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## INSURANCE

## You may have a secret life insurance policy

By Michael Evans • Bankrate.com



### Highlights

- Experts say life insurance may have been bought for you as a kid, then forgotten.
- Beware of taxes if you cash in a long-lost insurance policy taken out on you.
- Your state may be holding an old life insurance policy purchased in your name.

When you start digging through the records of a deceased parent or other older relative, you may stumble upon a few surprises.

### How to buy life insurance

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You might uncover old photos of yourself sporting an unfortunate hair or clothing style, but you might be even more shocked to find a life insurance policy that insures you -- one you didn't even know existed.

"Sometimes people just forget about policies," says Mike Gowrylow, a spokesman for Washington state's Department of Revenue, which handles unclaimed insurance policies and other property. "They took out policies when they had little kids at home. Then, once the policies were paid up, they forget about them."

If you find a policy that covers your life, experts say you can't afford to take action too slowly, but you shouldn't make hasty decisions either.

### Where did this come from?

First, you'll probably want to know why your dad, grandmother or kindly, old aunt would have taken out life insurance on you.

After the Great Depression, parents often bought life insurance policies for their children as a way to get them started in a savings plan, explains Paul Andrus, a Fremont, Calif., financial adviser with Eagle Strategies, a division of New York Life Insurance Co.

So-called juvenile life insurance is still marketed to families, typically via permanent, whole life policies, which build up "cash value," or a savings reserve. After 30 or 40 years of payments, a policy can hold a sizable chunk of change, which the owner can borrow from or cash out.

Some parents purchased policies through employee plans that allowed members to buy low-cost coverage for their families. In other cases, folks bought juvenile policies from the same agent who sold them car or homeowners coverage. So, it's probably worth it to ask your aging parents or other elderly relatives to try to remember if it's possible they ever purchased life insurance on you.

"Very few people would call and ask for life insurance (for their children). But we would approach parents and encourage them to take out coverage on their entire family," says Jim Beck, a retired Allstate insurance agent in Germantown, Tenn.

### If it's a policy on your head, it's yours

If you find a policy insuring you, and the owner is deceased, you can take over the policy.

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"When people take out a life insurance policy, they often don't fill out what's called a 'successor owner' form. That covers the steps that should happen in case the owner of the policy dies," Andrus says. However, "If the owner of the policy passes away, the insured becomes the automatic owner of the policy."

When you discover a policy that insures you, you should contact the insurance company right away, especially if premium payments have lapsed. "You could actually lose the money, because the company is using the cash in the policy for payments until it just crashes," says Andrus. "So this is a good reason to take action."

### Keep it or cash it?

Deciding whether to maintain the life insurance policy or surrender it for its cash value may depend on whether you're loaded with money or just scraping by.

"Most people cash it in. I don't recommend it, but they do," says Andrus. "But most of the time, the person just needs it now."

If you do redeem the policy, you'll lose the death benefit coverage and could face tax consequences. "My advice is to seek the advice of a CPA and call the insurance company, just so you know what's going on," he says.

If the policy has enough cash value built up, you may be able to keep the coverage without continuing payments. "You can call the company and ask them if the policy is self-supporting or if you need to keep paying," says Andrus. Self-supporting policies use the accumulated cash to pay premiums.

### Where else to find a long-lost policy

Even if nothing happens to turn up when you're going through the papers of a departed loved one, there could still be a life insurance policy out there with your name on it. That's one reason why it's good to look periodically on the website of your state's unclaimed property department, the office where banks, insurance companies and other financial institutions send money when they can't find the rightful owner.

"There are some databases that we use to help people find their money," says Gowrylow, with the Washington state revenue department. "Plus, we employ a finder, who contacts people at large to let them know about unclaimed property."

Laws vary, but financial institutions typically hold unclaimed accounts for years before sending it to the state. Usually after five years, a forgotten insurance policy will go to a state's unclaimed property division, says Michael Barry, a spokesman for the Insurance Information Institute, a trade group.

It's best to check the unclaimed property department in your state at least once a year, because funds are turned over periodically. You should also check the databases in every state where you and other family members have lived.

If you find an unclaimed life insurance policy that belongs to you, you'll have to file a claim to get it.

A Social Security number and address is often all the proof you'll need, but not always. "Claims with a high-dollar amount might require more documentation," says Gowrylow.

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<http://www.bankrate.com/finance/insurance/secret-life-insurance-policy.aspx>

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# CHAPTER SEVEN

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## Health Care in Colombia

Many retirees stop short of moving abroad because they're afraid they won't be able to get the quality health care they need in a Latin American country. If you already have good insurance, and you don't want to give it up, you'll need to find out if your provider will cover the costs of services rendered abroad. And if you give up coverage at home, will you be able to get a policy in your new country? If you move to Colombia, the answer is yes.

Colombia takes health care seriously and makes it easy for everyone to get health care coverage, even foreign residents. Better yet, Colombia has the best health care system in Latin America. Costs are so reasonable that many young, healthy expats pay cash for services. Those who choose to get coverage, pay an affordable premium, low copayments, and receive top quality care for their money.

### Health care access for everyone

While other countries wrestle with the challenge of making health care available to the masses, Colombia is cruising down the road to universal coverage. In 2008, Colombia's constitutional court ruled that health is a fundamental human right. Legal scholars took the ruling to mean that Colombia's constitution guarantees everyone the equal right to health care. Prior to the court's decision, Colombia had already made great strides in making health services available to everyone. In 1990, over 85% of low-income Colombians paid for health care from their own pockets. Today, more than 85% percent of that same segment of society has medical, dental, and vision coverage.

It's certainly impressive to see a country takes its citizens' health so seriously. But what does that mean to you, if you decide to move to Colombia? Well, if you become a resident of Colombia it means you will have the same access to health care as your Colombian neighbors.

If you obtain a visa that allows you to stay in Colombia for more than 90 days, you can qualify for entry into the health care system. Immigration will require you to get a Colombian identification card, known as a *cedula*. Once you receive a *cedula*, you can apply for coverage at the office of any health insurance provider. It only requires filling out an application, providing them with a photocopy of your *cedula*, along with copies of the *cedulas* of any beneficiaries you'd like to add.

The system has no waiting period, so you're free to seek medical attention as soon as your provider enters you into the nationwide database. Providers do not issue you an insurance card. Your identification remains tied to your *cedula* number. Most doctors and dentists require you to bring a photocopy of your *cedula* each time you pay them a visit. If you need care while traveling in Colombia, the medical staff at any hospital or clinic can find you in the system using your *cedula* number.

## Colombia ranks high for health care

Each year *América Economía* magazine conducts an in-depth survey of 190 Latin American hospitals and clinics. The study's methodology follows a rigorous set of criteria that examines patient safety, capacity, staffing, medical expenditures, efficiency, and knowledge level of staff. Researchers compile the data and rank hospitals and clinics according to the quality of care they provide. Over the years, the report has gained prominence among Latin American business executives and government officials, who use the findings to map out strategies for change and development. The 2013 report, released in May 2014, ranked 18 Colombian hospitals and clinics among the top 45. Colombia's top health care facilities include:

Ranking	Health Care Facility	Location
#4	Fundación Valle Del Lili	Cali
#6	Fundación Cardioinfantil	Bogotá
#8	Fundación Cardiovascular de Colombia	Bucaramanga
#10	Hospital Pablo Tobón Uribe	Medellín
#14	Centro Médico Imbanaco	Cali
#19	Clínica de las Américas	Medellín
#20	Hospital Universitario San Ignacio	Bogotá
#23	Hospital Universitario de San Vicente Fundación	Medellín
#25	Fundación Clínica Shaio	Bogotá
#26	Clínica FOSCAL	Bucaramanga

Ranking	Health Care Facility	Location
#27	Instituto de Ortopedia Infantil Roosevelt	Bogotá
#29	Hospital Universitario Mayor Mederi	Bogotá
#32	Clínica León XIII	Medellín
#34	Clínica del Occidente	Bogotá
#35	Clínica Medellín	Medellín
#38	La Clínica Reina Sofía	Bogotá
#40	La Clínica de Marly	Bogotá
#42	Clínica Universitaria Bolivariana	Medellín

*América Economía's* study only examines hospitals and clinics equipped to handle complex medical procedures, such as organ transplants and heart and brain surgeries. Colombia's institutions are the hands-down winners. Although Brazil, which came in second, has more than four times the population of Colombia, only six of its medical facilities made it to the top 45 list. Colombia's 18 top hospitals lie in numerous regions, putting them in reach of almost everyone in the country.

Although Colombian institutions have dominated *América Economía's* health care list in recent years, that doesn't tell the whole story. In fact, if you rely entirely on the magazine's study, you might believe that you need to live in a major metropolis to have access to Colombia's best services. Fortunately, that's not the case.

As an example, about three years ago, an American expat living in Popayán faced a life-threatening crisis that landed him in intensive care for six weeks. He underwent five surgeries and needed three months of home health care after being released from the hospital. However, he was able to receive all his care at a Popayán hospital...and he credits the doctor's there with saving his life. Similarly, another Popayán expat lost her vision to a rare disease. However, the doctors there restored her sight completely.

### Availability of health care facilities

In general, health care is available everywhere in Colombia. However, the level of care varies, depending on the size of a community. Department capitals, such as Bucaramanga, Cali, Medellín, and Cartagena have large public, university, and private medical centers and dozens of private clinics. And you'll find regional hospitals scattered throughout rural areas.

My town, Líbano, home to around 35,000 people, has a regional hospital that can treat a wide range of illnesses. However, for surgeries, many

townsfolk have to travel to Ibagué, the capital of the Tolima department, located two hours away.

Expats living in smaller towns, such as Salento, report a lack of health care services. For minor illnesses, such as influenza, they can usually receive medications directly from local pharmacists, without the need for a doctor's visit or prescription. For more complex problems, they travel 45 minutes south to Armenia, the capital of the Quindío department.

Upon finishing their medical training, doctors and nurses in Colombia must complete a year of national service. The government uses this program to staff clinics in rural communities. For instance, in Murillo, a tiny village near Líbano, a full-time doctor oversees the operation of a clinic staffed by a team of national service professionals, including a doctor, dentist, nurse, and ophthalmologist.

## The health insurance system

Health insurance is compulsory for all Colombian workers. By law, they must purchase a policy. Colombia has one public agency that provides health care coverage and dozens of private insurance companies that sell policies.

The system is very easy to understand. Costs are tiered and based on your salary or pension. Other types of income, such as dividends on stocks or interest on savings accounts, do not play a role in the price you will pay. That definitely works in your favor if you earn more on investments than you make each month from Social Security or a pension plan.

Workers pay 12.5% of their salary. If they work as a direct hire for a company, their employer must pay 8.5% of the premium and they must pay the remaining 4%. Independent workers, such as business owners and private contractors, pay the entire amount themselves. Retirees pay 12% of their pensions. The percentage you pay does not vary from company to company.

Colombia's health care system operates in a similar fashion to a preferred provider organization (PPO). Insurers enter into contracts with specific hospitals and physicians. The insured must seek care within the approved network of providers.

By law, everyone in Colombia must have the same basic coverage, which covers medical, dental, and vision care. If you want additional services, you can purchase a premium policy. It works like building blocks. The basic policy serves as a foundation from which you can build. For example, if you want the freedom to choose your own doctor or specialist, you can obtain it by paying for a premium policy. If you want a policy that will cover more than a basic set

of eyeglass frames and lenses, you spruce up your coverage with a premium plan.

## Covering your dependents

One health insurance policy can cover an entire family, at no extra cost. So, if you are married or are in a legally recognized civil union, you only need to buy one policy. Similarly, if you are married and have children, one policy can cover you, your spouse, and the kids. When you purchase a policy, the system will recognize you as the contributor, and everyone you add to the policy as beneficiaries.

This is important to understand, because choosing the right contributor and beneficiary can make a big difference in what you pay for a policy and health care services. If your husband makes a lower salary than you do, you might get a better rate if he applies for coverage and adds you as a beneficiary. However, if you have more health problems than him, you will probably come out ahead if you enroll in the program and add your husband as a beneficiary. That's because contributors do not make co-payments for services such as hospitalization and surgery, but beneficiaries do. You'll understand this better after reviewing the cost chart on page 100.

## No exclusions and a focus on prevention

When you enroll in a health care plan in Colombia, you won't face many of the restrictions so common in many other countries. Colombian law does not permit excluding someone from coverage due to age or preexisting conditions. In fact, during the enrollment process, they likely won't ask you about your medical history. But chances are, a doctor or nurse will ask you about yours and your family's health history during your first medical visit. That's so they can understand your individual needs.

Colombia aims to provide universal coverage. Colombia's poor have the same access to health care, regardless of their ability to pay for a policy or treatment. Those of us that can afford to pay, foot the bill for those who have little or no income. Even so, the cost of health care is so reasonable that few people grumble about paying for the care of others. Overall, Colombia has a different philosophy about health. Most Colombians see health care as a basic need, not an industry, and access and pricing reflect that perspective. And they have a very broad view of what impacts public health.

A few years ago, Gustavo Petro, the mayor of Bogotá, launched a pilot program designed to improve the health of people living in one of the city's poorest districts. Teams of doctors and nurses went door-to-door, meeting with

each resident. They administered treatments where necessary and provided education about issues such as diabetes and pregnancy, conditions that were crippling the community and driving up government expenditures. The program resulted in improved health and lower health care expenditures for the district.

Colombia’s focus on prevention and health maintenance helps its citizens live longer and enjoy more productive lives. In my small town, a mostly elderly, family of four receives free health care provided by a government-sponsored policy. Each has ongoing health issues, ranging from diabetes to crippling arthritis. Yet, regardless of their inability to pay for services, they receive hospital care when they need it and each member of the household has a standing, monthly appointment with a doctor. By seeing them on a regular basis, doctors have usually been able to control their health issues and prevent escalation.

After I enrolled in a program, a representative from the insurance company called and instructed me to make doctor and dentist appointments. It was the first time an insurance company had actually encouraged me to use my policy.

### Health care costs

But what do health insurance and health services actually cost in Colombia? Again, if you are a retiree, you will pay a flat rate 12% of your salary, which could mean a monthly pension payment, Social Security check, or both. Both premium costs and the percentage you pay for services depend on your income level. For 2014, costs run as follows:

	Service	Monthly salary up to COP \$1,231,999 (\$616)	Salary Tier II from COP \$1,232,000 to 3,080,000 (\$616 to \$1,540)	Salary Tier III COP \$3,080,001 (\$1,540) and above
Routine costs applied to contributors and beneficiaries	Doctor visits, routine dental work, traditional and alternative medicines, specialist consultations, routine lab tests, therapy, and diagnostic services	COP \$2,400 (\$1.20)	COP \$9,500 (\$4.75)	COP \$24,900 (\$12.45)

	Service	Monthly salary up to COP \$1,231,999 (\$616)	Salary Tier II from COP \$1,232,000 to 3,080,000 (\$616 to \$1,540)	Salary Tier III COP \$3,080,001 (\$1,540) and above
Co-payments applied only to beneficiaries	Complex dental treatments, level 2 and 3 lab tests, level 2 and 3 therapy and diagnostic services, hospitalization, surgery, and outpatient treatments	11.5% up to a maximum of COP \$176,792 (\$88) in costs	17.3% up to a maximum of COP \$708,400 (\$354) in costs	23% up to a maximum of COP \$1,416,800 (\$708.40) in costs
Annual ceilings on co-payments, per calendar year		57.5% of one monthly minimum salary—COP \$354,200 (\$177)	230% of one monthly minimum salary—COP \$1,416,800 (\$708)	460% of one monthly minimum salary—COP \$2,833,600 (\$1,417)
<b>Note:</b> Costs reflect 2014 guidelines. Currency exchange rates change daily. For the most accurate estimate of costs, check the current exchange rate.				

I am a beneficiary on a policy. The contributor earns a Tier II salary and pays COP \$400,000 (\$200) per month for a policy that covers us both. So far, I have only needed routine care, such as blood work and dental treatments. Before moving to Colombia, I did not have dental coverage for about 12 years. After enrolling in a program, I went to the dentist for a checkup. She found four cavities, which required four more visits for fillings. My total out-of-pocket costs came to around \$23.75. Last year, before getting insurance, I visited the same dentist for a cleaning, paying COP \$40,000 (\$20) out of pocket. With such reasonable costs, many expats choose to pay cash for their medical needs. Those who do take out a policy, typically opt for basic coverage, which adequately covers their health care needs.

The Popayán expat previously mentioned pays about \$300 per month for a premium policy that covers him and his wife. After spending six weeks in intensive care, and undergoing five surgeries, he received a bill for about \$25 when he checked out of the hospital. For three months, a home health care nurse attended to his needs at home, at a cost of \$25 per month.

## Private insurance with Emi

Emi, a private health care company, provides services in most large and mid-sized Colombian cities. If you enroll in one of Emi's supplemental health care plans, you can often avoid trips to the doctor or hospital. That's because Emi's teams of doctors and nurses make house calls, 24 hours a day, 365 days a year.

Emi operates fleets of medical vehicles that respond to all types of needs. Support units equipped with medical equipment and medicines respond to minor injuries and illnesses, and mobile intensive care vehicles cover critical care needs.

An Emi plan for two people costs under \$400 a year. Plans don't limit use, have no age restrictions or pre-existing condition exclusions, and you can use them when traveling to other Latin American destinations.

## The price and availability of medications

The Colombian government regulates the cost of medications. In most cases, I pay the same rate for prescription drugs that I pay for a routine medical treatment, COP \$9,500 (\$4.75). Insurance providers operate medicine banks in cities and towns, which dispense low-cost generic medications to their clients.

Low-cost drugs are one of the features of many premium policies. For instance, one American expat pays just \$1.25 for a full year's supply of blood pressure medication.

Because of regulation, you might not be able to find some North American brands in Colombia. But in most cases, you can find its equivalent in a Latin American brand...at a much lower price. For instance, before a long bus trip through the Andes, I usually take a Dramamine tablet to ward off motion sickness. Recently, the pharmacists in Líbano stopped carrying Dramamine, so I now use a common Latin American brand that works just as well. Typically, I pay about \$1.90 for 12 tablets.

Pharmacies—called *farmacias* or *drogarias*—are ubiquitous in Colombia. You'll find many, even in towns with populations under 50,000 people. Three chain pharmacies occupy Líbano's main plaza. Another one lies just one block away, followed by another on the next block. And I can find independently owned pharmacies all over town.

While many pharmacies won't carry some of the brands of drugs you're accustomed to taking, Colombian pharmacists are familiar with all popular North America brands. You can confidently rely on their advice if you need to switch to a new brand of medication.

## A health care experience in Colombia

For many years, when I lived in the U.S., I went to the same general practitioner for all my medical needs. Typically—always, actually—I would show up on time for my appointment, then sit in his overcrowded waiting room for two hours or more. Eventually a nurse would usher me to a cold examination room, instruct me to take off my shirt, and leave me sitting there for another hour...shivering in the cold. Then the doctor would come in, spend five minutes poking and prodding whatever ailed me, before handing me a prescription and walking out the door.

As a small town physician with a thriving private practice, my doctor in Colombia carries a heavy patient load. Her waiting room consists of a few chairs in a narrow hallway, but I never have to wait more than 10 minutes. In the exam room, she asks about my family, tells me about what's going on with hers, and scolds me if she thinks I'm not taking proper care of myself.

Colombians love to talk and want to know everything about you and your family. And a trip to the doctor's office is no exception. The warm, genuine concern and interest showered on me by doctors and dentists makes me feel more confident in the care I'm receiving, which encourages me to work on maintaining and improving my health.

## The safety net of a *tutela*

Like in other countries, Colombian health insurance companies sometimes refuse to pay for services. But Colombia has a safety net in the form of a legal instrument known as the *tutela*. If your doctor recommends a treatment or service that he deems necessary, but the insurance company refuses to approve it, you can file a *tutela* with any civil court. Since *tutelas* correspond to potentially life-threatening matters, the law requires the court to rule within 24 hours.

Typically, you and your physician do not need to attend court for the ruling. In most cases, where the patient and physician provide adequate documentation to support the claim, the judge will rule in favor of the patient. After the ruling, the insurance company has 48 hours to comply with the judgment.

## Colombia's medical tourism industry

If the high quality of Colombia's health care system was news to you, you're not alone. But word of the country's excellent, affordable health care is getting out. Between 2012 and 2013, medical tourism in Colombia increased by over 60%. In 2013, 50,000 medical tourists pumped an estimated \$216 million into the Colombian health care system.

For decades, North Americans have come to Cali and Medellín for cosmetic surgery—a tummy tuck here, a facelift there, and a few implants to round things out. But today, people come to Colombia for all sorts of complex medical treatments. According to the *América Economía* report, Medellín's Hospital Universitario de San Vicente Fundación performed over 1,400 organ transplants in 2013.

In most cases, Americans are able to save 40% on health care in Colombia, and in many cases, even more. The daughter of an expat living in Salento has come to Colombia many times for extensive dental work and Lasik eye surgery on both eyes, which cost her around \$1,000, instead of the \$4,000 to \$5,000 she would have paid in the States.

The Colombian government has taken notice and made promoting medical tourism a top priority. New clinics and hospitals are popping up everywhere. Medical tourism travel agencies are working hand-in-hand with medical institutions to provide complete packages that include travel arrangements and medical care.

Currently, a state-of-the-art medical center is under construction in Santa Fe de Antioquia, a lovely colonial town north of Medellín. Last year, Bucaramanga's Clínica FOSCAL opened a new high-tech hospital designed to attract medical tourists. And English teachers report a rise in the number of doctors seeking English courses. The focus on attracting North American medical tourists promises to improve the overall health care system, while providing expats with the added benefit of having more English-speaking medical professionals.

### No system is perfect

Colombia's health care system isn't perfect. It has its critics, who aren't afraid to speak their minds. Like their North American counterparts, many Colombian health care professionals earn inadequate salaries for the work they do and some large hospitals try to cut too many corners by overworking their staff. This leads to protest marches and strikes, which can disrupt the normal pace of life all over the country.

# CHAPTER EIGHT

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## Colombia Tax Guide

Congress, departmental assemblies, and municipal councils set tax rates in Colombia. The Dirección de Impuestos y Aduanas Nacionales (DIAN) administers taxes. Colombia's tax year runs from January 1st to December 31st.

### Income tax

The law stipulates that foreigners must file a tax form if they stay in Colombia for more than 183 days over the course of a 365-day period. This applies to worldwide income, not just money earned within Colombia. Income subject to taxation can include employment income, capital gains, business or self-employment income, directors' fees, and investment income. If you earn employment income, 25% is exempt from taxation, up to a limit of around \$3,200.

Dividends, certain service payments, royalties, and interest may be subject to withholding taxes at the following rates:

Commission and other service fees	33%
Interest	33%
Dividends	33%
Royalties	33%

### Income tax rates

DIAN levies income taxes based on tax value units, *Unidad de Valor Tributarios* (UVT). For 2014, one UVT equals COP 27,485. Confused about UVTs? Don't worry, things will make sense when you take a look at the tax rate chart on the following page.

Annual income (UVT)	Tax liability
Up to 1,090 UVT (approx. \$14,979)	0%
1,091 to 1,700 UVT (approx. \$14,980 to \$23,362)	19%
1,701 to 4,100 UVT (approx. \$23,362 to \$56,344)	28%
Over 4,100 UVT	33%

**Note:** At the time of this writing, the Colombian congress is debating a wealth tax bill. If approved, companies or individuals with assets exceeding \$500,000 will pay a 1% annual tax on their holdings. Those who have less than \$375,000 in assets will not be subject to the wealth tax and will be taxed at the normal income tax rates.

Colombia has signed a double-taxation treaty with Canada, but not with the United States. However, Colombia does not require foreign residents to pay income tax if they already pay in their home country. Nonetheless, if you are a U.S. citizen, it's best to consult a tax attorney or accountant to determine your tax liability.

### Your tax obligation to the U.S.

If you're considering a move abroad, it's important to get the full picture on taxes. Keep in mind that you should always consult with a tax advisor in your country of citizenship as well as in Colombia. Even if you become a resident of Colombia, you'll still have some sort of tax obligation to your home country. Many countries—including the U.S. and Colombia—tax global income. There are exceptions, in cases of actively-earned foreign income, double taxation, and a few others. Regardless, if you are a citizen of the U.S., you'll need to file a U.S. return.

For additional information and assistance on U.S. taxes, contact tax expert Nick Hodges and his team of advisors: **NCH Tax & Wealth Advisors**, 1661 E. Chapman Ave., #2A, Fullerton, CA 92831; tel. (800) 748-4159; email: [info@nchwealth.com](mailto:info@nchwealth.com); websites: [www.nchwealth.com](http://www.nchwealth.com) and [www.expattcfo.com](http://www.expattcfo.com).

And for detailed information on filing tax returns as a U.S. citizen living overseas, see our **Expat Taxes Made Easy: The Complete Guide to U.S. and Foreign Taxes for the American Overseas**. Written by Nick Hodges for International Living, this guide takes the whole complex process and breaks it down, step-by-step. To learn more visit <https://secure.internationalliving.com/120SEGTAED/W120QCD2>.

## Deductions

Colombia's tax code allows people earning employment income to deduct the following expenses, up to 30%:

- Principal and interest payments on mortgages (up to approximately \$1,342 per month)
- Employee contributions to Colombian pension funds (up to approximately \$51,000)
- Funds paid to home construction accounts
- Lease payments
- Prepaid health care

Employees with dependents can also take a 10% monthly deduction, up to approximately \$429. Dependents can include a spouse, children under 18 years of age, children under 23 who are still in school or parents, if the employee is single.

Business owners can take a deduction for all legally allowable business expenses. Self-employed individuals can deduct professional expenses, up to an amount equaling 50% of their income. However, you can deduct a higher amount if you submit all your income statements. Self-employed engineers and architects can deduct professional expense equaling up to 90% of their income.

## Filing taxes

Colombian companies withhold taxes and remit them to the government. If at least 80% of your income comes from a Colombian employer, you probably won't be required to file a tax return. However, if your annual gross salary is more than 1,200 UVT (approximately \$16,500) or if you have assets totaling more than 4,500 UVT (approximately \$62,000) you will need to file a tax return. Colombia does not allow joint filing, so couples must file individual tax returns.

Before you can file a tax return, you must register with DIAN, which will assign you a tax identification number, called a RUT. Tax filing dates change each year, but typically fall at the end of the third quarter. The government will assign you a tax filing date, based on the last two digits of your Colombian identification card. The Colombian tax authority typically doesn't allow for extensions. If you owe taxes, you can pay at any bank or online at the DIAN website.

## Colombia social security

If you work for a Colombian corporation, you will have to pay social security. Colombia's social security system pays for health care and pensions. All workers, including foreigners, are required to pay into the health care system. Foreign workers are not required to make pension contributions, but can elect to pay into and enroll in the program.

The law requires employers to pay the lion's share of social security costs, which are based on a percentage of the worker's salary. Self-employed workers must make full social security payments from their own pockets. Let's take a look at how costs are split:

Health care	Employer pays 8.5%	Employee pays 4%
Pension	Employer pays 12%	Employee pays 4%

If you earn more than four times the Colombian minimum monthly salary, 616,000 COP (approximately \$1,232), you must pay an additional 1% for pensions, if you elect to enroll in the program.

## Value Added Tax (VAT)

The federal government sets sales tax rates. Depending on what you purchase, you will pay a sales tax of 0%, 5%, or 16%. The 16% rate applies to most goods and services.

The United States-Colombia free trade agreement went into force in 2012. The FTA eliminated duties on U.S.-made consumer goods, which has opened a new world to expat and Colombian consumers alike. In the past two years, a huge selection of new products has arrived on Colombian store shelves.

However, certain types of items are not available or more expensive in Colombia; so many consumers choose to shop online at U.S. stores. While products enter Colombia duty free, shipping costs often eliminate the cost benefit. Customs services, such as Servientrega (*website: [www.servientrega.com](http://www.servientrega.com)*), can help make importing from the U.S. more cost effective, because you can have your products shipped to a U.S. address, oftentimes at no charge, depending on the store's shipping terms. Most customs services don't charge high fees for shipping packages from the U.S. address to your home in Colombia.

However, the FTA does not apply to goods handled by customs services, so you must pay tax and duty rates that applied before the FTA went into force. In many cases though, you'll still come out ahead. For instance, I recently bought \$60 worth of products from an online store in the United States. The

company I ordered from offered free shipping to my Servientrega address in Miami. Had I requested shipping directly to my home in Colombia, I would not have had to pay tax and duty, but they (the retailer) would have charged \$36 in shipping fees. Servientrega charged me about \$5 to ship the package from Miami to my home in Líbano, plus \$6 for tax and duty. The same products cost about \$150 in Colombia, so by using the customs service I was able to save more than 50% on my products.

## Estate and gift taxes

Gifts and inheritances are taxed as capital gains at a rate of 10%.

## Property tax

Municipalities set property tax rates, levied at 1% to 14% of the cadastral value of the property. The rate you'll pay will depend on whether the property is used for commercial or personal use, with higher taxes levied on income-generating properties. You can take a deduction for property taxes when you file your income taxes.

## Financial transaction tax

Colombia levies 0.4% on all bank withdrawals. However, the first \$4,500 is exempt from this tax.

## Business taxes

If you are considering opening a business in Colombia (which many expats have), it is strongly advisable to seek the advice of a tax accountant or attorney before you get started. Some expats who have started businesses on their own have paid the price at tax time. Also, Colombia has very stiff employment laws, many of which favor employees.

Most businesses pay a standard 25% tax rate. If your business qualifies as a *Sociedades por Acciones Simplificadas* (SAS), you won't have to pay income taxes for the first two years. After two years, your tax rate will gradually increase, typically back up to around 25%. However, you will be required to pay a 9% net profit tax (known as the CREE), even during the first two years.

Many businesses are required to pay a payroll tax when they hire a new employee. Some corporations are exempt from this tax, but others typically pay around 13.5% of the worker's salary. If an employee earns more than 10 times the minimum monthly salary, the rate increases from 33% to 51%. Revenue from this tax helps pay for social programs, including the National Learning Services, known as SENA, which offers all types of educational programs.



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## BUNDLING YOUR INSURANCE POLICIES

by [Michael Evans](#) on [March 27, 2012](#) with [3 comments](#)



Bundling your insurance policies can enable you to keep more money in your pocket. In order to bundle your coverage, you must purchase more than one policy from the same insurance company. Typically, only large companies that sell multiple types of policies offer bundled insurance deals. For example, if an insurance company sells automobile, homeowner's and life insurance, you can probably receive a bundled rate if you buy all three policies from that carrier.

While bundling policies can help save 10 percent to 25 percent on your total insurance costs, the amount of savings often depends on your insurance needs and personal circumstances. For instance, if you have multiple traffic violations on your driving record, and purchase automobile and renter's insurance from the same company, you can expect a smaller discount for bundling policies than if you had a spotless driving history.

### THE BENEFITS OF BUNDLING POLICIES

Bundling policies can provide benefits beyond savings on insurance premiums. Certain insurance carriers allow you to take a single deductible if different types of property suffer damage or destruction in the same catastrophe. For example, if a tree falls on your home and car, and you hold automobile and homeowner's insurance with the same company, the carrier may allow you to pay the highest deductible of the two policies and waive the deductible of the other.

**BUNDLING POLICIES CAN PROVIDE BENEFITS BEYOND SAVINGS ON INSURANCE PREMIUMS.**

By bundling insurance policies, you can also save time each month when paying your bills. Large carriers that offer bundled insurance deals often include all policies in a single billing. This can enable you to write one check each month, or arrange for a single automatic bank withdrawal, rather than submitting multiple payments to different insurance carriers. Bundling your policies with one company also gives you a single point of contact if you need to make changes to your coverage. This can save time and effort if you need to increase or decrease coverage, or when moving or evaluating your financial planning.

Automobile, life and homeowner's policies are the most sought-after types of coverage in the insurance market. For this reason, insurance carriers selling all three types of coverage often offer special bundled pricing to increase their sales. In many cases, companies offer the lowest premiums for clients who purchase all three types of policies. In addition to making more sales to a single client, insurance companies usually retain a policyholder for many years by offering bundled prices. However, large companies do not limit bundles to life, auto and life insurance. Many companies also enable you to bundle motorcycle, boat, recreation vehicle and all-terrain vehicle policies.

Bundling insurance policies can also give you an opportunity to increase your insurance coverage. For instance, if you receive a 20 percent over-all discount for bundling your homeowner's and auto insurance policies, you want to apply the saving to increasing liability limits on your car. If you have put off purchasing a renter's insurance policy because of costs, you can apply part of your savings to a new policy to protect your apartment furnishings.

Consumers buy insurance in different ways. When purchasing their first insurance policies, many people turn to the insurance company or agent of their parents. In such cases, many consumers stick with the same insurance carrier throughout their lives, adding extra policies as their insurance needs change. If you want to stay with your current insurance company, speak with your agent about bundling your policies to save money. In certain cases, a company may automatically apply a discount each time you add a new policy to your account.

Even if you are satisfied with your insurance company, it never hurts to shop around for better deals. Most insurance companies feature quote applications on their websites, which you can use to compare prices between different providers. You can also call agents representing different insurance carriers to collect a few quotes for comparison. If you find a better price with another company, approach your current carrier with your findings. Your current carrier may offer a price match to keep your business.

If you have previously purchased policies from numerous companies, you can check with a large insurance carrier to find out if bundling offers a savings. Remember, in most cases you must bundle your policies with one company in order to get a discount. This strategy often enables you to save money, but not in all cases. If you have a policy with a company that specializes in one type of insurance, you may have a hard time finding a better price, even when bundling policies.

### BUNDLING THROUGH AN INSURANCE BROKER

Some insurance brokers may offer a discount for purchasing multiple policies. Brokerages work on different types of payment schemes. While some receive a one-time commission for orchestrating a sale, others receive ongoing commission payments throughout the life of an insurance policy. Brokerages often have the lowest prices for insurance policies because they sell in volume. If you purchase multiple policies from the same brokerage, written by different carriers, you may actually realize even greater savings than bundling with a single insurance company.

**YOU MAY ACTUALLY REALIZE EVEN GREATER SAVINGS BUNDLING THROUGH A BROKER THAN BUNDLING WITH A SINGLE INSURANCE COMPANY.**

While bundling insurance policies can often save you money, it does not always make sense to bundle all types of policies, especially with life insurance. If you want to bundle a term life insurance policy with other types of coverage, it is often best to purchase all coverage from the life insurance provider. If choose another company, you will need to start a new life insurance policy with a new term. While you can switch your homeowner's and car insurance to another company without much of a hassle, insurance providers often require you to take a physical and go through a lengthy a qualification process for new life insurance coverage. In such cases, it often makes more sense to complete the term of your current life insurance coverage. You can always switch other types of policies to a company offering a bundled deal.

Before bundling your insurance policies, it is useful to seek advice from family members, coworkers or friends who have already gone through the process. J.D. Power and Associates, an international marketing information company, conducts a survey each year to gauge the satisfaction of insurance consumers. Its 2011 U.S. National Auto Insurance Study found that 77 percent of auto insurance customers have bundled two or more of their insurance policies. However, the survey revealed that consumers with unbundled insurance policies reported higher satisfaction with their coverage than people with bundled policies. Dissatisfied consumers with bundled policies cited customer service as one of the primary reasons for their ratings. While some companies offer great deals for bundled policies, it may mean giving up the easy and personal touch of working directly with a local agent.

If you decide not to bundle your policies, you may qualify for other insurance discounts. For instance, if you have a spotless driving record, ask your insurance agent if you qualify for a better rate. If you have more than one automobile, but different insurance carriers, maybe you can save money by switching all policies to the same company. You may also consider making safety improvements around your home, such as installing a burglar or fire alarm system, to reduce the cost of your homeowner's coverage.

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### comments

- PRESIDENTNOYIL** April 12, 2012 at 11:57 am

I guess it's important to add that you not only save around 10% to 30% of your premiums, but you also get full coverage... you don't have to sacrifice protection over costs!
- CLARABELLE** April 13, 2012 at 11:18 am

Actually the myth of writing just one check is not quite true. I've bundled my insurance policies but I still write three checks to the insurance company.
- MIRASOL** April 29, 2012 at 1:11 pm

I am actually cautious of putting all my eggs into one basket, but you have to admit that in times like the one we have to pass when every penny counts, the savings is just too good to pass up!

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## 3 WAYS TO SAVE FOR YOUR CHILD'S COLLEGE EDUCATION

by Michael Evans on March 16, 2012 with 5 comments



If you plan to one day send your child to college, it is best to have a good investment strategy and start saving early. According to the National Center for Education Statistics, the average annual cost of a college education at a public institution rose from \$5,881 in 1980, to more than \$12,000 during the 2009 to 2010 school year. A private education comes with a more dramatic sticker price, averaging nearly \$32,000 during the 2009 to 2010 academic year.

Only a limited number of investment vehicles offer savings options specifically for education costs. 529 plans enable you to pre-purchase tuition at today's rates or invest funds for tax-free use when your child goes off to college. However, 529 plans vary from state to state and pre-purchase tuition plans are only available in a few states. You can get a Coverdell Student Investment Account in all states, but there are strict limits on how much you can contribute.

You may also consider saving for college by opening a custodial account or Roth IRA, or by creating your own individualized investment strategy. Roth IRAs allow you to make tax-free withdrawals, as long as you use funds for qualified college expenses, without early-distribution penalties. You can use a custodial account to assign assets to children or grandchildren, while allowing them to choose how they use your contributions. If you have experience as an investor, you may want to gain full control of your money by opening an investment account dedicated solely to your child's future college costs.

Choosing a college savings strategy ultimately comes down to your own needs and goals. While certain plans have no effect on your child's ability to qualify for student financial aid, others may cause a reduction in awards from need-based programs such as the Pell Grant. Taxation issues can vary widely, depending on the type of plan you choose. Certain plans offer tax-free distributions, but others tax withdrawals at regular income rates.

**CERTAIN PLANS MAY REDUCE YOUR STUDENT'S ABILITY TO QUALIFY FOR FINANCIAL AID.**

Before choosing a college savings plan, it is best to do your research. Determine what options are available in your state, or through a particular educational institution. If you do not have investing experience, a financial professional can help you decide what type of college savings plan is the right fit.

### 1) 529 QUALIFIED TUITION PLANS

States, colleges and universities sponsor 529 plans. Also referred to as "qualified tuition plans", 529 plans are offered in all states. Students can use 529 plans at any accredited United States college, vocational school or university, as well as certain universities outside of the United States. In addition to offering a structured financial vehicle to help save for college, 529 plans also feature tax advantages.

The 529 program offers two types of plans, called college savings plans and pre-paid tuition plans. As of January 2012, you can enroll in a pre-paid tuition plan in only 12 states. Educational institutions, public and private, and state governments sponsor prepaid tuition plans. With a pre-paid tuition plan a parent or grandparent can buy future class credits or units at today's tuition rates. However, the plan beneficiary must attend a participating college or university. Once the student begins school, the program pays his tuition at the pre-paid rate. Pre-paid plans typically allow the account owner to purchase future tuition in a lump-sum payment or by making installment payments. State governments often guarantee pre-paid tuition plan investments, but residency requirements may apply.

529 savings plans, administered only by states, enable an account owner to save money for a beneficiary's future college expenses, while earning a return on the invested funds. All states and the District of Columbia sponsor 529 savings plans, which typically limit total contributions to between \$100,000 and \$305,000. 529 savings plans vary from state to state and offer differing investment options, including plans based on stock and bond funds and plans with guaranteed minimum rates of return.

Earnings from 529 plans are usually tax-exempt, if you use the money to pay for certain qualified college expenses. Qualified expenses include basic college expenses, such as room and board, textbooks, tuition and school fees. During the 2010 tax year, the IRS also allowed 529 savings to be used tax-free for computer equipment purchases and Internet connection fees, as long as the student incurred the expenses while enrolled in an eligible school. The IRS does not allow you to take a deduction for contributions to 529 plans.

State tax laws regarding 529 plans vary and are subject to change yearly. For instance, Arkansas enables taxpayers to take a tax deduction for contributions made to its Gift College Investing Plan, and Arizona allows tax deductions for those contributing to its InvestEd 529 program. However, California does not offer tax deductions for participants of its ScholarShare College Savings Plan.

### 2) COVERDELL EDUCATION SAVINGS ACCOUNTS

Coverdell Education Savings Accounts are not tied to a specific educational institution or state. You can open a Coverdell ESA at a bank, or with a stockbroker or mutual fund company, but only for children under 18 years of age or a person with qualified special needs.

Coverdell ESAs enable account owners to choose how funds are invested, which can include cash equivalents, mutual funds, stocks or bonds. Once established, you can transfer a Coverdell ESA to a different mutual fund or brokerage, but you may incur penalties and fees.

**THE COVERDELL PROGRAM ONLY ALLOWS CONTRIBUTIONS UP TO A MAXIMUM OF \$2,000 PER YEAR.**

Coverdell ESAs limit the amount of money you can save. The Coverdell program only allows contributions up to a maximum of \$2,000 per year per beneficiary. While parents and grandparents can open separate Coverdell ESAs for a single beneficiary, maximum contributions to all accounts cannot exceed \$2,000. Anyone can open a Coverdell ESA for a beneficiary, even non-family members, and more than one person can make contributions to an account.

While 529 plans only allow you to save for college or university expenses, the Coverdell program allows a beneficiary to use funds to pay education costs for primary or secondary school, at public or private institutions. When applying for federal financial aid, Coverdell ESAs are not considered an asset of the beneficiary, as long as another person owns the account, which can enable a student to qualify for higher federal financial aid awards. However, if parents own a Coverdell ESA for their child, the account does count as a parental asset.

The IRS does not offer a tax deduction for Coverdell ESA contributions, but invested funds can grow tax-free. Beneficiaries can use distributions tax-free for qualified education expenses, including tuition, room and board, school fees and supplies. This applies to students attending elementary or secondary school, a college or university, a vocational school or a special needs institution. However, if distributions exceed actual qualified education costs, a portion of the distribution becomes taxable at a rate of 10 percent.

A beneficiary can only receive tax-free distributions until the age of 30. After a beneficiary reaches 30 years of age, all remaining funds must be distributed and become taxable at rate of 10 percent. Beneficiaries can often avoid this tax by rolling over remaining funds into another Coverdell ESA for a different beneficiary.

### 3) ROTH IRAS

Students, parents and grandparents can save for college expenses with a Roth IRA. You can use funds from your own Roth IRA to pay for your child's college expenses, or open a Roth for your child in her own name after she starts earning her own income. Sold by private financial institutions, Roth IRAs have annual contribution limits, based on the account owner's tax filing status and income level, typically ranging from \$5,000 to \$6,000. Investments contained in a Roth IRA can include mutual funds, stocks and bonds, certificates of deposit, or even real estate, depending on the rules of the Roth IRA provider.

To qualify for a Roth IRA, you must have a taxable income less than \$179,000 if you are married and file taxes with your spouse. If you are single, the head of your household or married but file your taxes separately, the limit is \$122,000. Married people who live with a spouse, but are not head of the household, must earn less than \$10,000 per year to open a Roth IRA.

Typically, you must wait until you reach age fifty-nine and one-half before withdrawing funds from a Roth IRA. Otherwise you face a 10 percent early-distribution penalty. However, you can take penalty-free withdrawals from your Roth contributions at any time. This means that you can take out any or all of the money you put into a Roth IRA at anytime without a penalty. Additionally, the IRS allows early, penalty-free Roth withdrawals (including withdraw of any interest earned) to pay for qualified education expenses, such as tuition, school fees, room and board and textbooks. You can only utilize this exemption to pay your own education expenses, or those of a spouse, child or grandchild.

**YOU CAN TAKE OUT ANY OR ALL OF THE MONEY YOU PUT INTO A ROTH IRA AT ANYTIME WITHOUT A PENALTY.**

Note that if you roll over a traditional IRA into a Roth, you will have to wait 5 years to make withdrawals and you must pay income taxes on the rollover funds.

Using a Roth IRA as a college savings account has advantages and disadvantages. If you already own a Roth for retirement, you can use the same account to save for your child's education. Roth IRAs do not interfere with receiving need-based financial aid because student aid administrators do not consider Roth accounts in their needs analysis. However, funds received from a Roth IRA are considered income, which can affect need-based student aid renewals in subsequent years. Also, you can only use penalty-free Roth distributions during the year expenses are incurred. For instance, you cannot withdraw funds in September to pay for upcoming tuition expenses the following January.

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- BRANDON45** March 19, 2012 at 12:13 pm  
 You can take money out of a roth ira without a penalty? I've been hesitant to maximize my contributions, but if that's the case, I guess you should always maximize contributions.
- OASIX** March 19, 2012 at 12:39 pm  
 Great info, thanks! Brandon, I just talked to somebody from Northwestern Mutual last week who said that you could withdraw principle from a Roth anytime, so it is indeed the case.
- CLARABELLE** April 13, 2012 at 11:17 am  
 529 tuition plans seem like a great idea. On top of earmarking the money for your kids' tuition, you can also get tax savings too.
- ZENINVESTING** April 16, 2012 at 6:42 pm  
 Had looked at Coverdell ESA and I wasn't really impressed by it. Unless you start really early, \$2,000 a year won't really be enough!
- NURSINGGRADUATE** April 29, 2012 at 3:45 pm  
 Which one would you recommend? Or would you recommend having all three or a combination of these?

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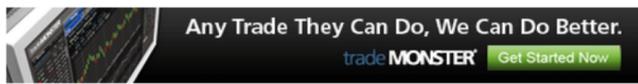
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## 7 OBVIOUS BUT OVERLOOKED WAYS TO SAVE MONEY

by Michael Evans on July 24, 2012 with 5 comments



There are a lot of small changes that you can make in your day-to-day life to save money. Most of the money saving ideas on this list are pretty obvious, but there's almost certainly one or two of them that you've never considered. Take a look!

**ALWAYS MAKE A LIST BEFORE HEADING TO THE GROCERY STORE, AND DON'T STRAY FROM THE LIST!**

### 1) MAKE A GROCERY LIST AND DON'T STRAY

Little things can add up to big savings if you cut back on purchases. Always make a list before heading out to the grocery store, and do not stray from the list once you get there.

### 2) AVOID PREPARED OR PROCESSED FOODS

Consider cooking rather than buying prepared or processed foods. Raw foods typically cost much less than products in boxes or cans. If you do not have much time to cook, buy a crock pot and let your dinner slow cook while you are away at work.

### 3) MINIMIZE GASOLINE USE FOR ERRANDS

Many people jump in their cars whenever they need to buy something simple, like a gallon of milk or carton of eggs. This practice adds to gasoline costs and puts wear and tear on your car. Whenever possible, use your feet for transportation or buy a bicycle for running errands close to home. Also, run all your errands at the same time to minimize driving.

### 4) BE A BROWN-BAGGER

When shopping for clothes, avoid full-price department stores. Instead, visit a thrift store or yard sale. Better yet, organize a clothing swap among your friends and neighbors. Families with children often have clothes their children have outgrown, so swapping with others can reduce costs for more than one household. You also hold swap meets for exchanging books, DVDs and toys.

### 5) STOP BUYING EXPENSIVE CLEANING PRODUCTS

Stop buying expensive household cleaning products. Instead of using paper towels for spills or cleaning, invest in a few cloth towels or use tattered clothing for rags. Use ammonia to clean floors and bathrooms, rather than spending five times as much on name-brand products. You can also use baking soda to scrub grout or soap scum and vinegar to clean windows.

### 6) NO MORE WARRANTIES ON ELECTRONICS

In most cases, you will never need to use extended warranties for home electronics, so think before you buy. If you absolutely can't afford to replace your iPad if it breaks, should you be buying an iPad?

### 7) CANCEL YOUR LANDLINE

To reduce your phone bills, consider cancelling your home landline service. Many people today make most calls using cell phones and rarely use the landlines in their homes. The advent of VOIP technology, which enables you to call over the Internet, offers great savings for people who do not use the phone often. Most VOIP providers charge rates lower than cell phone or landline services. To talk to friends or family member in other countries, you can use instant messenger services to talk over the Internet for free.

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## comments

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**HUGBEAR** July 25, 2012 at 5:44 pm

It's sounds ridiculous, but I do run out for milk and such frequently and never thought about the gas cost associated! Thanks!
- 

**LEW** August 6, 2012 at 4:24 pm

I think a lot of people spend too much time trying to save money and too little time trying to make money. Stop clicking coupons and spend that time learning to invest or build a business IMHO.
- 

**ANGRYBIRDS** August 10, 2012 at 11:09 am

I think that warranties are just a way to get you to spend more. True, if you can't afford to replace it, then it was a luxury in the first place and one that you should avoid too!
- 

**DILETTANTE** August 14, 2012 at 7:02 am

I would not suggest a clothing swap except for close family members. My sister and I both have daughters and the three of them are born a year apart, so we buy the eldest one clothes and then it goes down to her kid next year and it comes back to my youngest the next.
- 

**AUTOLOADMOSCOW** August 14, 2012 at 11:39 am

I have been making grocery lists for more than 4 years now. One thing I've noticed is that I tend to debate now whether I should really buy something or not. I guess it's the sign of the times.

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