



Tell Your Story

Week 6

What insurance policies do you currently carry? How and why did you select them?

DATE



THE ROLE OF INSURANCE

PROTECTING YOUR HEALTH, FAMILY AND FINANCES

Insurance? Yikes! This is a topic that few people really enjoy, and yet it is an area that impacts your finances more than you could possibly imagine! Can you explain how your life insurance works? If your spouse were suddenly widowed, how much would he or she need to survive? How does health insurance work? Are specialty plans, such as cancer policies, a good deal? Let's find out!

In *The Role of Insurance*, Dave walks you through the seven types of insurance that every adult needs, and he reveals how to avoid the traps in the insurance industry that can leave you—and your heirs—flat broke!



**Basic types
of insurance:**

- Homeowner's or Renter's
- Auto
- Health
- Disability
- Long-Term Care
- Identity Theft Protection
- Life



Understanding Insurance

The purpose of insurance is to _____ risk.

Without proper insurance, certain losses can _____ you.

Auto Insurance

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

Carry adequate _____.

Consider dropping your _____ on older cars.

Look at your auto insurance policy to see how much liability you currently carry. It often looks like this: 100/300/100.

Homeowner's and Renter's

Homeowner's coverage should be guaranteed _____ cost if at all possible.

If you're in an apartment or other rental arrangement, you need _____ insurance.

An _____ liability policy is a good buy once you begin building wealth.

Health Insurance

Increase your _____ and/or coinsurance amount to bring premiums down.

Increase your _____ - _____ but never decrease the _____ pay.

Decreasing *either* of these to save on premium costs is a horrible idea. You would take on way too much risk!

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

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



Extended Replacement Cost has become more common with the big-name insurance companies. However, Extended may not pay enough to actually replace your home and possessions. Always know exactly what the maximum benefit is in relation to the value of your home.

Health insurance is a hot topic. Check the online resources for updates on new laws and regulations.

With an HSA, you're paying the medical bills with your own money. This makes you a wiser and more careful medical consumer.

HSA BENEFITS INCLUDE:

- Deposits are 100% tax-deductible.
- You can save up to 100% of your deductible in the savings account.
- You can pay most medical expenses with tax-free dollars.
- Unused money stays in the account and grows interest on a tax-favored basis to supplement retirement, just like an IRA.

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 five years.

Always buy long-term disability insurance with after-tax dollars. This way, disability benefits will be tax-free.

If your company provides a long-term disability insurance option alongside your company health care plan, you should buy it. It will almost always be cheaper that way than you'll find on the open market.

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

A _____ elimination period will _____ your premium cost.

The _____ period is the time between being declared disabled and when the payments actually begin.

Long-Term Care Insurance

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

This is a must-have for anyone ____ years old or older.

Among people turning 65 today, 69% will need some form of long-term care!

Identity Theft Protection

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

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

Hey, disability can be pretty confusing. Check out the online resources at FPU Central for some simple definitions and tips.



Baby Boomers are now hitting retirement age for the first time. The number of elderly Americans will double in the next 20 years.

Even if it's not time for you to get long-term care coverage, it might be time to have "the talk" with your parents.



23 million Americans had their Social Security number, driver's license number, medical records or financial accounts exposed last year. You need some protection!

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:

- _____ insurance is for a specified period, is substantially cheaper, and has no savings plan built into it.
- _____ insurance is normally for life and is more expensive in order to fund a savings plan.

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

Twenty years from now, with the kids grown and gone, when you're debt-free including that 15-year mortgage, and you have substantial investments, you have become _____-insured. Your need for life insurance has gone away.

Remember from the Buyer Beware lesson: "never buy anything you do not understand!"

The right type of life insurance can be summed up in a single word: term.

—SmartMoney magazine

The *BIG* Question About

LIFE INSURANCE

Joe is age 30 and spends \$178 on life insurance each month.
What is the best way to spend his money?

BAD		BETTER		BEST	
Insurance	\$178 MONTHLY	Insurance	\$13 MONTHLY	Insurance	\$21 MONTHLY
Investments	?	Investments	\$165 MONTHLY	Investments	\$157 MONTHLY

INSURANCE \$250,000 in Whole Life	INSURANCE \$250,000 in 20-Year Term	INSURANCE \$500,000 in 20-Year Term
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CASH VALUES

AT AGE 50	\$34,483	AT AGE 50	\$164,859	AT AGE 50	\$156,866
AT AGE 70	\$124,041	AT AGE 70	\$1,960,603	AT AGE 70	\$1,865,539

Insurance cost and cash value based on the average of four actual quotes. Investments assume a 12% rate of return.

The bottom line should be perfectly clear:

Buy term and invest the rest!

Don't try to do any wealth building inside an insurance policy. It just doesn't work.



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

Insurance can be an intimidating, confusing mess if you don't know what you're doing. Be sure to work only with a qualified professional with the heart of a teacher.

If you need help, we can connect you with an Endorsed Local Provider in your area that we recommend.



daeramsey.com/find-elp

Why Not Use Life Insurance for Investing?

Returns are historically _____.

When you die with cash value, the insurance company _____ the cash value.

The _____ deducted from your return are extremely _____.

Life Insurance: What to Buy

You need about _____ times your income. Invested at a 10–12% rate of return, the growth would replace your lost income.

Don't forget your _____.

Children only need enough for _____ expenses.

Make sure you have a new policy in place _____ you cancel any existing cash value policies!

Insurance to Avoid

- _____ life and disability
- _____ and hospital indemnity
- Accidental _____

- Pre-paid _____ policies
- _____ life insurance
- Policies with fancy _____
 - Return of premium
 - Waiver of premium

LEAVING A LEGACY

Loved ones should know how to find all of your insurance information, will and important records in case of emergency. Leave them a “Legacy Drawer.”



daveramsey.com/fpu/legacy

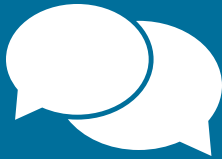
ANSWER KEY

TRANSFER	MONITORING
BANKRUPT	GOOD
DEDUCTIBLE	DEATH
LIABILITY	IDEA
COLLISION	OWN
REPLACEMENT	TERM
RENTER'S	CASH VALUE
UMBRELLA	PERMANENT
DEDUCTIBLE	SELF
STOP-LOSS	LOW
MAXIMUM	KEEPS
HSA	FEEES
TAX-SHELTERED	HIGH
INCOME	10
TRAINED	SPOUSE
OCCUPATIONAL	BURIAL
SHORT	BEFORE
65%	CREDIT
LONGER	CANCER
LOWER	DEATH
ELIMINATION	BURIAL
NURSING	MORTGAGE
60	OPTIONS



One-Minute Takeaway

What jumped out at you in this lesson? How can this affect your story?



Small Group Discussion

True life-change happens when you open up and work through this material together. Break up into discussion groups of no more than 20 people to talk through the following questions. Be honest in your answers!

1

We just watched a powerful, sobering story about why having the right kind of life insurance is so important. Take a few minutes to respond to the Steve Maness story. What, if anything, does this inspire you to do regarding your own insurance plans?

2

Having the correct types of insurance is vital to the physical and emotional health of your family. What would happen to you and your family if a catastrophic event happened and you had no or insufficient insurance coverage in one the key areas of insurance?






Breakout Group Exercise

Break into smaller groups of 4-5 people to work through the following activity. Choose a leader to read through the exercise aloud and keep the group on task. Your coordinator will call the groups back together to report your findings.

Case Study 1

Corey is a recent college graduate who needs help figuring out which insurance policies he needs. He lives in a two-bedroom apartment with his wife, Laura, who is currently not working as she finishes up school. The couple lives on Corey's \$41,000 salary, they are debt-free, and they share one car.

Corey already has the following policies in place:

-  *Renter's Insurance*
-  *Auto Insurance*
-  *Cancer Insurance*

Discuss which policies Corey and Laura should keep, cancel and add:

**POLICIES
TO KEEP**

**POLICIES
TO CANCEL**


**POLICIES
TO ADD**





Case Study 2

Vickie has been driving for 12 years without any major auto accidents—until today. It was pouring rain when she left the office, and within minutes of leaving she was forced to make an evasive maneuver that caused her to go into a spin on the wet road. After knocking an expensive, high-end luxury car down an embankment, Vickie came to a stop by smashing into the side of a mid-range sedan.


She was found to be at fault in the accident, so let's look at the extent of the damage she caused:

 **Luxury car:** This car was **totaled at \$95,000**

 **Sedan:** This car will need **\$4,000 in repairs**

 **Hospital bills:** The driver of the luxury car had \$15,000 in medical bills for a broken arm, while his passenger had **\$185,000 in medical bills** for emergency surgery and recovery.

Like many Americans, Vickie carries a 100/300/100 liability policy. Here's a basic look at what that covers:



100/300/100

1 2 3

- 1 Bodily Injury Per Person**
The most your insurance will pay (in thousands of dollars) for any injuries you cause **per person**.
- 2 Bodily Injury Per Accident**
The maximum combined amount (in thousands of dollars) your insurance will pay for any injuries you cause **per accident**.
- 3 Property Damage**
The most your insurance will pay (in thousands of dollars) to repair or replace any **vehicles or objects** you damage during an accident.

Make sure you catch this. →



DISCUSSION QUESTIONS

1. Using the summary of the accident, calculate the total dollar value of the **property damage** Vickie caused.

2. Does she have enough coverage to cover the damages? Yes No

3. How much **per person and per accident** will Vickie's insurance pay for **bodily injury** that she caused?

Bodily Injury Per Person:

Bodily Injury Per Accident:

4. Given the fact that Vickie does not have an umbrella policy in place, **how much** of the remaining hospital bills for the **passenger in the luxury car** will she be held personally responsible for?




Did something in this case study make you question whether or not you have enough liability coverage? If you need to update your policy, do it immediately! Accidents never happen on schedule. Call your insurance agent and take care of this as soon as possible!



Case Study 3

Bill and Katie want to save money on their monthly insurance expenses, but they're being careful not to make any big mistakes. They are both 32 years old, in great physical health, and each has a \$50,000 income. The couple took FPU two years ago, and they're now totally debt-free with a fully funded emergency fund.

They have several insurance policies in place, but in this exercise, we'll only focus on these three:

-  **Life:** Bill and Katie each have a 20-year **\$500,000 term life policy**.
-  **Health:** Each has a **PPO** plan with an **80/20 copay** and **\$500 deductible**.
-  **Long-Term Care:** Bill has a 10-year policy with a 180-day elimination period.

DISCUSSION QUESTIONS

1. Bill is trying to convince Katie to lower their **term life policies** to \$250,000, but Katie does not think the savings of \$8 a month is worth it. Explain to your group who you think is right and why.
2. Because Bill and Katie are in such great health, they have considered dropping their **health insurance** altogether. Discuss how and why they could come to regret this decision.
3. Identify three wise things Bill and Katie could change in their **health insurance policy** that would lower their premium.
4. Is **long-term care insurance** a wise choice for Bill right now? Why or why not?



This Week's Homework

Personal finance is 20% head knowledge and 80% behavior. Take charge of your financial behaviors by completing the following tasks this week. Be sure to work with your spouse or accountability partner where noted!



Identify your insurance coverages.

Use the Insurance Coverage Recap form in the back of the book or online to list the policies you currently have. Note any of Dave's recommended seven basic types of coverage that are missing from your list as well as any policies that you need to update or remove. Make sure your spouse or any dependents know where to find this form in the event of an emergency.



Discuss the Insurance Coverage Recap form.

Singles: Review your Insurance Coverage Recap form with your accountability partner and discuss any changes you're considering making.

Married Couples: Review the Insurance Coverage Recap form together and discuss any changes that need to be made. Make sure you both know where to find the form in the event of an emergency.



Adjust your zero-based budget.

If you changed or added any insurance policies as a result of this lesson, be sure to make the necessary updates to your monthly zero-based budget to account for any changes to your premiums.



Reading Assignment: Read the "Clause and Effect" chapter in *Dave Ramsey's Complete Guide to Money*.



A Bittersweet Victory

“Whereas you do not know what will happen tomorrow. For what is your life? It is even a vapor that appears for a little time and then vanishes away.” —JAMES 4:14

AS SCRIPTURE SAYS, you are not guaranteed tomorrow. You know this is true, but it’s so much easier to look the other way and pretend to be invincible. Sadly, reality can be a lot less pleasant than fantasy.

That’s why Dave encourages everyone—both young and old—to purchase quality term life insurance. Wise adults and loving spouses realize if they wait until tragedy hits to make provisions for their family, they’ve waited far too long.

This small effort now may end up leaving a lasting impression on your loved ones, just like it did for Kirstie and her two daughters.

Before they were married, Kirstie and her husband, Brad, took *Financial Peace University*. They

walked through the Baby Steps, lived on less than they made, used the cash envelope system, and got a good life insurance policy.

“Wise adults and loving spouses realize if they wait until tragedy hits to make provisions for their family, they’ve waited far too long.”

A few years into their marriage, while proudly following both Dave’s and her granny’s advice, Kirstie was happy to find herself pregnant with their second child. Unfortunately, the joy of a growing family was soon overshadowed by devastating news: Brad was diagnosed with stage IV lung cancer. They fought the cancer

for 13 months, but then Brad, 38, went to be with the Lord.

“Had we not had the foresight to live differently than the rest of

America, we wouldn’t have been able to plan as well as we did. We wouldn’t be where we are, had we not taken your class and really listened,” an emotional Kirstie told Dave when she called in to *The Dave Ramsey Show*.

Kirstie and Brad not only listened to the FPU principles, they were

also inspired by other people's stories to take action. They each purchased a \$250,000 life insurance policy, deciding this amount would more than cover the remaining balance on the house. If something happened to one of them, the grieving spouse wouldn't have to worry about this debt.

By working through Dave's process and applying God's ways of handling money, they tackled their debts together, with only the mortgage



“The simple task of getting life insurance is one of the most loving gifts you can ever give your family.”

remaining. When Brad lost his battle with cancer, Kirstie used the life insurance proceeds to pay off the house. “It’s kind of a bittersweet victory,” she said, “but it’s honoring what our original plan was together.”

As a couple, they were dedicated to achieving their FPU goals, including making insurance an important part of their financial plan. In total, they paid off \$136,000. Because of their focus and determination, Kirstie is able to raise



her daughters, Elizabeth and Sophia, with the financial peace of mind that only comes from

being completely debt-free.

At the end of the call, Dave challenged his listeners: “If you don’t have life insurance by the end of the day after listening to that call, and you have a family, I think something’s probably wrong with your brain.”

It’s the hearing *and the doing* that really count. The simple task of getting life insurance is one of the most loving gifts you can ever give your family. So do it!

It’s extremely difficult, if not impossible, to get good term life insurance after you’ve been diagnosed with a serious, life-threatening illness. And the truth is, you could go from totally healthy to terminally ill in a single doctor’s visit. Once you get the bad news, your chances of getting life insurance could be gone forever.

Brad left a legacy for Kirstie and their kids because he *bothered* to do this stuff. If you don’t have quality life insurance, it’s time to move this to the top of your family’s to-do list today!

KEY TERMS

Cash Value Life Insurance:

Generally a permanent life insurance policy that funds an attached savings account

Claim: Paperwork filed with an insurance company in order to get them to cover a loss

Coverage: The amount of protection through an insurance company in the event of a loss

Deductible: Amount of money an insured person must pay out of pocket before insurance payments/benefits begin

Disability: A physical or mental condition that limits or prevents someone from working to produce an income

Health Savings Account

(HSA): A tax-free savings account for medical expenses that works with a high-deductible insurance policy

Liability: One’s financial obligation when found at fault in an accident

Policy: In insurance, a contract stating the conditions and limits of specific coverage

Premiums: Amount paid monthly, quarterly, semiannually or annually to purchase insurance

Stop Loss: An insured person’s maximum out-of-pocket expense per year

Term Life Insurance: Life insurance policy that remains in force for a specified period of time