

Financial Capability Curriculum



Lessons On:

Savings | Credit | Loans | Financial Psychology
Income | Risk Management | Insurance | Debt

ETRENDS

— GROUP —

Your Prosperity Advisor

Introduction to Personal Finance

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Risk Management & Insurance





Risk Management & Insurance

In this section you will develop an understanding of insurance and ways to manage risk. Within this instruction you will learn about the various types of insurance including medical, car, and renter's insurance and will understand why purchasing insurance is necessary.

Whats My Risk?

Warm-Up Activity

What types of risk are there? _____

Types of Risk

- **Risk Avoidance.**

To avoid becoming involved or to withhold from a situation to avoid risk.

Example: Joel loves to ride his dirt bike. His friend Jack wants to ride at Pike's Peak, a very dangerous hill in their town. Joel tells Jack he'll join him but later feels it is a bad idea. The night before the ride, he sends Jack a text to let him know he's decided not to go.

- **Risk Reduction.**

To take measures to reduce your overall risk in a given situation.

Example: Jenny got a flat tire in a bad area on her way home from work. Luckily, she has a spare tire and her brother taught her how to change a tire. She changed her tire in 15 minutes, rather than waiting 3 hours for a tow truck to arrive.

- **Risk Sharing.**

To take measures to share your risk with another, through insurance or risk transfer.

Example: We were snowed in for almost two weeks and unable to leave our cabin. Fortunately, my mom had enough emergency supplies to last a month so we didn't have to worry.

- **Risk Retention.**

To accept a given risk and budget to prepare for that risk.

Example: I rented a beach cruiser during a three-day weekend trip to the beach but it was stolen. I didn't purchase insurance for the rental because the insurance would have cost \$50 per day and I only had to pay \$100 to replace the stolen bike.

What's My Risk?

Lesson Activity: What's My Risk?

For this activity, the instructor will divide the class into small groups.

- Your group needs to create four separate scenarios, each illustrating different type of risk. Refer to the examples provided with the definitions for ideas.
- Your group will then exchange scenarios with another group, who will try to guess which type of risk is being described.

RISK AVOIDANCE SCENARIO

RISK REDUCTION SCENARIO

RISK SHARING SCENARIO _____

RISK RETENTION SCENARIO _____

What's My Risk?

Lesson Questions

1. To accept a given risk and prepare for it by budgeting is an example of:
 - a. Risk avoidance.
 - b. Risk reduction.
 - c. Risk sharing.
 - d. Risk retention.
2. A teenager obtains his/her driver's license. The teen's father decides to increase the family's amount of insurance for collision coverage. The father's decision is an example of:
 - a. Risk avoidance.
 - b. Risk reduction.
 - c. Risk sharing.
 - d. Risk retention.

Essential Questions

What is risk avoidance? _____

What is risk reduction? _____

What are risk sharing and risk retention? _____

What Is Insurance?

Warm-up Activity:

What do you think insurance is? _____

What is Insurance?

Insurance is a form of risk management. When you buy insurance you pay a relatively small amount of money (*called a premium*) on a regular basis (*monthly or annually*) to an insurance company. By paying the insurance premium, you protect yourself against a large, unpredictable expense (*called a loss or claim*) that you might incur if something bad (*like an accident, illness, or injury*) happened to you. Basically, insurance transfers the risk from you to the insurance company for a fee.

Essentially, insurance is an agreement that states something is protected if it is damaged, hurt, or stolen. When you purchase insurance on something it can protect your investment. If anything happens to the insured item that's covered by the policy, you can receive funds from the insurance company to have the item replaced or fixed, or receive a cash settlement.

Insurance Categories

There are several basic categories of insurance. Three of the most common forms are Liability, Property, and Life.

LIABILITY INSURANCE protects you from having to pay for damages or injuries caused to other people. For example, if you have a car accident and cause damage to the other person's car, you may be held liable for the cost to repair the car. Or if the other person is injured in the crash, you might be held liable for his or her hospitalization and/or medical expenses. If someone slips and falls on an icy sidewalk that sits on property that you own, you could be held responsible for that person's injuries. But if you have liability insurance, much of the expense for these damages is transferred to the insurance company.

PROPERTY INSURANCE covers loss or damage to your physical stuff. For example, you would buy property insurance to cover your house in case it's damaged in a fire or flood. You also can

What Is Insurance?

get property insurance that covers the cost of your belongings if they're damaged or stolen. Renter's insurance, which protects the belongings of people who rent their living spaces, is another type of property insurance.

LIFE INSURANCE is an agreement between you and the insurance company where you pay a regular premium so that, if you die, the company will pay a specified sum of money to the person (or people) you choose. A person who is the breadwinner for a family usually buys life insurance to make sure his or her dependents are secure if something happens to the breadwinner.

Some life insurance policies allow you to borrow against the total benefit. That means life insurance can play a role in your financial planning—you could use the loan to purchase assets, for example.

Why Do You Need Insurance?

Insurance protects your financial future by reducing your risk. If you have an accident or a major health problem and no insurance, you could be faced with a huge bill to pay. If you're unable to pay that bill, your credit rating will be damaged.

Insurance not only protects you and the people around you, it's also good for the economy. Banks won't lend out money unless they have a pretty good chance of getting it back, so they want their investments to be protected. Thus insurance provides extra protection for the lending process. Having insurance makes it more likely that you'll get a loan, and is required to get a loan in many cases (like when you finance a car).

In today's age, having—at the very least—both automobile and health insurance is vitally important, both to your personal well-being and to your finances.

Lesson Activity: Insurance Game

The class will be divided into small groups to play a game. Follow your instructor's directions.

- You will receive 20 raffle tickets.
- Before the game starts, you will have the option to spend three tickets to buy car, medical, and renter's insurance (one ticket each).
- If you don't buy insurance, you will have to spend tickets every time something happens.
- Students in each group will alternate turns rolling the dice and follow the guidelines below.

If student rolls:	Circumstances	Consequence With insurance	Consequence Without insurance
Doubles	Nothing happens. You are safe.	Get 1 extra ticket	Get 1 extra ticket
3	You fall and hurt your leg.	Pay 1 ticket	Pay 4 tickets
4	You get into a car accident.	Pay 1 ticket	Pay 6 tickets
5	Your apartment is broken into and you need to replace your electronics.	Pay 1 ticket	Pay 5 tickets
6	You get the flu and need prescription antibiotics and blood tests.	Pay 1 ticket	Pay 4 tickets
7	Someone hits your car in the parking lot.	Pay 1 ticket	Pay 3 tickets
8	A pipe burst in your apartment and ruins your couch and TV.	Pay 1 ticket	Pay 6 tickets
9	A rock hits your car and breaks the windshield.	Pay 1 ticket	Pay 5 tickets
10	You trip and fall and sprain your ankle. You need crutches, an x-ray and pain medication.	Pay 1 ticket	Pay 8 tickets
11	You want to get a flu shot for protection.	Pay 1 ticket	Pay 3 tickets
12	The roof collapses and damages all your belongings.	Pay 1 ticket	Pay 10 tickets

The student with the most tickets at the end of the game wins!

Lesson Questions

- Why does purchasing insurance help protect your investment?
 - Insurance may pay for all of any loss.
 - Insurance may pay for losses that are insured.
 - Purchasing insurance is the law.
 - Purchasing insurance is necessary if you do not have the money to pay for losses.
- If the risk of something happening is low, why should people purchase automobile insurance?
 - They shouldn't if they don't want to.
 - They shouldn't if they can pay for damages.
 - It may be required by state law and protect them from lawsuit.
 - It may be easier to be sued and have their wages garnished.

What Is Insurance?

Essential Questions

What is insurance? _____

Why is it important to have insurance? _____

For what items do you need insurance coverage? _____

What Insurance Do I Need? (The Basics)

Warm-up Activity

What type of bill is the leading cause of bankruptcy? _____

How could this bill be avoided? _____

Why Do I Need Insurance?

Insurance helps protect you and your finances from many of life's problems. Today it is more important than ever to have automobile and health insurance (at the very minimum). There are many types of insurance coverage available; it's up to you to decide which policies you need. The information in this chapter will help.

Lack of health insurance is one of the biggest reasons behind people's decisions to file bankruptcy. And with all the expensive cars on the road today, even a little fender bender without insurance can mean you'll be making payments to the courts for years.

Types of Insurance

- **Health insurance** is a must. If you rarely get sick, look for cheaper forms of insurance that just protect you in case of a major medical emergency. **Dental insurance** is health coverage that also is recommended; dental policies are pretty cheap.
- **Automobile insurance** is a must if you drive or own a car. Talk to your insurance agent to ensure that you have enough coverage.
- **Renter's insurance** is important for non-homeowners who have nice things. (If you have a 20-year-old TV and a couch you found in the alley, renter's insurance may not be so important.)

Auto Insurance

If you own or drive a car, get and maintain car insurance; it's vital. Without insurance, you are taking a huge risk—risk to yourself, to others, and to your future finances.

What Insurance Do I Need: I

Let's say you have no car insurance and you get in an accident. If you're at fault and caused \$80,000 in damages and medical costs, the courts could determine that you're responsible to pay. They can garnish your wages (automatically take money from your paycheck) to repay the money you owe. A court-ordered garnishment for \$80,000 would severely stifle your income for many years to come.

Shopping for insurance takes time, but you can use the Internet to obtain lots of quotes fast. However, be sure to read each policy and its special provisions carefully to make sure the policies you're evaluating are comparable.

To help lower auto insurance costs, try the following:

- Good driver discounts – Your insurance premiums increase every time you're cited for a traffic violation or get in an accident. If you maintain a good driving record, you'll receive insurance discounts.
- Good car – Sports cars or four-wheel-drive vehicles cost more to insure. Insurance companies figure those customers are likely to drive fast or off-road, posing greater risk.
- Longevity discounts – Many insurance companies offer lower premiums to customers who have established a long-term relationship with the company.

You bear ultimate responsibility to make sure you're covered and protected. Driving without insurance puts your lifestyle and future finances at risk.

Health Insurance

Paying health insurance premiums might seem like a waste of money, especially to healthy people. But health insurance protects you from sky-high medical bills if you become unexpectedly ill or injured.

You may be tempted to think, "I never get sick," and opt out of paying for health insurance. That's a mistake. If you forego insurance, any catastrophic accident or illness could bankrupt you. It happens all the time.

Health Insurance Explained. Health insurance is a form of risk management used to protect individuals against an unpredictable health loss. An insurance policy is a contract between an individual and an insurance company that transfers responsibility for such a loss from the individual to the insurance company—for a fee (called a premium). All health insurance policies are not alike. Each individual should take time to review and understand his or her insurance policies. Following are the most important aspects to consider:

- **Doctor and medical facilities availability.**
Make sure the doctors, hospitals, and medical groups you want to use are contracted with your insurance company.

- **Premium** (monthly cost). The monthly fee should be affordable; you should be able to maintain that premium over time within your budget.
- **Deductible.** The amount you must pay out-of-pocket before the health insurance plan pays its share.
- **Co-payment.** The amount you have to pay before the health plan pays. The co-payment is a lot like a deductible, but is applied to individual services that are usually waived from the deductible (except for prescription drugs).
- **Exclusions.** Not all services are covered in every plan. A lot of new plans don't cover maternity or brand-name prescriptions. Exclusions can reduce premiums, but also your options for covered healthcare.
- **Out-of-pocket maximums.** This is the amount where, once you have paid this much, your obligation ends under co-insurance and the insurance company pays 100% of any additional costs.
 - For example, you have an insurance policy that requires you to pay 20% of all medical bills. If you are in a severe car accident resulting in total medical bills of \$100,000 you would need to pay \$20,000 if you did not have an out of pocket maximum.
 - Now let's assume the same scenario, but you have a \$5,000 out of pocket maximum. You would then pay 20% on the first \$25,000 of medical bills (totaling \$5,000) then the insurance company would take care of the remaining \$75,000.

Health insurance policies can be confusing. Find an insurance agent who specializes in health coverage and meet with him or her to review the details. You'll pay no more going through an agent than you would by purchasing direct.

GROUP POLICIES. Many consumers have health care coverage from their employers. Others have medical care paid through a government program such as Medicare, Medicaid, or the Veterans Health Administration. And if you lose group coverage from an employer, you may be able to purchase continued health care coverage temporarily under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Visit <http://www.dol.gov/dol/topic/health-plans/cobra.htm> for more information.

MEDICARE AND MEDICAID. These health insurance programs cover seniors, the disabled, or those with low incomes.

- Medicaid provides health insurance for people with low income, children, and pregnant women. Eligibility is determined differently by state.

AFFORDABLE CARE ACT (ACA)

The 2010 Affordable Care Act (ACA) puts in place comprehensive health insurance reforms that will roll out over several years. Most provisions take effect by 2014. A timeline is available at healthcare.gov/law/timeline. The ACA is intended to:

- lower health care costs;
- provide more health care choices; and
- enhance the quality of health care for all Americans.

- Medicare provides health insurance for people who are 65 years or older, some younger people with disabilities, and those with kidney failure.
- Contact the Centers for Medicare & Medicaid Service for more information on benefits.
- Most states also offer free or low-cost coverage for children who have no health insurance. Visit www.insurekidsnow.gov or call 1877-KIDS-NOW (543-7669) for more information. www.yahoo.com

Dental Insurance

Dental insurance also protects you from unplanned costs. If you have healthy teeth, you might be able to live without this coverage for a while, but if you have a history of cavities, periodontal disease, or other oral problems, dental coverage is important.

Renter's Insurance

Renter's insurance protects non-homeowners in the event of theft or fire, and renter's coverage is relatively inexpensive. The insurance company will ask you to take inventory of your belongings and indicate what it would cost to replace them. If you just have an old couch and some clothes, you probably don't want to add the expense of this insurance. But if you have designer clothes, computers, nice furniture, jewelry, and other expensive items, looking into renter's insurance is a good idea.

Lesson Activity: What's that Insurance?

Create your own definitions for health (medical), automobile, and renter's insurance.

YOUR DEFINITION for Health (Medical) Insurance _____

YOUR DEFINITION for Automobile Insurance _____

YOUR DEFINITION for Renter's Insurance _____

Lesson Questions

1. What type of insurance can protect against lawsuit, wage garnishments, and/or credit problems?
 - a. Automobile
 - b. Renter's
 - c. Health
 - d. All of the above
2. Which of the following is an important factor to consider when choosing a health insurance policy?
 - a. The availability of COBRA coverage.
 - b. Doctor and medical facility availability and convenience.
 - c. The Affordable Care Act.
 - d. The National Committee for Quality Assurance.
3. What was the primary goal of the 2010 Affordable Care Act?
 - a. To provide and enhance quality health care for all Americans.
 - b. To reduce the co-payments charged by HMOs.
 - c. To protect rental units from fire damage.
 - d. To encourage more health care companies to allow people to sign up online.

Essential Questions

What are the three basic types of insurance that I need to obtain?

1. _____
2. _____
3. _____

What type of bill is the leading cause of bankruptcy and can be prevented by insurance?

What Insurance Do I Need? (Advanced)

Warm-up Activity:

Besides the three basics (automobile, health, and renter’s), name some other types of insurance.

Advanced Insurance Knowledge

Besides the basics of Auto, health and renter’s insurance, there are a few more types of insurance that become important to have once people own properties, become established in their careers or gain dependents. More advanced insurance knowledge covers disability, property, and long-term care insurance, as well as wills and trusts.

Disability Income Insurance

Many people overlook disability coverage. While your own death may seem unlikely, the chances of becoming disabled – unable to work for an extended time – are greater than most people realize. Statistically, 25% of American workers become disabled at some time during their careers!

What Insurance Do I Need: II

You could have a car accident or a bad tumble while jet skiing. Disability coverage in a typical policy is adequate to replace about half your income if you suffer an accident or health emergency that prevents you from working for an extended period.

Consider what would happen if you were unable to work for six months. You would still have to pay your rent or mortgage, make your car payments, and deal with a host of other expenses – those bills aren't just going to go away. Think about it.

Coverage for medical, dental, life, and disability insurance through your employer will be limited to your time of employment. If you change jobs, compare benefits so you understand any changes. For example, you may have to pay more for your health insurance at the next employer, or the coverage may not be as generous. And if you take time off from work between jobs, you must plan for an inevitable gap in insurance coverage—especially health insurance.

Insurance helps you reduce risk and protect your financial future. Make sure you have the right coverage so you, your family, and your money are safe.

Social Security Disability Income (SSDI)

The Social Security Administration (SSA) provides long-term disability benefits based on your salary and the number of years you have worked and contributed to the Social Security system.

Social Security Disability Income Insurance (SSDI) replaces only a limited portion of your salary. It does not affect most people's contracts because the waiting period before you can collect is 12 months, and the qualifications to receive benefits are very strict.

To learn more about SSDI and to read Social Security's fact sheets as well as actuarial publications, go to www.ssa.gov/disability.

Employer Group Disability

Employers often provide a basic coverage amount for long-term disability. You may be automatically enrolled, or you will be given the option to join at your employer's open enrollment period.

Sometimes employers offer the option of paying on either a pre-tax or a post-tax basis.

- If you pay on a pre-tax basis, your benefits will be subject to income tax upon collection of benefits.
- If you pay post-tax, your benefits will not be subject to income tax as they have already been taxed.
- Some employers also allow you to purchase additional coverage.

Keep in mind that this coverage is typically not portable and you can usually only get it with a medical exam at the time you're first offered coverage.

Even if you have group long-term disability, your coverage is most likely less than you think it is. A supplemental policy can provide you with a significant amount of additional coverage.

- The majority of group plans pay a pre-tax benefit, which means that any benefits are subject to income tax when you collect them.
- There is usually a maximum monthly benefit.
- Bonuses and commissions typically are not covered.

Every disability insurance policy has certain core parameters that differ from company to company.

You should become familiar with some of the common terms and phrases used in disability insurance policies:

Benefit Amount. This is the maximum monthly benefit for your policy. The worksheet below will help you determine your need.

Occupational Disability Definition. The definition of disability is the most important part of the policy because everything else stems from it. Some policies pay benefits only if you are unable to perform the duties of any occupation for which you are reasonably qualified by training, experience, and education. However, depending on the definition of disability being used, the own occupation rider is usually not necessary and can significantly add to your premium.

Elimination Period. This is the number of days you must pay for covered services before the insurance company will make payments. It is also known as a "waiting" period, and is comparable to a deductible.

Benefit Period. This is the length of time for which your benefit will be paid. This is usually a set number of years (example: 5 years) or to age X (such as to age 65). Most policies allow a policy holder to continue the coverage past age 65 with a decreased benefit period of 1 or 2 years.

Lesson Activity: Calculate Group Disability Coverage

For group disability coverage, use the formula below to calculate current coverage and how much additional individual disability insurance coverage may be available to you. Most plans provide 50 to 60% of your current annual salary. Most plans have a maximum benefit cap; use your policy's cap, if that applies.

1. Multiply your current annual gross income by the percent of salary provided by your policy \$ _____ (a)
2. Enter your estimated income taxes that will be due on your after-tax, long-term disability benefit (usually 35-40%) \$ _____ (b)
3. Subtract (b) from (a).
This is the value of your current group disability coverage \$ _____ (c)

An individual disability program will usually need to replace about 70%+ of your after-tax income.

Policy Riders

Most insurance policies have riders, or extra options, which you can choose to augment the policy. Some common riders:

- Non-cancelable (guarantees against future premium increases)
- Residual or partial disability rider
- Extended/transition benefit
- Cost income provision, cost of living adjustment
- Future increase option
- Catastrophic disability benefit rider
- Supplemental social insurance rider.

Most policies are **guaranteed renewable**.

THIS IS VERY IMPORTANT.

“**Guaranteed Renewable**” guarantees that the insurer cannot terminate the policy as long as the premiums are paid, and the insured doesn't have to reapply at any point to continue coverage. Premiums cannot be raised based on an individual's circumstances (although) they can be increased for an entire class of policyholders. No other aspect of the policy can be changed.

Long-term Care Insurance

Long-term Care insurance coverage pays for expenses that are not covered by health insurance and/or Medicare. The amount of long-term care insurance you will need depends on whether or not you can go without insurance (self-insure) plus how much the daily cost of care will be in the location where you live. Explore the coverage you may need and what you have in other assets, and balance those with a premium that you can afford (even if increased by 25%).

Every Long-term Care insurance policy has certain core definitions and parameters that differ from company to company. Long-term Care policies allow you to customize various components to fit your needs and budget. It's important to understand each component and how it fits into your financial plan. When you comparison shop for long-term care insurance, the components should be the same so you get as close as possible to an "apples-to-apples" comparison.

- **MAXIMUM DAILY (OR MONTHLY) BENEFIT.** The maximum specified dollar amount that will be paid on a daily basis for services covered under a policy. Research facilities and services in the area you plan to live during retirement to find out the current daily cost of care.
- **ELIMINATION PERIOD.** The number of days that you must pay for covered services before the insurance company will make payments (also known as a waiting period; comparable to a deductible). Policies have different definitions for elimination period.
- **BENEFIT PERIOD.** The number of days for which benefits will be paid. Most current policies allow you to carry over unused benefits. For example, if you are using half of your daily maximum benefit, your benefit period would be twice as long.
- **INFLATION RIDER.** An inflation rider increases your benefit to keep pace with inflationary increases in the cost of long-term care. Typically options are none, 5% simple and 5% compound.
- **OTHER RIDERS.** Other riders include assisted living benefits, survivorship benefits, restoration of benefits and non-forfeiture benefits.
- **DISCOUNTS.** Always ask what discounts are available. Common discounts are for Preferred Health & Marital/Couples Discount. Companies will usually offer a discount to married couples, couples that share a child, and domestic partners.

Property Insurance

Property or homeowner's insurance covers damages to your home, garage, and outbuildings, plus loss of furniture and personal property due to damage or theft (both at home and away from home). Homeowner's insurance pays for additional living expenses if you rent temporary quarters while your house is being repaired.

What Property Insurance Usually Covers

- Most homeowner's policies will not protect you from flood, hurricane, or earthquake damage. You can purchase coverage for these situations by adding an earthquake or flood endorsement to your insurance policy, or through the National Flood Insurance Program (NFIP).
- Homeowner's insurance includes liability for bodily injury and property damage you may cause to others through negligence, for accidents happening in and around your home, or accidents happening away from home for which you are responsible.
- Homeowner's insurance also pays for injuries occurring in and around your home to people other than you or your family. Medical payments coverage insures claims for injuries outside your home caused by you, a family member living with you, or your pet.
- Homeowner's policies generally provide limited coverage for money, gold, jewelry, stamp and coin collections.

Be sure to ask about exclusions, that is, find out exactly what losses and items are NOT covered. If you want full coverage, tell the insurance company at the time your policy is written. Ask whether the policy excludes or limits coverage for damage by water, earthquakes, earth movement, mold, construction defects, or other common dangers. Take good notes. Store all your policy information in a safe place.

Umbrella Policies

You can add more personal liability coverage with a standalone "umbrella" policy. Umbrella policies represent a cost-effective way to increase your liability coverage by \$1 million or more, in case you are at fault in an accident or someone is injured on your property. The umbrella policy supplements the insurance you already have for home, auto, and other personal property.

▀ Choosing the Right Agent

While much of your health, life, and disability insurance may be covered through your employer, you will be responsible to choose your own automobile insurance. And if you are unemployed or self-employed, you'll have to shop for all types of insurance coverage that you need. Choosing an insurance agent to help you understand your options is a good idea.

Many people choose insurance based on the cheapest rates. But going for the lowest rate can actually cost you more in the long run if you go with a substandard company that won't come through when you need it. Pick an established insurance company with competitive rates, one that offers all types of insurance (auto, home, renter's, and life).

Find an experienced agent who knows the business inside and out and has a proven track record. A knowledgeable agent can help you pick the best insurance to protect both you and your bank account. You won't pay any more by going through an agent than you would buying direct.

▀ Monitoring your Policies

Life changes. So it's important to monitor all your insurance policies to make sure they still fit your current situation, especially if you've had a change in income or employment.

Disability Insurance

EXCLUSIONS. Sometimes a disability excludes a certain illness or injury. The exclusion can be removed after a certain period. For example, if you have knee surgery, the insurance company may exclude any disabilities related to the knee for a certain period of time. However, the insurance companies usually do not remove an exclusion automatically; you must request removal.

CHANGE IN EMPLOYER. Have you gained or lost your group long-term disability coverage, or is it the same?

CHANGE IN INCOME LEVEL. Has your income increased or decreased? Your disability benefit should be adjusted accordingly either by increasing coverage or decreasing coverage.

FUTURE PURCHASE (OR INCREASE) OPTIONS. Do you have these options? When are they available and are you eligible? Know the terms and make sure to take advantage if you are eligible. The insurance company typically will notify you, but there is no guarantee that they will do so.

Long-Term Care Insurance

Find out the types of care covered under your policy. Many older long-term care policies did not pay for any type of home care or relatively newer types of care like adult day care.

If your premium is increased, there are several options you can consider.

1. Do nothing. Keep everything as is and pay the new premium.
 - Can you afford this new premium?
 - Are the benefits still worth the extra premium?
2. Adjust different components of the policy to reduce the premium.
(Ask yourself if you make any of these changes to the policy, will the coverage still be worthwhile?)
 - Reduce the daily benefit amount
 - Increase the waiting period
 - Shorten the benefit period
 - Change your inflation rider – if you have a compound inflation rider, can you change a simple inflation rider? Can you reduce the inflation rider percentage (for example, from 5% to 4%)?
 - Change/remove other riders?
3. If your policy has a contingent, non-forfeiture benefit, consider taking it if you cannot afford the premiums (provides a paid-up, reduced pool of benefits).
4. Cancel the policy.

Property (Homeowner's) Insurance

Raising your deductible is the best way to keep your premium affordable without reducing your protection.

- **Consider a higher deductible.** Increasing your deductible by just a few hundred dollars can make a big difference in your premium.
- **Ask your insurance agent about discounts.** You may be able to get a lower premium if your home has safety features like deadbolt locks, smoke detectors, an alarm system, storm shutters, or a fire-retardant roof. Persons over 55 years old or long-term customers may get discounts.
- **Insure your house — NOT the land under it.** After a disaster, the land is still there. If you do not subtract the value of the land when deciding how much homeowner's insurance to buy, you will pay more than you should.
- **Act now.** Don't wait until you have a loss to find out if you have the right type and amount of insurance.

- **Get replacement coverage — not an “actual cash value” policy.** Make certain you purchase enough coverage to replace what is insured. An "Actual Cash Value" policy is cheaper but pays only what your property is worth at the time of loss – your cost minus depreciation for age and wear.
- **Ask about special coverage.** You may have to pay extra for computers, cameras, jewelry, art, antiques, musical instruments, stamp collections, etc.

Remember that flood and earthquake damage are not covered by a standard homeowner’s policy. The cost of a separate earthquake policy will depend on the likelihood of earthquakes in your area.

Homeowners who live in areas prone to flooding should take advantage of the National Flood Insurance Program. For more information on homeowner’s insurance in your state, contact your state insurance regulator. Shopping around can save you hundreds of dollars a year.

Lesson Questions

1. In an insurance policy, an exclusion is:
 - a. A cause of loss that is always covered by the policy.
 - b. A cause of loss that is not covered by the policy.
 - c. A special type of coverage.
 - d. A type of coverage that changes over time.
2. What is an “umbrella” policy?
 - a. An insurance policy that covers properties you own.
 - b. An insurance policy that provides coverage in the event of death.
 - c. An insurance policy that provides additional coverage on the insurance policies you already have.
 - d. An insurance policy that protects your assets and exists in the form of a will or trust.
3. What does long-term care insurance cover?
 - a. Your income if you are unable to work for an extended time.
 - b. Your loved ones in the case of your death.
 - c. Health expenses for retirees that are not covered by health insurance or Medicare.
 - d. An accident that occurs due to your negligence.

What Insurance Do I Need: II

Essential Questions

What is the purpose of each of the following types of insurance?

Life Insurance _____

Disability Insurance _____

Long-term Care Insurance _____

Property Insurance _____

What are two important reasons to monitor your insurance policies over time?

1. _____

2. _____

How Insurance Policies Work

Warm-Up Activity

What are three reasons why you need to have insurance on a vehicle? _____

VOCABULARY

- Insurance policy** – A contract that describes the terms and conditions of insurance, including type and amount of coverage, premiums, and deductibles.
- Insurance premium** – The payment made to an insurance company in exchange for an insurance policy guaranteeing protection or coverage on the insured item.
- Deductible** – The amount of loss you pay out-of-pocket to the insurance company on a damaged item.
- Coverage limits** – The maximum amount paid by the insurance company on a given claim.

Lesson Activity: Get the Specifics

Review the sample insurance policies on the following pages with your instructor. When directed to do so, circle each of the following items on the policy:

1. coverage limit,
2. premium amount, and
3. deductible.

How Insurance Policies Work

ACORD™		CERTIFICATE OF LIABILITY INSURANCE				Date (MM/DD/YYYY) 05/22/2004	
PRODUCER Very Best Insurance Agent 555 1st Street Anytown, CA 99999			FAX		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.		
INSURED Intelligent Policyholder 123 Main Street Anytown, CA 99999			INSURERS AFFORDING COVERAGE		NAIC #		
			INSURER A: <u>Fly By Night Ins Company</u>		_____		
			INSURER B: _____		_____		
			INSURER C: _____		_____		
			INSURER D: _____		_____		
			INSURER E: _____		_____		
COVERAGES THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOT WITHSTANDING ANY REQUIREMENT, TERM, OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS, AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.							
INS LTR	ADDL NSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFF DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)		LIMITS
A		GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR _____ _____ GEN'L AGGREGATE LIMIT APPLIES PER <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOCATION	ABC XYZ	01/01/2004	01/01/2005	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (ea occurrence) MED EXP (any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS COMP/OP AGG	\$ 1,000,000 \$ 50,000 \$ 5,000 \$ 1,000,000 \$ 2,000,000 \$ 2,000,000
A		AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input checked="" type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS _____ _____	ABC XYZ	01/01/2004	01/01/2005	COMBINED SINGLE LIMIT (ea accident) BODILY INJURY (per person) BODILY INJURY (per accident) PROPERTY DAMAGE (per accident)	\$ 1,000,000 \$ \$ \$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/>				AUTO ONLY - EA ACCIDENT OTHER THAN EA ACCIDENT AUTO ONLY AGG	\$ \$ \$
A		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION	ABC XYZ	01/01/2004	01/01/2005	EACH OCCURRENCE AGGREGATE	\$ 1,000,000 \$ 1,000,000 \$ \$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR, PARTNER, EXECUTIVE, OFFICER, MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATU- <input type="checkbox"/> OTHER TORY LIMITS EL EACH ACCIDENT EL DISEASE - EA EMPLOYEE EL DISEASE - POLICY LIMIT	\$ \$ \$ \$
A		OTHER Props / Sets / Wardrobes Loss of Use	ABC XYZ	01/01/2004	01/01/2005	\$500,000 - \$1,000 Deductible \$20,000 - 48 hour Deductible All Risk, Replacement Cost	
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS Certificate holder is named as Additional Insured as respects General Liability and Automobile Liability including form #CA9947 and Loss Payee as respects Props, Sets, and Wardrobes, and Loss of Use, rented/leased to the named insured.							
CERTIFICATE HOLDER ABC Rental Company 987 Oak Avenue Anytown, CA 99999				CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL _____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT. BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. _____ AUTHORIZED REPRESENTATIVE			

PROTECTORS FIRE & CASUALTY CO.

THIS IS NOT A BILL

POLICY NUMBER
10-91-8880-4

HOMEOWNERS RENEWAL DECLARATIONS POLICY

NAMED INSURED AND MAILING ADDRESS:

SMITH, JOE AND JANE
1234 OAK STREET
HOMETOWN, FL 12345-6789

POLICY PERIOD:

1201 A.M. STANDARD
TIME AT THE INSURED RESIDENCE
FROM: 6/1/06 TO: 6/1/07

THE RESIDENCE COVERED BY THIS POLICY IS LOCATED AT THE ABOVE ADDRESS UNLESS OTHERWISE INDICATED

PROTECTORS FIRE & CASUALTY COMPANY
P.O. BOX 12345
BOSTON MA 01234

RENEWAL CERTIFICATE
PREPARED MAR 11, 2006

DATE DUE	PAY	AMOUNT
6/1/06		\$479.53

IF YOU HAVE MOVED, PLEASE CONTACT YOUR AGENT

FULL PAYMENT BY DATE DUE
EXTENDS POLICY PERIOD TO JUNE 1, 2006

POLICY NUMBER
10-91-8890-4

COVERAGES / LIMITS

SECTION I

A DWELLING \$100,000
OTHER STRUCTURES \$10,000
B PERSONAL PROPERTY \$50,000
C LOSS OF USE ACTUAL LOSS
SUSTAINED

DEDUCTIBLES--SECTION I
COVERED LOSS \$500

MORTGAGEE: TRUST BANK
P.O. BOX 000
TALLAHASSEE FL
34567-8910

HURRICANE: SPECIAL 2V DEDUCTIBLE
THIS POLICY CONTAINS A SEPARATE DEDUCTIBLE
FOR HURRICANE LOSSES, WHICH MAY RESULT IN
HIGH OUT-OF-POCKET EXPENSES TO YOU.

FORMS, OPTIONS AND ENDORSEMENTS:

SPECIAL FORM 3 PP-7923
JEWELRY AND FURS \$2,500/\$5,000 OPT JF
SILVERWARE THEFT \$5,000 OPT SILG
HOME COMPUTER \$10,000 OPT HC
REPLACEMENT COSTS/CONTENTS OPT RC

SECTION II

L PERSONAL LIABILITY \$100,000
DAMAGE TO PROPERTY
OF OTHERS \$500
M MEDICAL PAYMENTS \$1,000
TO OTHERS (EACH PERSON)

FLORIDA-SPECIFIC ENDORSEMENTS
SINKHOLD FL 7210.4
ORDOMANCE;AW FL 7310.4

SPECIAL DISCOUNTS:

SMOKE DETECTORS
DEAD-BOLT LOCKS
FIRE EXTINGUISHERS
BURGLAR ALARM
APPROVED STORM SHUTTERS
TOTAL DISCOUNTS:
20% OR \$176 PER YEAR

SURCHARGES (REQUIRED BY FLORIDA LAW):

EMERGENCY MANAGEMENT SERVICES \$2.00
FLORIDA HURRICAN CATASTROPHE FUND \$4.53

Thanks for letting us serve you ...

Agent: BROWN, BONNIE
Telephone: 904-555-1234

How Insurance Policies Work

Lesson Questions

1. The amount of loss you pay out-of-pocket to the insurance company on any damages to goods is called:
 - a. A premium.
 - b. A deductible.
 - c. A policy.
 - d. The coverage.
2. "Coverage limits" apply to which kind(s) of insurance policies?
 - a. All policies.
 - b. No policies.
 - c. Health policies only.
 - d. Automobile policies only.

Essential Questions

What is an insurance policy? _____

What is an insurance premium? _____

What is a deductible? _____

What is the difference between liability, collision, and comprehensive auto insurance?

Insurance Claims

Warm-Up Activity

What is an insurance claim? _____

▀ The Claim Process

Some people think submitting an insurance claim is a smooth and easy process. But that may not always be true. You may think — since you pay your premiums — that you're entitled to quick access to the money you're owed for damages.

That's not true.

You must follow a process and take certain measures to obtain any money the insurance company owes on a claim.

To make a claim on your insurance policy, you prepare a written and/or verbal statement to the insurance company.

- Your statement must include details about the incident and justify why the insurance company should get involved in the payment process.
- The statement is a crucial piece of the claim, as most companies use the statement to determine eligibility for payment.

You must provide written records of all financial expenses involved with the claim, including receipts for the item(s) purchased and/or estimates of the cost to repair the damaged item(s).

- If you submit records incorrectly, the insurance company will find a reason to pay you less (or not at all).
- Be truthful at all times. Lying on the claim application or during the claims process could cause your claim to be denied.

Insurance Claims

If you pass all requirements of the claim process, your claim may be paid. However, it is important to realize that claims often are denied because insurance companies are trying to cut down on expenses.

- It is important to get legal counsel or have a trusted advisor who knows how to work effectively with insurance companies.
- Take careful notes and document everything to stay aware of the status of the claim process at all times.

Lesson Activity: Insurance Claims

Your instructor will give you specific directions for completing this activity, using the information provided below.

ROLE-PLAY ROLES

INSURANCE AGENT You must take a statement about the car accident and be very critical of the policyholder. The agent acts in the best interest of the company, meaning their goal is NOT to pay claims to save money. The agent is trying to get a job promotion and knows that the company wants to pay the minimal amount possible. The agent in this case only wants to award the policyholder \$1,900 total although the repairs look like they will cost \$4,275.

POLICYHOLDER You were rear-ended on the freeway and the driver fled the scene. You were driving carefully and being cautious and you have never had a prior accident. You documented the whole incident, filled out and obtained a copy of the police report, and are now trying to file a claim to get your car fixed. You have received three quotes that average \$4,275. The insurance agent only wants to pay \$1,900.

Lesson Questions

1. Which of the following statements is true about insurance claims?
 - a. The claim process is easy and smooth.
 - b. The insurance company's payment to you has an impact on the company's profits, so some companies may try to avoid paying your claim.
 - c. The details of the incident are insignificant in the claim process.
 - d. It is important to disclose as little information as possible when you request payment.

2. Which of the following is a likely reason why many insurance claims are denied?
 - a. Insurance companies do not deny claims.
 - b. The deductible is paid by the insurance company.
 - c. The insurance company is trying to cut down expenses.
 - d. None of the above.



Essential Questions

What are insurance claims?

What are some important elements of insurance claims about which you should be aware?

How can insurance adjusters affect an insurance claim?

Choosing an Insurance Company

Warm-up Activity:

What are some ways to evaluate an insurance company? _____

Rating Agencies

An insurance policy is a long-term commitment. It’s important to choose a company that is financially stable. You can determine an insurance company’s financial strength by looking at rating agency assessments.

Rating agencies evaluate insurance companies by examining their financial condition and operating performance, using specific criteria.

- Ratings agencies evaluate a company’s financial strength and ability to meet obligations to policyholders.
- Third-party agencies rate companies on a regular basis and offer their ratings and analyses online for free. However, not all insurance companies are rated by all the agencies.
- There are four main rating agencies and their rating systems vary in stringency and methodology. However, all four agencies consider financial leverage, management stability, recent performance, overall financial health, and factors like competition, diversification, and market presence.

Choosing an Insurance Company

Websites for the Top Four Rating Agencies

- AM Best..... www.ambest.com
- Fitch.....www.fitchratings.com
- Moody's www.moody.com
- Standard & Poor's..... www.standardandpoors.com

A good strategy is to identify top-rated companies that offer the type of policy you want. Don't worry too much about details. An insurance company with a top rating from at least three of the four agencies is in great standing. Here are some other important questions to ask:

- **Does the insurance company hold itself to official ethical standards?**
Each carrier adheres both to its own ethical practices and to basic guidelines dictated by each state's respective insurance department.
- **How many complaints have been filed against the company, and what were those complaints about?** While most insurance company records won't be spotless, some definitely are worse than others. State insurance departments maintain data about complaints filed against an insurance company, as well as pending class-action lawsuits.

To find your state's Department of Insurance, go to the website of the National Association of Insurance Commissioners (NAIC) at www.naic.org. Also, run an online search for the company name to find out if people have posted negative comments on unofficial review sites.

Lesson Activity: Get an Agency's Rating

You will need a computer with Internet access to complete this activity.

1. Conduct an online search for a company that sells a particular kind of insurance in your area by entering in your browser search box the term
"[type] insurance [your city] [your state]."

Examples: auto insurance Mapleton, Illinois;
health insurance Los Angeles, California".

2. Next, choose three insurance companies listed in the first page of your search results. Choose companies with which you already do business, ones you have heard of, or ones indicated as having good reviews (for example, on Yelp or Google Reviews).
3. Then go to the A.M. Best Company's consumer insurance page at <http://www3.ambest.com/consumers/>.

At the top of the page you will see a search box with the question, “How Does Your Insurer Rate?”

4. Enter the name of one of the insurance companies you obtained in your earlier search results and click the “Find” button. The website will bring up the Standard & Poor’s financial strength rating for that insurer.
5. Repeat the process for your other two companies.

You should choose a company with at least an “A” rating to meet your insurance needs.

▀ Choosing an Agent

Insurance is an advanced and complex topic. While it’s important to educate yourself, it also makes sense to pay an experienced professional to advise you.

A qualified insurance adviser can give you an objective opinion and help you weed through all the options. Alternatively, you could go to a website that offers policy comparisons. Companies offer the same premium, no matter how you buy an insurance policy – whether through an agent or on the company website.

- Choose an advisor who represents multiple companies. An agent who represents only one company can offer you only that company’s products – which may not necessarily be the best products in the marketplace or your personal needs.
- An agent will charge you a fee or commission that’s based on the total policy premium. Ask questions up front as to the rate. Beware of paying both a fee and commission. You can negotiate fees and sometimes commissions.

REMEMBER

Becoming educated helps you get the right insurance for your needs.

- You are in charge.
- It’s your money.

If what’s offered is not absolutely right for you, say, “No!”

Choosing an Insurance Company

State Compliance

Any person selling insurance must be licensed, just like attorneys and doctors. Insurance salespeople must pass an exam administered by the state department of insurance, and also must take regular continuing education seminars to maintain licensure.

- The agent you choose must be licensed in the state where you either work or live.
- Find a directory of state departments on www.naic.org.com.
- Resources and compliance standards are more lax in some states than in others.
- On most state insurance departments' websites, you can research whether an insurance representative is licensed.

Professional Designations

Life insurance agents may earn professional designations, including

- Chartered Life Underwriter (CLU) and
- Life Underwriter Training Council Fellow (LUTCF).

Agents who are also financial planners might have credentials like

- Chartered Financial Consultant (CFC),
- Certified Financial Planner (CFP), or
- Personal Financial Specialist (CPA–PF).

These designations indicate advanced training and passing rigorous exams. They let you know the agent is serious about professional development.

- CLU is the only designation that specifically focuses strictly on life insurance and is by far the most comprehensive in the life insurance arena.
- A Chartered Property Casualty Underwriter (CPCU) can help with topics related to homeowners and auto insurance.

Insurance Tips

- Shop around. If you're rejected, be sure you understand why. Also find out the reasons why a premium changes.
- Check rating services for companies you're considering.
- Choose the appropriate type and amount of insurance for your property and lifestyle. Get adequate coverage for disability, long-term care, flood, earthquake, etc. At the same time, cut out any unnecessary riders. Review your policies every year.

- Be honest when you fill out applications. If you fib or omit anything, your entire policy may be void (usually at claim time).
- Take advantage of discounts.
- Read your policy carefully and understand all the terms.
- Cover yourself. Premium notices may not always reach you in the mail. Save copies of your insurance policies, notes, and other important documents in a safe location – either electronically or outside the home.
- Reduce your risks. Some ideas include
 - Quit smoking
 - Eat healthfully and exercise regularly
 - Perform household maintenance that reduce hazards such as fire hazards or potential water damage.
 - Drive safely (watch your speed and avoid tailgating)
- Paying your premiums more often can reduce the total cost.
- Increase your deductible. Generally you'll see significant savings if you're willing to pay more out-of-pocket when you make a claim.

Lesson Questions

1. The four insurance ratings agencies rate an insurance company's .
 - a. License status.
 - b. Available discounts.
 - c. Compliance with state laws.
 - d. Financial strength.
2. What must insurance salespeople do to remain compliant with state laws?
 - a. Pass a licensing exam and take ongoing professional development courses.
 - b. Register with the four ratings agencies.
 - c. Earn important professional designations.
 - d. Eat a healthy diet and exercise regularly.

Choosing an Insurance Company

3. Besides financial stability, which of the following is an important consideration when choosing an insurance company?
 - a. Its long-term commitment to the community.
 - b. Its adherence to ethical standards of practice.
 - c. Whether its stock is publicly available.
 - d. Its marketing strategies.

Essential Questions

Why should I obtain a financial strength rating for an insurance company with which I am considering doing business? _____

What other questions should I ask to evaluate an insurance company? _____

What credentials should I look for in an insurance agent? _____

How to Reduce Your Risk

Warm-Up Activity

What is risk? _____

It's Important to Reduce Risk

Reducing risk saves money — and time — in the long run.

- If you are a lower risk to insurance companies, your insurance will cost less.
- If you have a lot of speeding tickets, you are considered high-risk and will pay more for auto insurance.
- If you save money for emergencies out of each paycheck, you reduce your financial risk should you become temporarily unemployed or switch jobs.
- If you make a point always to be punctual at work, you will probably be punctual everywhere.
- Being punctual at work increases your job security, and your friends will be happy that you're always on time to social events.

The point is always to be aware of safety and take every opportunity to reduce risk. Reduce risk, and you save time and money. You will become more financially independent over time.

TIPS TO REDUCE RISK WHILE DRIVING

- Never talk on the phone or text while driving.
- Adherer to all rules of the road.
- Don't speed, cut people off, etc.

How to Reduce Your Risk

Lesson Activity: Reducing Financial Risk

Write down ten things you will do to reduce your financial risk:

Lesson Questions

1. How will reducing your risk in the eyes of insurance companies benefit you?
 - a. You will receive lower insurance rates.
 - b. The insurance companies will pay out more.
 - c. You will be less subject to accidents.
 - d. You will be able to pay any amount of damage.
2. What is risk-based pricing?
 - a. The cost of the deductible and premium added together.
 - b. The amount of money the insurance company pays toward your claim.
 - c. Basing your insurance price on the risk you pose to the insurance company.
 - d. All of the above.



How to Reduce Your Risk

Essential Questions

What is risk analysis? _____

How do you reduce your financial risk? _____

Why is it important to try to reduce your risk? _____

Estate Planning

Warm-up Activity:

If you were on vacation in Europe and unexpectedly needed to ask a family member to watch your house and pay your bills, would you have a clear plan that would tell them how to do it?

Wills and Trusts

When a person passes away without a will or living trust, the state decides how to distribute their assets. If they have children under the age of 18, the state also decides where the children go.

- A **will** or **trust** is a way to plan ahead, just like when people create financial plans for the immediate future. A will or trust is a financial plan for distributing a person’s assets when that person is no longer here.
- **Living trusts** pass a person’s assets to his or her heirs without going through probate. Avoiding probate saves many costs associated with probate courts and potential taxes. Avoiding probate also helps maintain privacy.

It’s important to have *both* a will and a trust. Get your wishes down on paper and be as clear as possible.

Wills and trusts are designed to make it easy for your relatives by listing out all your account information and a clear accounting of how you want your assets distributed. A lot of family fights are caused by disagreement over “who gets what.” Don’t place your family in a difficult financial situation. If your budget is tight, don’t ask for an expensive funeral.

A good general rule is that once you own anything of value, you should write out a will.

Lesson Activity: Write a Simple Will

Do you trust the state with your kids, your money, or your possessions? If not, then write a will right now. Use the following form:

SIMPLE WILL

In case I pass away, I want
[guardian of choice]
to look after my children.

In case I pass away, I want
[name(s) of intended heir(s)]
to inherit [item(s)]

[name(s) of intended heir(s)]
to inherit [item(s)]

Additional Notes:

_____ Signature	_____ Date
_____ Witness	_____ Date

Lesson Activity: Estate Planning

How will having an Estate Plan help me?

How can having a will or trust help my loved ones?

Lesson Questions

1. A will is a legal document that...
 - a. Allows the court to decide where the assets of the deceased go without their input.
 - b. Empowers the individual to decide where his or her assets go after he or she passes away.
 - c. States one's financial plan and retirement goals.
 - d. None of the above.
2. What is a living trust?
 - a. A legal vehicle that allows one's assets to be passed to one's heirs without going through probate.
 - b. A legal document that allows a person's heirs to decide how that person's assets will be distributed after death.
 - c. A savings account for wealthy investors.
 - d. A legal document that retains a specific attorney for estate planning purposes.
3. If you pass away without a will or trust in place, what will happen to your property?
 - a. Your spouse or significant other will receive your property.
 - b. Your children will receive your property.
 - c. Your property will be donated to a charitable organization.
 - d. The probate court will decide how your property will be distributed.
4. Which of the following is a good reason to avoid probate?
 - a. To make sure your beneficiaries have been designated.
 - b. So your heirs will not have to pay probate court fees and taxes.
 - c. Because your estate plan is not fully developed.
 - d. To provide adequately for your dependents.

Essential Questions

What is a will? _____

What is a trust? _____

Why is it important to have a will or trust in place? _____

What are the steps that should be included in the estate planning process? _____

Prepare for a Disaster

Warm-Up Activity

Why is it important to prepare for disasters? _____

Disasters can happen anytime, anywhere. Part of financial security is being prepared for disaster. The advent of disasters over the last five years underscores the importance of being ready and prepared.

The federal government recommends having **72 hours'** worth of supplies set aside in case of a disaster. However, having a minimum of **three months'** worth of food, water, and supplies is best.

Remember a disaster can be natural — like a storm or volcano eruption — or caused — like an attack by another country. Regardless, it is important to have supplies on hand.

As already stated, the government recommends having 72 hours' worth of supplies on hand. However, keep in mind:

- It took **5 days** to get aid to Hurricane Katrina victims in Louisiana.
- It took about **a week** to get water to earthquake victims in Haiti.

While having enough supplies to last 72 hours is recommended, you never know how much damage a disaster will cause or how difficult it will be for aid to reach you.

Lesson Activity: Survival Game

Listen to the instructions provided by your instructor. Consider the following scenario.

You are survivors of a horrific natural disaster. You live in a rural area and you have learned that it will take 3 weeks for help to reach you.

Money no longer has any value. People are trading and bartering to obtain the supplies they need for survival.

Here's how the game works:

Resources

There are 6 resources your group must have each and every time period (turn). If your group goes more than 2 turns without a resource or multiple resources, your group loses. Every time period your group consumes 1 unit of the following resources:

Food

Water

Medical Supplies

Fire Starting Materials

For example, if your group has 9 units of water in time period 4, at the start of your turn in time period 5 your group will have 8 units of water left; assuming no one raided you and you conducted no trade. These resources are measured in units per time period. So if you have 4 water units, your group has enough water to last 4 time periods. The size of your group does not matter.

The other three resources are constant and are not consumed. If your group has 1 unit of the following resources you have enough of that resources for your whole group for the rest of the game. If you have more than one of these resources, you could use it to trade.

Sleeping Bags

Construction / Repair Tools

Game Mechanics

Each group will take their turns in sequence (Group 1, then Group 2, ect). At the start of their turn they can choose one of the following actions:

Trading

Barter is highly recommended as some groups have an excess of what other groups need.

Barter is conducted by one group offering a trade of their resources in exchange for another

group's resources. For a barter to be successfully completed, both groups must agree that the trade is agreeable and equitable. If one group is feeling extra generous during their turn, that is great! However, the trade must be mutually agreed upon.

A group may only trade with one group per turn.

Mark any resources trades in the second chart in your workbooks (positive numbers for resources received during a trade and negative numbers for resources given to the other group as a trade) and update your resources in the next time period at the start of your next turn. Be sure to subtract 1 unit of each of the consumable resources in addition to any trades. Don't update your inventory until the beginning of your next turn since other trades or raids may occur before your next turn.

When trading consumable resources be sure to forecast out your own group's needs. If there are 5 time period left in the game and your group trades all but 3 of your water resources, your group will not survive to the end of the game unless you receive additional water units.

Raiding

If desperate, groups can opt to raid another group. The raiding group will choose the target group to raid and roll a die. Only a 5 or a 6 results in a successful raid. Successful raids can take up to 3 units of any 2 resources from the target group. Any other number than 5 or 6 results in the raiding group becoming injured from their attack. If the raiding group rolls a 3 or a 4 both groups are injured. Injured groups cannot raid any other groups for 2 time periods and consume double the resources for 1 time period.

A group may only raid one group per turn.

Mark any resources raided in the second chart in your workbooks (positive numbers for resources taken during raids and negative numbers for resources lost if you were successfully raided) and update your resources in the next time period at the start of your next turn. Don't update your inventory until the beginning of your next turn since other trades or raids may occur before your next turn. Be sure to subtract 1 unit of each of the consumable resources in addition to any trades.

Roll to Rescue

If your team does not initiate trade and does not raid during their turn, you can roll to be rescued. You need a double 1 or a double 6 for the rescue helicopter to find you. If successfully rescued, all your resources are destroyed in the panic to board the helicopter.

If another group initiates trade with your group or raids you, you can still use your turn to be rescued.

Prepare for a Disaster

Your instructor has assigned you a group number. Place your starting supplies in the first time period's column.

Air Drop

After all groups have taken their turn the instructor will roll. The government is in the region, but does not yet have the manpower for dedicated search, rescue and evacuation. As a measure of relief, the government is air dropping supplies randomly in hopes that survivors will find them. If the instructor rolls any double each group will receive 2 units of each of the consumable resources via air drop.

Group 1	Group 2
Ample supplies for each person in the group. <ul style="list-style-type: none">• Water: 20• Food: 20• Medical Supplies: 5• Fire Starting Materials: 16• Sleeping Bag: 1• Construction / Repair Tools: 0	Moderate supplies for each person in the group. <ul style="list-style-type: none">• Water: 13• Food: 13• Medical Supplies: 8• Fire Starting Materials: 7• Sleeping Bag: 1• Construction / Repair Tools: 0
Group 3	Group 4
Minimal supplies for each person in the group. <ul style="list-style-type: none">• Water: 9• Food: 9• Medical Supplies: 8• Fire Starting Materials: 10• Sleeping Bag: 2• Construction / Repair Tools: 1	Dangerous level of supplies for the group. <ul style="list-style-type: none">• Water: 4• Food: 6• Medical Supplies: 15• Fire Starting Materials: 3• Sleeping Bag: 0• Construction / Repair Tools: 2

Your Supplies	Starting Supplies	Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5	Time Period 6	Time Period 7	Time Period 8	Time Period 9
Water										
Food										
Medical Supplies										
Fire Starting Tools										
Sleeping Bag										
Construction / Repair Tools										
Injured?										

Trades / Raids	Starting Supplies	Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5	Time Period 6	Time Period 7	Time Period 8	Time Period 9
Water										
Food										
Medical Supplies										
Fire Starting Tools										
Sleeping Bag										
Construction / Repair Tools										
Injured?										

DISASTER PREPARATION CHECKLIST RECOMMENDED BY FEMA*

- 1 gallon of water per day per person
- Water should be in sealed, unbreakable containers
- A good supply of non-perishable canned foods
- Non-electric can opener
- A change of clothing, raingear, and sturdy shoes for each person
- Blankets and sleeping bags
- A first-aid kit
- A battery-powered radio
- Flashlight
- Batteries
- Important documents:
 - Insurance policies
 - ID cards
 - Birth Certificates and Social Security Cards
 - Cash
 - Pertinent medical information
- Know your escape route and how to shut off the gas and water in your dwelling.
- Have a communication plan to get in touch with family and friends.

* The Federal Emergency Management Authority (FEMA) is the US government agency responsible for disaster relief.

Lesson Questions

1. Which of the following statements is typically NOT true about a major disaster?
 - a. It can be a natural event.
 - b. It can be caused by a person.
 - c. You can expect to receive aid immediately.
 - d. You can expect to have only the supplies you have on hand until aid workers arrive.

2. Of the following list of disaster supplies, which is NOT recommended by FEMA?
 - a. First-aid kit
 - b. Perishable food
 - c. Water
 - d. Cash



Prepare for a Disaster

Essential Questions

What is a disaster? _____

How do you prepare for a disaster? _____

Why is it important to be prepared for disaster? _____

