



Making the most of a crisis: Promoting financial health

“ You never want a serious crisis to go to waste.” - Rahm Emanuel

In Jamaica the global economic downturn has resulted in frozen wages, reduced employment benefits and even job losses which have in turn precipitated many personal financial crises. Many have found that their disposable income has been reduced, and that their cash flow has drastically tightened. This economic crisis has however generated a lot of one thing and it is this: prudent financial planning advice, which should not be ignored.

By this article I do not propose to re-invent the wheel and provide novel financial advice. In fact, I do not intend to provide financial advice at all. Instead, I wish to highlight the financial tips that I have found (either from personal experience or observation) to be most practical and useful. They include:

Having adequate health insurance - Many often take for granted the importance of health insurance as a means of protecting their own financial health. Some even view the paying of premiums as a nuisance - as something which reduces cash flow in the short term. One should however remember that there are actually three things certain in life - death, taxes and some form of illness and as such, adequate health insurance often bears fruit in the long term.

Data from STATIN suggests that stroke, heart attack and cancer are among the leading causes of death in Jamaica. In practical terms, dealing with these diseases involves an incredible amount of expense and outlay. One may find that health insurance (which is received as a benefit of employment) may actually prove inadequate in times of great need. For example, in the event of major illnesses, most policies will cover 80% of the cost of treatment, surgery, hospital room and board, leaving the insured to find the other 20% (think of the excess that the insured has to pay in the case of motor vehicle insurance).

That 80% may seem adequate at first, but consider this: chemotherapy (which is used a treatment for several types of cancers) costs on average \$250,000 per treatment, with a patient often needing at least a cycle of treatments. A cycle of 4 treatments amounts to \$1,000,000. With the 80% coverage, the insured is then left to find \$200,000. The real cost to the insured may therefore still be astronomical and treatment for major illnesses may often be out of the insured's reach, even with health insurance coverage.

In order to ensure access to treatment, one should explore the concept of supplementary health insurance or “extra health insurance”. With supplementary health insurance, the insured receives 100% coverage in case of illness, which means that there is virtually no impact on the insured's cash flow.

Individuals may access supplementary health insurance through the group health insurance plans offered by several credit unions, some of which offer competitive and affordable rates.

Having some form of health insurance - Of course one thing worse than not having adequate health insurance is having none at all. Self employed individuals or individuals who have no access to health benefits from their place of employment, may explore the option of health insurance provided by group health insurance plans offered by some credit unions mentioned above.

Establishing an emergency fund and distinguishing it from your savings. - We are often encouraged to have the equivalent of at least 6 months salary in savings. In the real world, the average person may take years to accumulate this amount and many may become disheartened along the way.

In the meantime however, one should also try to put aside a small amount of money each month and earmark it for use in unexpected and unplanned for events, such as fender benders or emergency trips to the dentist. It may be as little as \$500 monthly. You would be surprised how that emergency fund can tide you over on the happening of an unforeseen event and reduces the need to disturb established savings.

Spending more conservatively - Start by making a budget so you can see what you earn and what you spend. For most, this is a painful process, as it clearly shows just how little is actually available as disposable income. The up side of course is that it may highlight unnecessary or wasteful spending. Be more careful in your spending - \$50 saved is \$50 earned.

Take advantage of deals - Retailers have to work much harder to attract your dollar and they often compete in order to do this. Information on deals offered may be found in the print and electronic media. Even financial institutions have gotten in on the act and payment holidays and special savings incentives can be found at most institutions. In addition, these institutions produce a lot of literature which advertises their various products. Walk in, pick some up, and deliberate. You may just find your fit.

These tips may serve us well not only in harsh economic times, but represent practical and prudent tips from which we may reap great benefits in more favourable economic times.

Corrine Henry is an associate at Myers, Fletcher & Gordon and a member of the Firm's litigation department. Corrine may be contacted at corrine.henry@mfg.com.jm or through www.myersfletcher.com.