

# Money for Life

May 2005

Dear Readers,

Major life events can have serious consequences on personal finances. This month we focus on some of those events and strategies you can use to effectively cope and maintain family well-being.



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## Unemployment

Faced with reduced income, it is important to develop a spending plan to help pay the bills. Because spending decisions affect the whole family, talk together about the situation. Involve everyone in deciding spending priorities. Determine which expenses can be eliminated, reduced, or deferred.



Develop revised written budgets covering the next several months based on the new information you develop. Control your spending accordingly.

Notify creditors of your situation and inform them regarding your ability and plans to make payments. Don't make promises you can't keep, however.

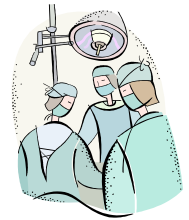
Use new credit only for absolute necessities that cannot be delayed, forgone, or paid for in any other way. Keep careful account of the amount of credit used.

Take steps to regain employment, and take advantage of available programs, benefits, and insurance to supplement income. Seek the help that you need and follow through in using it.

Make use of community resources to maintain health and a positive outlook. Eat well, sleep well, and maintain social contacts.

## Medical Crises

Each year, several million households face severe medical crises. Medical expenses can devastate a family's finances and lead to a poor credit rating or bankruptcy. Even people with "good insurance" may be responsible for large bills that are difficult to pay.



It is important to carefully read your health insurance policy to understand your coverage limits and the process required to obtain benefits. Keep copies of bills from providers, correspondence from your insurance company, records of payment, and copies of referral forms for an HMO. Be sure to keep track of the number of authorized visits and the expiration date to avoid denials of coverage.

Never pay a medical bill without checking it out first. Request an itemized bill that contains a description of services and prices and keep a log of procedures, medicines, and doctor visits. If anything seems questionable, call the provider or your insurance company. The website [www.patientadvocate.org](http://www.patientadvocate.org) is a helpful resource.

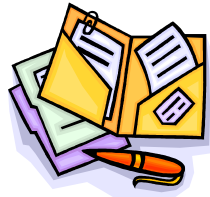
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## Loss of a Spouse

Few events can turn a person's life upside down as the death of a spouse. Below are some suggestions to cope with financial issues related to widowhood.

Do not make any major financial decisions immediately. If you receive an insurance settlement or other payment, place it in a certificate of deposit or money market mutual fund until you have time to explore longer-term investment alternatives.

Get organized. Among the documents that you'll need to collect are: death certificates; insurance policies; marriage certificate; birth certificates for dependent children; the deceased's will, retirement plan (e.g., pension) records, and a certificate of discharge from the military, if any.



Retitle a spouse's or jointly held assets into your name, such as bank accounts, credit cards, auto titles, and the deed to your house. Also, review your will, retirement savings accounts, and insurance policies. You may need to change beneficiaries.

Identify and secure resources. Some examples include life insurance policy proceeds, employee benefits, and Veteran's benefits.

Don't pay any large debts that your late spouse may have incurred until you check with a lawyer. Debts owed by the deceased are the responsibility of the estate and should be forwarded to the executor. If you pay the bills with out-of-pocket funds or personal savings, you could leave yourself short of necessary cash, both for living expenses and a financial emergency



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## Divorce

To cope with the financial issues related to divorce, follow these guidelines.

Do not sign a property settlement agreement, or any other divorce-related document, that you do not understand or one that you feel contains unfair terms until you consult your attorney.

Determine who will pay which part of debts incurred during your marriage. Usually, one spouse or the other will assume an obligation and agree to "hold harmless" the other party. However, if either party doesn't pay a jointly held debt, creditors may collect from either spouse. Creditors are not bound by any agreement between spouses.

A divorced person is eligible for Social Security benefits based on former spouse's earnings, even if the former spouse is not yet retired. In order to qualify for benefits, the marriage must have lasted at least ten years, both you and your ex-spouse must be at least 62 years old, and the divorce must have taken place at least two years ago. If you remarry, you lose the right to benefits based on a former spouse's earnings unless the subsequent marriage(s) also end in divorce. If more than one marriage lasts ten years or longer, you can elect benefits based on the higher ex-spouse's earnings.

Divorced persons may be entitled to continued group health insurance for up to 36 months under the federal COBRA law if they lose their status as a dependent spouse. The cost of coverage cannot exceed 102% of the premium (group rate) paid by your ex-spouse's employer. There is a time limit of 60 days after a divorce is granted to apply.

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