Your finances can survive a catastrophic medical expense

Q: I am a healthy, 63 year old, working woman concerned about protecting my savings in the event of a catastrophic medical expense or prolonged illness.

A: Given that the great majority of bankruptcies are a result of medical expenses, that's an appropriate concern.

If you don't have one, get a health insurance policy. High-deductible health plans (HDHP) have minimum deductibles and out-of-pocket expenses that range from $1,300 to $6,550 for singles. Double this amount for families and there is no limit on the number of family members covered.

Most high-deductible health plans have Health Savings Account (HSA) options that can be (1) funded by both employees and employers with pre-tax dollars, (2) accumulating tax free earnings, and (3) withdrawn tax free when used to pay qualified medical expenses.

The maximum that an employee and employer can contribute to a HSA is $3,400 for a single or $6,750 for a family in 2017. There is a catch-up contribution of $1,000 that applies to anyone age 55 or older.

Some employers are adopting Account-Based Health Plans that pair group health insurance with tax-advantaged medical spending accounts. The goal is to reduce the cost of health care by encouraging the employees to get more involved.

Health Reimbursement Arrangements are IRS approved and employer controlled and funded. Designed to pay employees' insurance and expenses, the employer determines the funding rules, the amount, and whether unused funds are eligible for a rollover.

If you suffer a prolonged illness that results in a loss of income, long-term disability insurance provides up to 60% of gross monthly income until retirement age.

Since you're 63 years old, you may want to skip the disability insurance and get long-term care insurance (LTC) instead. As soon as you're unable to perform two activities for daily living, like dressing or bathing, this insurance pays benefits. Cognitive issues are an automatic trigger and part of the premiums may be tax deductible.

Insurance policies have deductibles, copayments, elimination periods and other ways for us to have skin in the game. The goal is to give the user more control that will hopefully result in more attention to costs.

Florida provides protection of certain assets from creditors. The most well-known protection is the homestead exemption for a primary residence and financial assets jointly held by a husband and wife.

In Florida, retirement money is not just tax deferred. According to Florida Statute 222.21(2)(a) money or other assets payable to a participant or beneficiary in a qualified retirement plan is exempt from claims from creditors. Consult your attorney. I remind you that anyone can sue anytime for anything. Medical collection agencies can be relentless.

You're a couple of years away from Medicare (age 65). Get ready for a big celebration!

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