

# *Pax Pecuniaria*

**ECI Agency, Inc.**



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Dave Ramsey



This week I'm continuing my discussion with Scott Cornelius of Earnie Cornelius Agency, Inc., Dave Ramsey's ELP for home and auto insurance in the Oklahoma City area (they sell other types of insurance as well). You can contact ECI at (405) 373-2977.

**Michael:** What are some common misconceptions that people have about health insurance? Especially people that might not be covered under an employer's health plan.

**Scott:** For the most part, if you're a healthy person, individual coverage is less expensive than group coverage that you would get through an employer. Most people can be covered for less on an individual plan than they would be on a group plan, unless they're older. Another misconception, a simple illnesses like diabetes, high blood pres-

sure, anything that's happened in the last five years would be not covered on an individual policy, so sometimes getting a skin cancer taken off your head might keep you from having coverage for any type of skin cancer, on an individual-type policy. That's where a group policy would be better because they have to take everyone under their plan, and they can't exclude anything.

**Michael:** Tell us a little about the high-deductible plans, and the health savings accounts.

**Scott:** These are what we used to call "major medical" coverage. They don't cover anything until you get to your deductible. No copays, no prescriptions, nothing until you reach your deductible. Generally the deductibles go from \$3,500 to \$10,000, there are a few that go to \$20,000. One

requirement of the recent healthcare reform law was that annual wellness visits are covered under every policy, including the high-deductible ones, so that covers 100% of your wellness check-up. But other than that, for the high-deductible plan, there's no coverage until you reach your deductible. But the good news is, every year you can put away, tax-free, up to \$3,050 for an individual or \$6,150 for a couple, to be used for medical expenses, which could go toward copays and prescriptions, you just can't use it for anything other than covered medical expenses, so you couldn't go by Tylenol, for example, and there's a pretty high penalty if you take the money out of your account for anything other than medical expenses. It's 20%!

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## Dave Says...

### A Little Over The Top...

Dear Dave,

We have two teenage daughters, ages 17 and 16, who are both in high school and work in the family business. We've done our best to teach them how to

handle their money properly, including how to spend, save, and give. Also, they've both been saving for college. My husband thinks it would be a good idea to start charging them rent to prepare them for life once they leave home. What do you think?

- Frances

Dear Frances,

I think you're way ahead of most parents. Teaching them to handle

money properly when they're young is a great thing. It sounds like they're both bright, hardworking young ladies, too.

I appreciate your husband's heart and the fact that he's looking for teachable moments, but teenagers paying rent while they're living at home is a little over the top. Now, if either of them were 26 or 27 it would be a different story. I'd have no problem charging them rent of about \$10,000 a month!

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**ECI**

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**Michael:** Yes, it used to be 10% but was just recently raised!

**Scott:** The good thing about the Health Savings Account is that money is yours. It's not "use it or lose it" like the Flexible Spending Accounts. If you put away \$6,150 and don't use it, then you have that money for the next year to use for any medical expense. Once you build it up to a certain level, you wouldn't have to keep putting money in. Another advantage is that even if you opt not to fund that account, and you're going

to go in for medical care, you can put the needed money in the account, then immediately use that money for a medical procedure or expense, so any medical expense you have would be a pre-tax expense.

**Michael:** That right there could save you 15% to 30% on your medical expenses!

**Scott:** Yes. All you do is make your deposit, use your debit card linked to your health savings account, and everything would be pre-tax. The way I describe health savings accounts is this: if you're willing to absorb part of the medical cost yourself, they're probably one of the best plans out there. You're paying your-

self instead of paying the insurance company.

**Michael:** What type of people are those plans the best for?

**Scott:** They're best for people who have a little extra money so they can truly fund the accounts, because you have to be able to afford the \$3500 to \$10,000 deductible. In some cases, that's a family deductible, so it wouldn't be a per-person cost. Total out-of-pocket cost for a catastrophic illness for a high-deductible plan is usually less than a traditional PPO or HMO, but you have to be disciplined enough to put the money back, and to have the money to put back.

**Dave Says. . .**

*(Continued from page 1)*

But seriously, at their ages it's still your job as parents to provide housing for your children. That's just the way it is.

These girls already know how to work and have grasped the basic concepts of managing money. I meet 50-year-olds on a regular basis who still can't do that. With this kind of start, I think these young women will be fine and stand a great chance of becoming wealthy one day. So, while I understand your husband's idea, let's tell the drill sergeant to back off a notch on this one.

- Dave

**It's About You!**

Dear Dave,

I'm in the process of building an eBay store. How likely is it that this will turn into a full-time business for

me?

- Anonymous

Dear Anonymous,

I think the likelihood of this becoming a full-time gig has more to do with you and your business model than it does with eBay. If you've developed something really unique and coupled that with great pricing and service, then eBay's a great distribution and marketing system to reach people you wouldn't otherwise reach.

Still, you have to remember that eBay's not magic. The real magic is your brain, hard work, and whether or not your business model is a good one. If it is, then eBay becomes a cool methodology through which your idea gets to market.

Regardless of how you're executing on the internet, you still have to be executing the business properly. You still have to use basic marketing and have good margins, prices and service. The big thing is you still have to love on your customers a lot.

Plenty of people think the internet is an easy path to fame and fortune, and they forget about the basics of building and handling an operation well on a day-to-day basis. Those are the ones who don't last long in the business world, whether it's online or brick-and-mortar!

- Dave

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