



“A prudent man sees evil and hides himself, the naive proceed and pay the penalty.”

– Old Proverb

Understanding Insurance

Insurance is an essential financial planning tool.

The purpose of insurance is to _____ risk.

Without proper insurance, certain losses can _____ you. Conventional wisdom says that you should transfer that risk.

Basic Types of Coverage Needed

1. Homeowner's or Renter's Insurance
2. Auto Insurance
3. Health Insurance
4. Disability Insurance
5. Long-Term Care Insurance
6. Identity Theft Protection
7. Life Insurance



Do a break-even analysis to see if lowering your deductible makes sense. Compare your annual premium savings with a lower deductible to the extra risk you would take on in the event of an accident.

Types of Insurance

- **Homeowner's and Auto Insurance**

If you have a full emergency fund, raise your _____.

Carry adequate _____.

Consider dropping your _____ on older cars.

Homeowner's insurance should be "guaranteed _____ cost."

_____ liability policies are a good buy once you have some assets.

- **Health Insurance**

Keys to saving on your health premiums:

Increase your _____ and/or coinsurance amount.

Increase your _____ - _____, but never decrease your maximum pay.

See if an _____, a Health Savings Account, would make sense for your situation.

The HSA is a _____ - _____ savings account for medical expenses that works with a high deductible insurance policy.



Medical debt is consistently one of the leading causes for personal bankruptcy. ***You must have health insurance!***



Disability insurance is a long-term solution. Your short-term needs should be covered by a full emergency fund of three to six months of expenses.



Even if it's not time to get long-term care insurance for yourself, you may need to have this discussion with your parents.

- **Disability Insurance**

Disability insurance is designed to replace _____ lost due to a short-term or permanent disability.

Try to buy disability insurance that pays if you cannot perform the job that you were educated or _____ to do.

That is called _____, or "own occ," disability. Many times, this is only available for two years.

Beware of _____-term policies covering less than _____ years.

Your coverage should be for _____% of your current income.

The _____ period is the time between the disabling event and when the payments actually begin.

A _____ elimination period will _____ your premium cost.

- **Long-Term Care Insurance**

Long-term care insurance is for _____ home, assisted living facilities, or in-home care.

_____ % of people over the age of 65 will require long-term care at some point in their lives.



Human beings have a 100% mortality rate—we're all going to die someday. If people depend on your income, it is your responsibility to make sure they'll be taken care of if something were to happen to you.

"It is unwise to hope for the best without preparing for the worst."

– Anonymous



"For what is your life? It is even a vapor that appears for a little time and then vanishes away."

– James 4:14
(NKJV)

- **Identity Theft Protection**

Don't buy ID theft protection that only provides credit report _____.

Good protection includes _____ services that assign a _____ to clean up the mess.

- **Life Insurance**

Life insurance is to replace lost income due to _____.

Most people have no _____ what kind of life insurance they _____.

Two Types of Life Insurance:

1. _____ insurance is for a specified period, is substantially cheaper, and has no savings plan built into it.
2. _____ insurance is normally for life and is more expensive because it funds a savings plan.

The most common insurance myth is that the need for life insurance is a _____ situation.

Twenty years from today, when the children are grown and gone, you are debt-free (including that 15-year mortgage), and you have investments that have grown to a substantial amount, you will have become self-_____.



If you try to play “sophisticated” games with insurance, you will get burned.

Keep your insurance and investments separate. Don't try to do any wealth building in your insurance plan. It just doesn't work.

Why Not Life Insurance as an Investment?

1. Returns are historically _____.
2. When you die with cash value, the insurance company _____ the cash value.
3. The _____ deducted from your return are extremely _____.

Cash Value vs. Term + Roth IRA

For \$145 a month, you could have \$125,000 in cash value insurance. Or, for that same \$145, you could pay \$10 for \$400,000 in 20-year term insurance *and* invest \$135 into a Roth IRA. If you start at age 30...

Age	\$125,000 Cash Value Guaranteed	\$135/mo in Roth 12% Return
50	\$27,500	\$133,000
70	\$65,000	\$1,500,000

Before You Cancel Your Cash Value Policy...

Make sure that you already have a new term policy in place! If, for some reason, you cannot be approved for a new term policy, it is better to hang on to a bad cash value policy than to have nothing at all—*until you become self-insured.*

What To Remember When Purchasing Life Insurance:

1. Buy only low-cost level _____.
2. Do not forget your _____.
3. Stay away from fancy _____.
4. Children only need enough for _____ expenses.

You need about _____ times your income. Invested at 10-12%, the annual interest would replace your lost income.

Insurance to Avoid

1. _____ life and disability
2. Credit _____ protection
3. _____ and hospital indemnity
4. Accidental _____
5. Any insurance with _____, _____, investments, or refund
6. Pre-paid _____ policies
7. _____ life insurance
8. Any kind of _____ coverage



A stay-at-home mom brings enormous economic value to a home. If something were to happen to her, dad would need the money to replace part of what mom does.

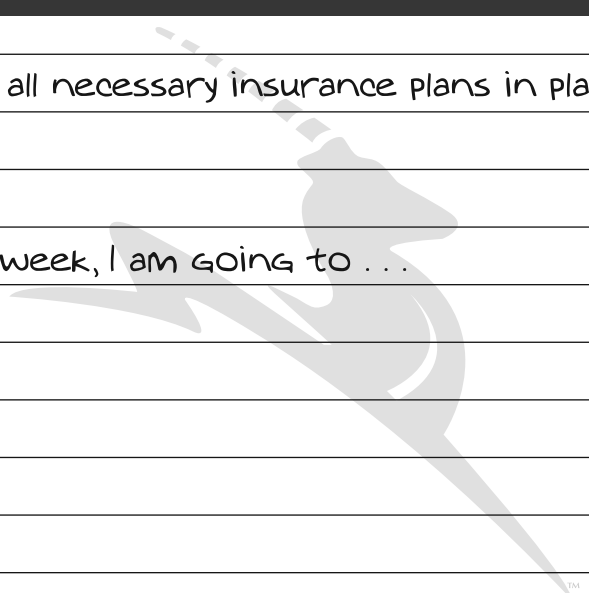
Answer Key

Transfer	Occupational	Idea	Options
Bankrupt	Short	Own	Burial
Deductible	5	Term	10
Liability	65%	Cash	Credit
Collision	Elimination	Value	Card
Replacement	Longer	Permanent	Cancer
Umbrella	Lower	Insured	Death
Deductible	Nursing	Low	Cash
Stop-Loss	69%	Keeps	Value
HSA	Monitoring	Fees	Burial
Tax-Sheltered	Restoration	High	Mortgage
Income	Counselor	Term	Duplicate
Trained	Death	Spouse	

Set Your Goals for the Week / Gazelle Focus

I will have all necessary insurance plans in place by this date:

Also this week, I am going to ...



online resources

Be sure to check out the special online features for this week.

- **Identity Theft Protection:** Learn more about the ID theft policy that Dave recommends.
- **Get Help:** Find a reliable health insurance representative in your area with the heart of a teacher. If you need help, check out Dave's Endorsed Local Provider network.
- **Bonus Video:** Watch as Dave takes a call on the radio show from a listener with insurance questions.
- **Testimonies:** Read how others learned these insurance lessons—the hard way!

Review of the Last Section

1. Name five keys to power over purchase. Did you discuss these things with your spouse or accountability partner this week?
2. Complete this statement: "FPU has helped my life by...."

Discussion and Accountability

1. What do you do if money is tight:
 - A. Drop your insurance until you've paid off your debts.
 - B. Put insurance only on the person who brings home the most income and pray nothing happens to the rest of the family.
 - C. Make insurance a priority to avoid a financial disaster.
2. What could happen to you financially if you do not have the proper amount of insurance in place?
3. How does having an emergency fund affect your insurance premiums and deductibles?
4. What is the difference between term and cash value life insurance?
5. What happens to your cash savings inside of a cash value life insurance plan when you die?
6. Why is it so important to make sure your homeowner's policy includes guaranteed replacement cost?
7. Why do you think so few people carry long-term disability coverage? Why is this so dangerous?

Homework

1. **Complete the Insurance Coverage Recap form**, available in the "Forms" area of the site. Make sure your spouse or other beneficiaries know where to locate this form in an emergency.
2. **Identify any insurance policies** that need to be changed or added to your financial plan.
3. **Calculate how much life insurance coverage you need** based on Dave's principles.
4. **Financial Peace Revisited:** Read chapter 11 (only the subtitled section "Insurance").