for single women, \$30,724.¹ Plus, the average asset value owned by married couples is reported to be \$223,194. For singles, it stands at half that (\$111,951) for men; even less (\$85,319) for women.² This is due in part to the dual incomes, but also to the ability to engage in long-range planning.

The benefits of married life: Health! As reported in the headline article, a study by the National Center for Health

Statistics reveals that, in every age category, married men and women report fewer incidences of poor health. Between age 18 and 44, according to the study, only 4.5% of married people reported poor health. By contrast, 14.1% of widowed individuals and 10.6% of divorced or separated men and women rated their health as poor.

Objective evidence shows that married people are generally healthier and wealthier.

However, marriage also carries with it a financial burden. If you are single, your responsibilities may be fewer than for your married friends. Your retirement involves planning for one. Also, if you die prematurely, there is no surviving spouse to provide for.

If you are married, however, you want to protect and provide for your loved one if something should happen to you. Plus, you need to provide for two people as you enter what you hope will be a long and healthy retirement.

What to do:

1. *Plan for a long life together.* That means save for retirement. Take advantage of IRAs and 401(k) Plans at work.
2. *Plan for the one left behind* when you are gone. If you die prematurely, the full financial burden of maintaining a household and perhaps raising children falls on your spouse. Make sure you have adequate life insurance to help your spouse meet his or her ongoing responsibilities. Plus, if you are a man, your wife will likely outlive you. That significantly increases your need for life insurance.
3. *Plan for illness.* There is no substitute for quality health and disability income coverage. This protects all that you work for over the years.

The bottom line: If you are married, enjoy all the many benefits that the wedded state brings. And also make sure you take these basic steps to protect your spouse's and your financial stability and security.

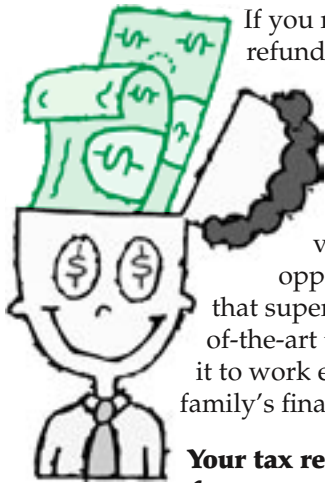
Your Academy sponsors quality disability and 10-year level term life insurance at competitive rates. Go to www.aafpins.com or call (800) 325-8166 for information about the policy's features, costs, eligibility, renewability, limitations and exclusions. There is no obligation, and no sales person will call.

¹ “People: Income & Employment,” U.S. Census Bureau (www.census.gov)

² “Asset Ownership of Households: 2000,” U.S. Census Bureau (www.census.gov)

Don't Just Spend It...

Put Your Tax Refund to Work



If you received a refund this year, don't treat it as mad money, good for one wild splurge, such as a vacation or an opportunity to buy that super-screen, state-of-the-art television. Put it to work enhancing your family's financial security.

Your tax refund is not fun money.

It's part of your income. That's why, as a financially savvy doctor, you should view your refund check as an opportunity to enhance your financial position, build assets and work toward achieving long-term objectives.

Use regular income to buy that new car, pay down debts or take a vacation. Use your tax refund to make your life and your family's life more secure. Here are just three suggestions to consider:

1: Shore up your life insurance protection.

Life insurance protects your family. If you die prematurely, your policy will pay your beneficiaries cash in the amount you select. This money is income tax-free, so \$500,000 in proceeds is \$500,000 received.

How much life insurance should you have?

There are a number of off-the-rack formulas, such as: (A) basing coverage on five to seven times your income (so if you earn \$120,000 a year, you need between \$600,000 and \$840,000 of coverage); (B) owning enough to generate X dollars in replacement income if you die (so you may need \$1 million in proceeds to provide \$50,000 a year for life for your spouse, assuming a 5% return on principal, leaving the original amount as an inheritance for your children); (C) basing the amount on what is known as your Human Life Value, determined by multiplying your annual income by the number of years to your projected

retirement (so if you are 40 years old, earn \$120,000 a year and plan to retire at age 60, you will need \$2.45 million of coverage).

The only real answer to how much life insurance you need is: Enough!

Enough to protect your family from financial want if you die. Enough to help them realize all the dreams and goals you have for them. Enough to assure that you – and they – sleep well at night, knowing you have this need covered.

2: If you have minor children, consider putting aside your tax refund check for their college educations.

Two reasons. First, this is perhaps the best gift you can give your children – a debt-free college degree. Second, college is expensive, and the cost keeps rising every year.

This year (2004-2005) the total annual price tag (including tuition, fees, room and board) averages \$11,354 (or more than \$45,000 for four years) at public universities and \$26,057 (more than \$104,000 over four years) at private institutions.¹ That does not factor in the price of graduate school or that you may have more than one child attending college.

Fortunately, there are several tax-advantaged options to help you accumulate all or a portion of these costs in advance. Among these are Coverdell Education Savings Accounts, formerly known as Education IRAs (which let you contribute up to \$2,000, non-deductible, a year, with earnings received tax-free if used to cover qualified expenses); and state-sponsored Section 529 Pre-Paid Tuition Plans (which can have high, state-determined limits on non-deductible contributions, with tax-free distributions).²

How will that money grow? Let's say you take \$2,000 from your tax refund check and put it aside for your children's education. Based on several rates of return, here is how that money will grow over time.³

How a single contribution of \$2,000 will grow over time, based on various average rates of return.

AFTER YEAR	5%	6%	7%	8%
5	\$2,552	\$2,676	\$2,806	\$2,938
10	\$3,258	\$3,582	\$3,934	\$4,318
15	\$4,158	\$4,794	\$5,518	\$6,344
18	\$4,814	\$5,708	\$6,760	\$7,992

Do the numbers seem like a drop in the bucket? Keep in mind that this is compounding from just one lump sum contribution toward your children's college fund. Designate each year's refund to the college fund and the results can be spectacular.

3: Put a lump sum to work for your retirement.

It's the same principle as saving for college, but with potentially more time to build cash. The goal is to have a comfortable retirement nest egg waiting for you when you retire. The following chart takes that same \$2,000 and projects accumulation out further.

Once again, these are the numbers after just one payment of \$2,000. Do this every year, and you will have gone a long way toward helping achieve your long-term financial security.

How a single contribution of \$2,000 will grow over time, based on various average rates of return.

AFTER YEAR	5%	6%	7%	8%
20	\$ 5,306	\$ 6,414	\$ 7,740	\$ 9,322
25	\$ 6,772	\$ 8,584	\$10,854	\$13,696
30	\$ 8,644	\$11,486	\$15,224	\$20,126
35	\$11,032	\$15,372	\$21,354	\$29,570

The bottom line: You have a choice when you receive your tax refund check. You can spend it; or you can put it to work for you, your family, the future.

¹ "The College Board's Annual Reports on College Pricing..." The College Board, 10/19/04

² "Educational Tax Incentives," 2003 Field Guide by Donald F. Cady, National Underwriter 2003, p. 309. Also, "Your Savings Options," The College Board, 2004. Web page: www.collegeboard.com/parents/article/0,3708,715-716-0-21393,00.html

³ Table is based on standard tables using Compound Interest & Annuity Tables (McGraw-Hill)

Reducing the Trauma of Identity Theft

Identity theft is big business.

Hundreds of thousands of people have already endured damaged credit ratings, lost job opportunities (when background checks falsely revealed that applicants were financial miscreants), rejected mortgage applications and more. If you have a Social Security number (SS#), use a credit card, send or receive information via the post office or the internet -- in other words, if you function at all in our society -- you too could be at risk.

This is why AAFP, as a service to members, has partnered with ID Theft Assist, a leader in ID theft recovery, to help members reduce the financial cost and personal trauma when their identities are stolen.

The problem of ID theft is pervasive...and growing. SS# misuse complaints alone have skyrocketed, from almost non-existent 10 years ago to the fastest-growing crime in the country today. Add in credit card and computer password theft, and the cost is staggering, adding up to more than

\$50 billion a year. On the personal level, average victims lose more than \$4,800 and spend an average of \$500 and 60 hours of their time trying to resolve identity theft related problems.¹

With the new Academy service, available to members and their families, ID Theft Assist untangles the red tape and completes the majority of the recovery work, including gathering of information; contacting creditors and credit bureaus; placing fraud alerts on the victim's credit report; providing emergency cash if the theft occurs while the victim is away from home, even overseas; and more -- in short, saving victims many hours of hunt-and-seek work by experienced ID theft recovery professionals.

They also provide counseling, when requested, to help participants deal with the emotional trauma of identity theft.

This service is offered through the AAFP at a reduced cost for members and their families: \$73 per year for members; \$85 for members who wish to include their families. For more information, go to <http://www.aafp.org/idtheftassist.xml>.

Still, the best approach is prevention:

To reduce the risk that you will become a victim of identity theft, the FTC recommends that you take the following steps:

- Put passwords on your credit card, bank and phone accounts.
- Do not give out personal information unless you know how it will be used and protected.

- Monitor credit card statements. If a bill has questionable transactions or invoices stop arriving, contact the issuer immediately.
- Deposit outgoing mail directly in a post office collection box and retrieve your mail immediately. (Some people have all their mail delivered to a post office box and then pick it up themselves.)
- Order a copy of your credit report annually.

Additional prevention recommendations can be found by visiting the ID Theft Assist section of your Academy's website <http://www.aafp.org/idtheftassist.xml>.

The key to reducing the risk

of identity theft is vigilance. Like any criminal, ID thieves will select the easiest targets. If you force them to work hard to get your information, they are likely to move on to easier prey.

The bottom line: There is no sure-fire way to assure that your personal information -- and in turn your identity -- will not be stolen. It is for this reason that your Academy offers ID Theft Assist as a service to you.



To receive more ID Theft prevention recommendations and information about this new AAFP member service, visit: <http://www.aafp.org/idtheftassist.xml>.

ID Theft Assist

To speak to an AAFP Member Services Representative, call 800-274-2237, Ext. 6814.

¹ "Federal Trade Commission - Identity Theft Survey," September 2003

Your FINANCIAL HEALTH

Your Financial Health is published by AAFP Insurance Services, Inc., and is provided at no charge as one of our many services to members of the American Academy of Family Physicians.

AAFP Insurance Services, Inc. • 11400 Tomahawk Creek Parkway • Suite 430 • Leawood, KS 66211

PRSR STD
U.S. Postage
PAID
Kansas City, MO
Permit No. 754

ACF Annual
Clinical
Focus
Genomics
2005



AAFP Online CME Video Series Program

Get real answers

View case studies with physician/patient vignettes

Get practical information and tools

Take Web tours of physician and patient resources

Earn CME credit for completing video program plus additional credit for participating in a practice-based quality improvement program

<http://www.aafp.org/acfgenomics.xml>



Financial Footnotes

The One-Minute Haggler: You don't have to be an expert negotiator to knock a few dollars off on the purchase of many items. Simply make the following statement: "I like this item, but the cost is a bit much." You may be surprised how quickly some businesses will bring down the price at least a little.

Avoid family feuds over heirlooms after you're gone. Don't just draft a will stating who gets the assets in your estate. Add a bequest list that spells out who gets great grandma's tea set from the old country, mom's engagement ring, dad's golf clubs, etc. This will help avoid misunderstandings and bad feelings after you are gone.



Your FINANCIAL HEALTH

Your Financial Health is sent to Academy members courtesy of AAFP Insurance Services, Inc. Material for this publication is written by John R. Ingrisano—author, educator and journalist on money management and financial matters. Mr. Ingrisano has served as an advisor to AAFP Insurance Services since 1985.
© Copyright 2005

AAFP Insurance Services, Inc.
11400 Tomahawk Creek Parkway
Suite 430 • Leawood, KS 66211
Phone: (800) 325-8166 Fax: (800) 223-7463
Website: www.aafpins.com
Email: insurance@aafp.org

The material and ideas presented in *Your Financial Health* are offered to provide accurate, timely and authoritative information with respect to subjects covered. However, obviously, only generalized comments can be offered, designed to bring relevant topics to your attention but not necessarily applicable to any given individual's circumstances. Neither AAFP Insurance Services, Inc. nor the Academy is engaged in rendering legal, tax, accounting, investment or other professional advice. For assistance in these areas, or to determine if a particular suggestion herein might be desirable for your circumstances, the services of a competent professional should be sought.

AAFP Insurance Services provides Academy-selected and approved insurance coverage exclusively to members and their families.

If you would like more information about the plans available through AAFP Insurance Services, please let us know: (800) 325-8166.