



Build up your financial immune system to weather a health crisis

Sometimes just being smart about how we pay for our everyday health expenses is not enough. More than one-third of employees surveyed by Fidelity said they had an unexpected health event in the past two years, and only half of these people said they were prepared to pay for it.¹

An unexpected illness or injury can harm more than your health; it can also undermine your financial security. Health care expenses lead to almost one-third of hardship withdrawals from retirement savings.² But it doesn't have to be that way. Here are three ways to brace for the financial impact of a health crisis before it (hopefully never) happens.

1. Have more insurance than just health insurance.

Health insurance is meant to pay for most of your health care costs, but other types of insurance can help you pay your everyday bills during a health crisis. For example, disability insurance or gap insurance can replace some of your income if you can't work due to a disabling illness or injury.



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What should I consider doing now?

Disability insurance

- Your employer may offer a short-term and/or long-term disability insurance benefit, or you can buy your own.
- Consider this type of insurance especially if you are your family's sole earner.

Supplemental/gap insurance

- Find out if your employer offers it.
- Determine the amount of benefits you need, since this will influence the cost of the coverage.
- Use the policy's lump-sum payment for any remaining out-of-pocket medical expenses, additional help around the house, household bills, or whatever else you may need.

2. Save strategically.

Consider setting aside savings for a health emergency in a health benefit account, such as a health savings account (HSA) or health care flexible spending account (FSA). HSAs and health care FSAs can be used to pay for qualified health expenses, but they offer valuable potential tax advantages. In addition, consider socking away money in a regular savings account to pay for other expenses in a health emergency.

What should I consider doing now?

Emergency fund

- Have three to six months of expenses socked away in case of a major emergency.
- Make your savings automatic through direct deposit if you can. Find an account that pays some interest but makes your money readily available if you need it.
- Find out if your employer offers an employer-sponsored emergency savings account that you can contribute to through payroll deductions.

Health benefit accounts

- Build savings throughout the year by contributing to your HSA or FSA.
- Withdraw your HSA or health care FSA money tax free to pay for qualified medical expenses.
- Build savings over a longer period with your HSA, as any unused balance carries over from year to year. Invest it to help it grow, if you can.
- If you lose or change your job, your HSA stays with you. Consider using your HSA savings to help defray or cover the costs of continuing your employer-sponsored health coverage under COBRA, which is available to you for up to 18 months.
- Use other reimbursement accounts you may have to help pay for other health-related expenses.



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Only half of these people said they were prepared to pay for it.¹

3. Be smart about borrowing.

No one wants to take out a loan to pay for expenses related to a health emergency if they can help it, but even borrowing is something you can confidently prepare for.

What should I consider doing now?

Line of credit

- Open a line of credit on your house, if you own one, for a back-up source of funds at a potentially low interest rate.
- Shop around to get the lowest interest rate since your payment is based on how much you've borrowed at any given point in time, as well as your current interest rate.



Conclusion

We never know when a health emergency could happen, so planning ahead is key. If you save for emergencies, protect your finances with insurance, and keep low interest credit available as a last resort, your financial immune system will be well-positioned to help you weather a health crisis.

YOUR FINANCIAL IMMUNE SYSTEM TOOLKIT

INSURANCE



Health insurance



Disability insurance



Supplemental/gap insurance

SAVINGS



Emergency fund



Health benefit accounts

BORROWING



Low-interest credit

¹ Fidelity Health Solutions Thought Leadership Affording Care Consumer Survey, Fall 2022. Q43: How prepared were you to cover the unexpected health care expenses? Sample included 1,501 U.S. consumers with employer-sponsored insurance.

² Fidelity Investments record kept data as of December 31, 2019; eCertified participant web entries.

This information is intended to be educational and is not tailored to the needs of any specific individual.

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