

## Building a Strong Foundation for Your Financial House: Five Things to Consider

Many women who have read my book or attended Money Wi\$e Women Forums have made great strides in building a strong foundation for their financial house. Here are five things to consider as you start or continue to build your financial house:

- **Named Beneficiaries**

If you have property with a named beneficiary, it bypasses the instructions in your will. This includes life insurance, retirement accounts, tax-deferred annuities, U.S. Savings Bonds and bank accounts in trust for others. When I started working for the Federal Government in 1975 I remember signing lots of paperwork, which included designating the beneficiary for my life insurance. Many of us complete and sign similar paperwork throughout our careers. But, how often do we go back and review and update our beneficiaries. When you are young, just starting out you might designate your mother or father as your beneficiary. However, when you get married, you need to review your life insurance policy to revise your beneficiary. If you don't take the time to update your beneficiaries and die unexpectedly, your life insurance proceeds will not go to your spouse. Instead, your parents will receive the proceeds. The same thing happens with your Individual Retirement Accounts (IRA), U.S. Savings Bonds and the other items listed above.

- **Health Insurance Coverage**

If your spouse dies and had health insurance coverage for your family through his employer, the coverage will usually terminate the month following his death. However, you will have the opportunity to continue the coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA requires most employers with group health plans to offer employees the opportunity to continue temporarily their group health care coverage under their employer's plan if their coverage otherwise would cease due to termination, layoff, death or other qualifying events. COBRA coverage is generally more expensive than what the employee paid and usually ends after 18 months.

- **Joint and Survivor Annuity**

If you're married when your spouse retires, you're normally entitled to a survivor's benefit if your spouse dies before you – *unless you agree to sign away rights to a survivor's benefit*. The joint and survivor annuity ordinarily guarantees you half the pension the two of you were receiving. The benefit offers a somewhat smaller monthly payment, but it guarantees a steady income for two lifetimes (the husband's and the wife's). Statistics indicate women live an average of seven to ten years longer than men and the average age of widowhood is 58. Think twice before you sign away your survivor's benefit!

- **Private Mortgage Insurance (PMI)**

If you put less than 20 percent down on a home mortgage, lenders often require you to have Private Mortgage Insurance (PMI). PMI protects the lender if you default on the loan. In certain circumstances you can ask to have the PMI canceled once you exceed 20 percent equity in your home. However, federal law does not require your lender to cancel the insurance. But, isn't it worth checking out? For more information, visit [www.ftc.gov/bcp/online/pubs/alerts/pmiairt.htm](http://www.ftc.gov/bcp/online/pubs/alerts/pmiairt.htm) .

- **Increasing Your Insurance Deductibles**

Increasing the deductible on your automobile and homeowner's insurance policy will lower your premiums. Another way to look at this --- the more risk you take on, the less your automobile or home insurance will cost. The deductible is the dollar amount of losses or damages that you pay before the insurance company starts paying. It's the amount that's your responsibility to pay on

any claim. According to experts if you increase your deductible from \$250 to \$500, you can usually save 10% on your premiums. Increasing the deductible to \$1,000 may double your savings. If you increase your deductibles make sure you have enough money set aside in your emergency account to pay the higher deductible if you file a claim.

Don't be caught off guard or by surprise! I know its time consuming and sometimes overwhelming, but it's important to consider all the things necessary to build a sturdy financial house.

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