

MoneyWise Module 6

Having Adequate Insurance: Protecting You and Your Loved Ones

Personal Finance Essentials:
8 Financial Priorities

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Having Adequate Insurance:
Protecting You and Your Loved Ones

Module 6

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Discussion Topics

1. Perspectives: Windows of heaven
2. Insurance Basics: Three principles
3. Personal Insurance: Protecting you and your family
 - Health, life and disability
4. Property Insurance: Protecting your stuff
 - Home, renters, and auto
5. Employee Benefits: What's yours



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1. Perspectives: Windows of heaven

- The prophet Malachi prophesied:
 - Bring ye all the tithes into the storehouse, . . . and prove me now herewith, saith the Lord of hosts, if I will not open you the windows of heaven (Malachi 3:10).
- Paying tithing first shows that we put the Lord first in our lives
 - It doesn't it say that if we pay our tithing, we will get all the financial blessings that we need, regardless of any learning, thought, application, hard work or effort on our part.

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Financial Perspectives: God Will Open the Windows

- The prophet Malachi promised that God will open the windows of heaven
 - However, there is no promise that the windows of heaven will be financial blessings or that paying tithing will eliminate all our financial problems.
 - There are still more commandments which relate to finances in addition to just paying your tithing, i.e., living within your means, building a reserve, preparing for retirement, missions and education, etc.

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2. Insurance Basics: Three Principles

1. Don't insure the small stuff
 - Cover losses that could be catastrophic
 - Don't cover the small stuff
2. Buy broad coverage
 - Buy insurance that covers multiple types of loss
 - Don't buy coverage for limited types
3. Shop around and buy direct
 - Understand what you are buying
 - At a minimum, check with multiple agents
 - Use online sources and compare prices after discounts

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Insurance Basics: Ned Ryerson



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1993/ned ryerson/

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3. Personal Insurance: Protecting Your family

- You and your spouse are your greatest assets!
 - Make sure you have adequate coverage
 - Three key areas:
 - a) Health
 - b) Life
 - c) Disability



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Personal Insurance: Health

How do you protect your health?

- Things that could be devastating to family finances
- Choosing the best plan
 - Basic health insurance
 - Major medical coverage
 - Choice of providers
 - Lifetime maximums
 - Deductibles and copays
 - Guaranteed renewable



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Personal Insurance: Buying Health Coverage

- The Process of Buying Health Insurance
 - First, try to get it through your employer.
 - This is generally the cheapest method
 - Second, see if you belong to a qualifying group
 - Group insurance is generally less expensive
 - Finally, buy individual coverage
 - Look for a company committed to health insurance, not where health is a sideline business
 - Look to buying health insurance from your state's insurance exchange (Obamacare)
 - Look into a high deductible health plan (a requirement for a Health Savings Account)

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Personal Insurance: Health Recommendations

- The best health insurance: Diet, exercise, and the Word of Wisdom
 - Don't drink or smoke
 - Get plenty of rest
 - Exercise regularly
 - Eat healthy foods
 - Make time for relaxation
 - Have regular medical check-ups



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Personal Insurance: Life insurance questions

How much is your life worth?

- Why have life insurance?
- Who needs life insurance?
- How much life insurance is needed?
 - 10-20 times income is recommended (the higher end)
- Do you need life insurance your entire life?
- Which type of life insurance: Term versus cash value?
 - Term is much less expensive and gives required coverage (recommend 10-30 year level convertible term)
 - Be very careful mixing insurance and investments
 - Know what you are buying—it is expensive to change

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Personal Insurance: Disability

How do you protect your income stream?

- Like life insurance, disability insurance should cover a portion of the loss of income
 - Typically provided by employers
 - Your coverage should replace about 60% of your income
 - The longer the waiting period, the cheaper the policy
 - You are more likely to become disabled than die prematurely

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4. Property Insurance: Protecting your stuff


How do you protect your property?

- What losses would be catastrophic?
- Homeowners insurance
 - What would it cost to replace your home and its contents?
 - What would your costs be while rebuilding?
- Renters insurance
 - Loss of personal property and liability insurance
 - Covers contents regardless of location
 - Very inexpensive--buy it through your auto insurer

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Insurance: Property



- Automobile insurance
 - Four areas of coverage:
 - Liability (recommend \$100/300/100 minimum)
 - Medical payments
 - Uninsured motorists protection
 - Property Damage ("full coverage")
 - Understand comprehensive and collision
 - To reduce costs, shop around, take as high a deductible as you can afford, and drop full coverage when value < \$4,000
- Liability insurance
 - Protect your assets against a lawsuit
 - What form, what riders, how much, and *when*?

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Adequate Insurance: Financial Priority 7

- Take two minutes to talk as a group or couple
 - What is the importance of insurance?
 - If married, how much life insurance is needed? Which kind? (convertible term is recommended)
 - What kind of health insurance should you have?
 - What should your auto limits be? (100/300/100 minimum recommended)
 - Write these on your "Eight Financial Priorities" sheet

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5. Employee Benefits: What's yours

- Understand your employee benefits
 - Benefits can include retirement, health and life insurance, flexible spending, tuition, etc.
 - A good benefits package can be better than a 40% raise
- Retirement
 - Defined (or employee) contribution plans
 - Roth/Traditional 401(k)/403(b), and Keogh plans
 - Capture the match!
 - Defined benefit (pension) plans
 - Examples

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Employee Benefits: Other Benefits

- Health Care
 - HMOs, PPOs,
 - Health Savings Accounts (HSAs)
 - State insurance exchanges
- Flexible Spending
 - Examples (healthcare, childcare)
 - Tax Advantages
- Group Life
 - Basic and supplemental
- Tuition Reimbursement

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Teach Your Children: Financial Priority 8

- Take two minutes to talk as a group or couple
 - After all this information, what will you teach your children?
 - What are the important lessons that your children should understand?
 - What things can you teach at this stage of their lives?
 - How are you going to teach them and make it fun?
 - Write these on your "Financial Priorities" sheet

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Protecting Your Family Take Aways

1. Perspectives: Windows of heaven
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Seminar Conclusion: Our purpose and process

- **Our Purpose:**
 - To help individuals and families become *spiritually* and *temporally* self-reliant through *faith* in Jesus Christ and through *unified* and *consecrated* stewardship of resources
- **Our Process:**
 - Three 2 hour lessons with topics:
 1. Understanding Principles and Living Beneath your Means
 2. Saving and Investing and Tax and Long-term Planning
 3. Making Major Purchases and Having Adequate Insurance

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Seminar Conclusion: Our Doctrines (the why)

- What are the doctrines, the “whys” of personal finance?
 - We believe God wants us to learn and apply personal finance to:
 - 1. Bring us to Christ
 - 2. Help us accomplish our divine missions
 - 3. Help us return with our families to His presence
 - 4. Become wiser stewards

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Seminar Conclusion: Our Principles (the what)

What we do is based on four principles:

1. **Ownership:** Everything we have is the Lord's
 - The earth is the Lord's, and the fullness thereof; the world, and they that dwell therein (Psalms 24:1).
2. **Stewardship:** We are stewards what the Lord has given us
 - It is expedient that I, the Lord, should make every man accountable, as a steward over earthly blessings (D&C 104:13).
3. **Agency:** Agency is among God's greatest gifts
4. **Accountability:** We are accountable for our choices!
 - We control the disposition of our means and resources, but we account to God for this stewardship (Elder Christoffersen, "Come to Zion," Ensign, November 2008).

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Seminar Conclusion: Our Application (the how)

- We want you to set goals in 8 key areas, and write them on our “Eight Financial Priorities” worksheet
 - 1. Pay the Lord first
 - 2. Manage your money and use a budget
 - 3. Avoid and pay off debt
 - 4. Prepare for financial emergencies and build a reserve
 - 5. Save and invest for short- and long-term goals
 - 6. Protect yourself and your family through adequate insurance
 - 7. Open communication about finances, and
 - 8. Teach your children and family

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Seminar Conclusion: Our challenge to you

- President Uchtdorf counseled on self reliance:
 - There is no one-size-fits-all answer in Church welfare. It is a self-help program where individuals are responsible for personal self-reliance . . . To implement divine welfare principles, you need not look always to Salt Lake City. Instead you need to look into the handbooks, into your heart, and into heaven. Trust the Lord's inspiration and follow His way. In the end you must do in your area what disciples of Christ have done in every dispensation: *counsel together, use all resources available, seek the inspiration of the Holy Ghost, ask the Lord for His confirmation, and then roll up your sleeves and go to work* (italics added, Dieter Uchtdorf, “Providing in the Lord's Way,” Ensign, November 2011).

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Seminar Conclusion: Seminar Take Aways

- What are your final take aways from this Seminar?
 1. Understanding Financial Principles: Setting Priorities
 2. Financial Freedom: Living Beneath your Means
 3. Saving and Investing: The Road to Financial Independence
 4. Tax and Long-term Planning: Key Issues
 5. Making Major Purchases: the Home and Auto Decision
 6. Having Adequate Insurance: Protecting you and your Loved Ones

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FHE Suggestions

- ❑ Review sections of *Personal Finance for Dummies* applicable to your situation
- ❑ Check current auto coverage, check rates
- ❑ Call two competitors for quotes
- ❑ Check health insurance rates
- ❑ Determine how much personal (health, life, and disability) and property insurance you need, check rates, etc.

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Resources

***All Resources are Online at <http://personalfinance.byu.edu>

Readings

- Reading 6.1 Terry H. Buckner, "Property, Casualty, and Health Insurance," Marriott School Magazine, Summer 2005, pp. 8-13.
- Reading 6.2 William S. Bennett, Jr., CLU, ChFC, "Personal Insurance," Marriott School Magazine, Winter 2005, pp. 5-9.

Websites

- BYU Personal Finance Website: <http://personalfinance.byu.edu>

MoneyWise/Young Married Reference Manual and Videos:

- Chapter 11. Insurance 1: Basics
- Chapter 12 Insurance 2: Life Insurance
- Chapter 13. Insurance 3: Health, Long-term Care, and Disability Insurance
- Chapter 14. Insurance 4: Auto, Homeowners and Liability Insurance

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