Case Study:
Lost Savings, Downsizing and Debt[1]
(Relationship of Health and Wealth)

Rochelle Schwartz had a very comfortable life. The family doctor owned a four-bedroom detached home. She and her engineer husband, Yaron Panov, 61, paid for university for both their children and took annual family vacations to other countries. They had money saved in retirement savings plan a manageable mortgage. One day, her husband got sick.

Diagnosed with malignant liposarcoma (a type of cancer in fat cells of the body) in 2009, Panov was given a 30 percent chance of living past the year. Doctors could not treat him, so the couple looked for help in the U.S. They found a surgeon who could operate on the tumor and an experimental chemotherapy that prevented the cancer from growing. Because the procedure and drugs were experimental, the health insurance company did not reimburse them.

Panov made it through the year, but the cancer returned. The couple went south for a second surgery — then a third, fourth and fifth. They emptied their savings, went into debt, and eventually sold their home, downsizing to a two-bedroom condo. Today, between travel costs, lost wages, chemotherapy and surgeries, they've spent nearly $700,000. Schwartz, now 61, is still working and has no plans for retirement. "Everything relies on me now," she says.

She isn't alone: Chronic or critical illness can be financially crushing and even ruinous for families. Sixty-two percent of Canadians would have to go into debt, delay retirement, or decimate their savings to pay their monthly bills if they or a family member became critically ill, according to a 2016 study from the insurance company Great-West Life. It's a two-for-one punch: First, critical illness results in lost wages for both the person receiving treatment and for his or her caregivers, says Erin Crawford, senior director of public issues and community engagement at the Canadian Cancer Society. (One 2010 study in the journal *Current Oncology* found the average household loss of income for a cancer diagnosis is $17,729 a year in Canada.) Second, there are unexpected expenses that come with being sick. "Even something as small as parking costs can be the straw that breaks the camel's back," says Crawford. "It's hard to think of parking as financially devastating, but if you're not working, $20 a day adds up." One 2010 study from the Canadian Breast Cancer Network found that 44 percent of women with breast cancer had **to use up their savings, and 27 percent had to go into debt,** while receiving treatment.

That's what happened to Trude (pronounced True-d) Huebner, a self-employed writer and editor who was diagnosed with an aggressive form of breast cancer in 2004. She was 57 years old, self-employed, and single, and she had no financial support network or insurance. During her chemotherapy treatment, weakness and frequent vomiting often left Huebner bedridden. "Even though I had a little part-time work, some days I just couldn't lift my head," she says. Once after a surgery she had her then-38-year-old son turn the page on a manuscript she was editing, as she was too weak to lift her

[1] *Source: Megan Haynes, Updated April 6, 2017, https://www.chatelaine.com/health/critical-illness-savings/*

arms. She had to pay for home health care to help with meal prep and household cleaning, though her son would help out whenever he could.

Despite being frugal, Huebner burned through her $19,000 in savings within six months. Her disability payments weren't enough to cover her regular expenses, and although she was able to take on a few paying gigs while receiving chemo, she slipped into debt. She had always figured her savings would be enough to cover her in an emergency; she hadn't banked on a two-year treatment-and-recovery window.

In fact, most people would find it impossible to stash $50,000 in liquid savings to survive a long-term debilitating illness. Instead, an emergency plan should be more like a fire escape plan. First, she says, set up a designated calling list, three or four people who could help book your appointments, do the driving, and confirm what the insurance company will cover or not. Second, while healthy, familiarize yourself with your existing insurance plans. Know what is covered, what isn't, and where you might want extra protection. Third, make an action plan to manage expenses if you become ill. For example: 1) cut down on monthly expenses, 2) dip into savings and 3) downsize to a smaller property.

Even though planning ahead is ideal, there's still a lot you can do even after discovering that you're ill with something that could be longer term. Shelley Smith, a financial planner at TD, recommends calling an expert or your bank for help in laying out your expected expenses for the next few months and creating a budget. Come up with a contingency plan if the breadwinner is no longer able to work, determining which funds will be tapped first. Early on in an illness it's also a good idea to bring down recurring payments, like a mortgage, cell phone or credit card bills, Smith says. This will help free up cash flow, which can be used instead of dipping into savings. And since unexpected costs crop up, consider applying for a line of credit. It should be used as a last resort or when faced with large expenses that will be reimbursed by the province or insurer at a later date, such as some pricey medications.

Finally, Smith says be prepared to revisit your plan every time your financial situation changes, be it shifting to part-time work, going onto short- or long-term disability or when a savings fund runs dry.

Any kind of plan would have helped, Huebner says. It wasn't until she was too sick to manage her expenses that she realized her financial path wasn't sustainable. By then it was too late. After her cancer went into remission, it took her five years to get back into the black, and she's only now, at age 70, replenished her savings to what they were before she got sick. She's still not able to work full-time; the long-term effects of her treatment leave her easily exhausted, and she has accepted she'll likely never retire.

Though she tries not to dwell on the "what ifs," she wishes she'd had more money put aside for emergency, and some sort of insurance plan in place to help mitigate the cost of her illness. "You just can't manage your finances when you're diagnosed with a serious illness."