



# Fix Your Finances 2020 Quick Review

Class 4- Buy the Right Insurance

# 2 Types of Insurance



INCOME PROTECTION



ASSET PROTECTION





# Insurance for Income Protection

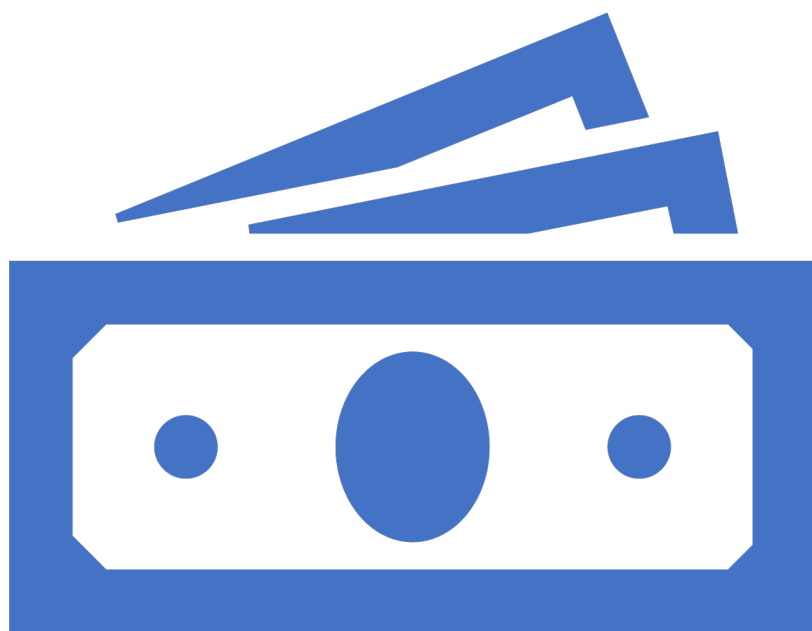
- Life Insurance provides a lump sum that can be converted into an income stream to replace the income your family would have received from your work efforts. Employers generally provide 1 year of income as a benefit, so you purchase your own individual policy.
- Disability Insurance provides a monthly income along with Social Security Disability to replace your income due to a particular disability or accident. Most disability insurance is purchased through an individual policy.

## A black stethoscope is positioned diagonally across the frame. The chest piece, which is circular and black, rests on a white computer keyboard. The tubing of the stethoscope is black and extends towards the bottom right corner. The keyboard is white with black lettering on the keys. The background is a plain, light-colored surface.

- Health Insurance provides reimbursements for medical expenses that you as an individual will incur from any type of illness or accident. You as an individual are responsible for these costs. You trade a premium in return for the insurance company to take on a portion of that liability.
- Long Term Care Insurance provides reimbursements to you directly should you be confined in a nursing home or certain other care facilities. You as an individual are responsible for these costs. You trade a premium in return for the insurance company to take on a portion of that reimbursement.

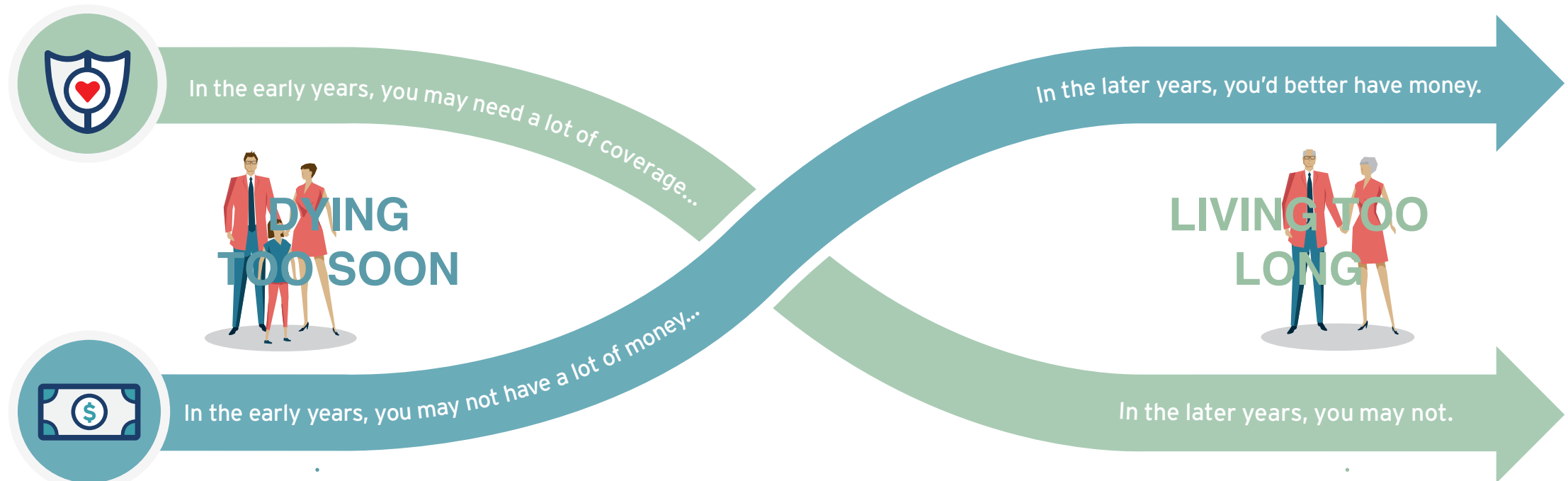
# Asset or Liability Protection Insurance

- Auto Insurance provides reimbursements for damage to your car or a claim against you should someone be hurt by your car. You as an individual are responsible for these costs. You trade a premium in return for the insurance company to take on a portion of that reimbursement or liability.
- Homeowners or Renters Insurance provides reimbursements for damage to your residence or a claim against you should someone be hurt at your residence. You as an individual are responsible for these costs. You trade a premium in return for the insurance company to take on a portion of that reimbursement or liability.



Income Protection

# Two Problems- Dying too Soon and Living too Long



..... **Today** ..... **At Retirement** .....

Young children ..... Grown children

High debt ..... Lower debt

House mortgage ..... Mortgage Paid

**Loss of income would be devastating** ..... **Retirement income needed**

# What is Life Insurance For?

- Life Insurance is the Foundation of your Financial Plan
- Life Insurance is income protection
- Your income provides for expenses of your family
- Life Insurance provides a lump sum to replace the future earnings that someone would earn
- The goal is to one day be self insured with savings and investments at which time you can drop your coverage



# Should You have Life Insurance Outside of Work?

- Employer Sponsored Group Life Insurance generally will provide 1- 2 years of earnings and in many cases only \$20,000 as a final expenses plan
- Group Life Insurance does not transfer with you if you change jobs and puts you at risk of being uninsurable based on your health conditions
- 50% of families are either without life insurance or are under insured
- Level Term insurance which is protection only provides the most affordable coverage





# 2 Types of Life Insurance

## Term

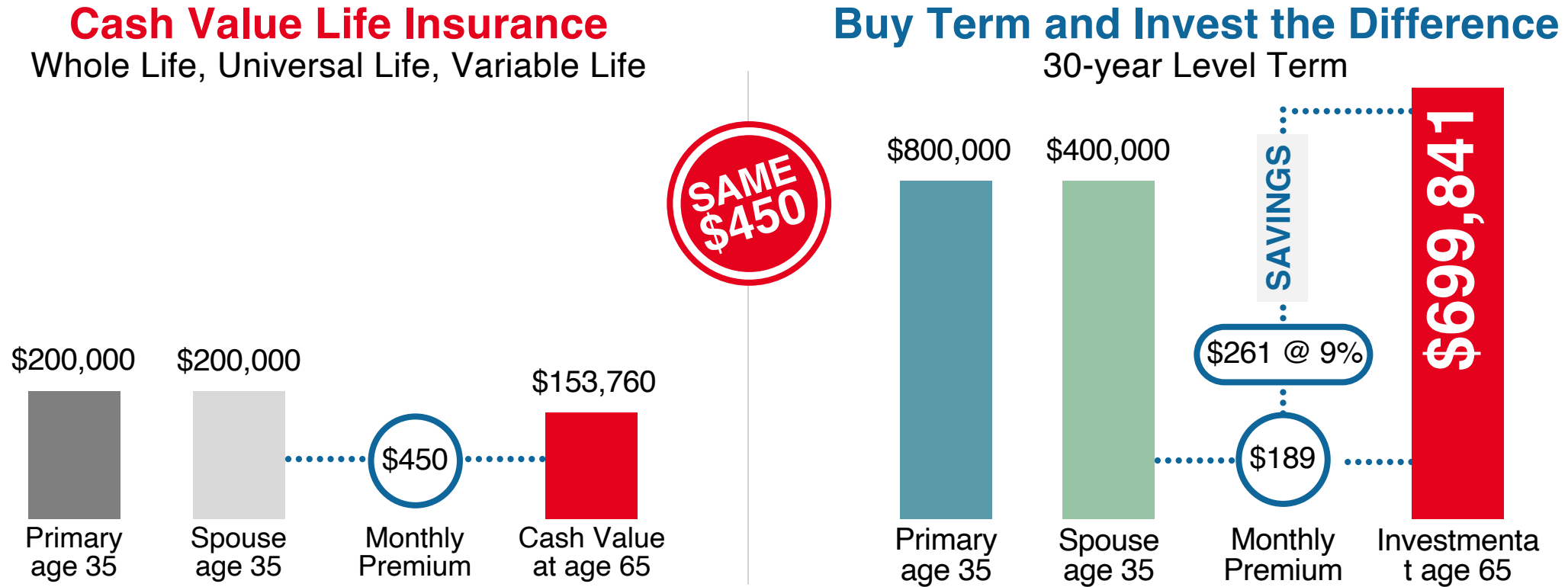
- Level Premium up to 35 Years
- Low Cost Protection Only
- No Cash Build Up
- Age 35
- \$1,000,000 Death Benefit
- \$99 Per Month

## Cash Value

- Level Premium to Age 100
- Builds Up Cash Value
- High Cost
- Age 35
- \$1,000,000 Death Benefit
- \$1,125 Per Month



# Term vs. Cash Value



**Which program would you want?**

Monthly premium and accumulated cash value for cash value policies is an average of whole life policies from three major North American life insurance companies for male and female, both age 35 and standard risk. Cash value life insurance can be universal life, whole life, etc., and may contain features in addition to death protection, such as dividends, interest or cash value available for a loan or upon surrender of the policy. Cash value insurance usually has level premiums for the life of the policy. Term insurance provides a death benefit and its premiums increase after initial premium periods and at certain ages. Primerica monthly premium for 30-year Custom Advantage Policy: primary (17CJ0(30)) and spouse rider (17CK0(30)), both age 35, non-tobacco use, underwritten by Primerica Life Insurance Company, Executive Offices: Duluth, GA. The accumulation figure reflects continued investment at the same rate over 30 years at a 9% nominal rate of return compounded monthly and does not take into consideration taxes, fees or other factors, which would lower results. This example uses a constant rate of return, unlike actual investments, which will fluctuate in value. This is hypothetical and does not represent an actual investment.

Not for use in New York.

# How Much Coverage Do I Need?

- Age 35
- Primary earning \$5,000 per month
- Spouse earning \$3,300 per month
- Over the next 30 years without a raise:
- Primary will earn \$1,800,000
- Spouse will earn \$1,200,000

# How Much Coverage Do I Need?

- Total Family Income **\$3,000,000**
- If something happened to either of the earners how much of the income do you think they would want to have for their family?



## Do You Know How Much Coverage You Need for You and Your Loved Ones?

- \$5,000 Per Month
- Coverage Needed \$686,000
- \$3,300 Per Month
- Coverage Needed \$459,000
- Total Premium \$112 per month

# How much does Term Life Income Protection Cost?

- Total Premium \$112 per month
- Represents 1.3% of Total monthly Income
- Insures 100% of the \$3,000,000 in future earnings
- Doesn't it make sense to set aside 1.3% of your monthly income to insure 100% of your Lifetime Earnings?



# Smart Tips on Buying Insurance

- Become more Self-Insured as your Assets Grow by raising your deductibles. You can raise deductibles on Home, Auto, Health Insurance and Increase the waiting period on Long Term care and Disability Income Payments
- Buy Term Life Insurance enough to replace your income and you can drop the Term Insurance once you reach your FIN
- Always have enough personal liability coverage to protect you against potential lawsuits. A personal Umbrella Policy is a cheap way to have an insurance company's law firm protect you

Recap






# Fix Your Finances 2020

Class 5- Debt Elimination





High  
Consumer  
Debt- Bad  
Debt

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Problem: Consumer Debt is robbing America's financial security

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Solution: Implement systematic plans to permanently eliminate debt, freeing up money to save & invest.

# The Bad News About Compounding- Lets Fix It

- Did you know if you made a **one-time \$3,000 credit card purchase with an 18% interest rate with no new purchases** and made only the minimum payments, it would take at least **10 years to pay off** and you would end up paying more than **\$2,002 in interest charges?**

$$\begin{array}{ccccccc} \$3,000 & + & \$2,002 & = & \$5,002! \\ \text{Purchase} & & \text{Interest} & & \end{array}$$

Assumes 18% APR and a minimum payment of 3.5% of the balance or \$20 if more.

# What is Bad Debt

- You can't afford the payment easily
- The underlying thing the debt is tied to depreciates cars, credit cards etc.
- Rule never finance things that depreciate



# What is Good Debt?

- You can easily afford the payment
- You are financing an appreciating asset such as a home, rental property, business or some type of asset



# Getting Started Eliminating Bad Debt

# Fix The Foundation

- Get Mad about being Broke and Make a Decision to Fix it
- Have a Working Budget and Stop Spending More than You Make
- Fire all Expenses and Rehire only the ones that are totally necessary
- Food, Shelter, Insurance and Transportation
- Create a Plan



# Solution #1: Implement Debt Stacking

- Save \$1,000
- Stop using existing credit and don't establish new credit

## Get Started

- Minimum Payments to all Debts
- Apply all additional monies to smallest balance, until paid off.
- Continue minimum payments to remaining debts and all additional monies to smallest balances until all debt is paid. Requires Discipline.
- Best plan is to auto-pay set amount to each bill until it is paid off with a larger portion going to the smallest debts
- Once one bill is payed off apply that money automatically to the remaining bills

# Revolving Debt vs. Fixed Debt

Look at how revolving debt can erode your financial security:

## Revolving Debt

\$17,000 @ 18%  
\$595/month\*

**\$12,500** in interest paid

17 years and 2 months to pay off

## Fixed Debt

\$17,000 @ 18%  
\$595/month fixed\*\*

**\$5,370** in interest paid

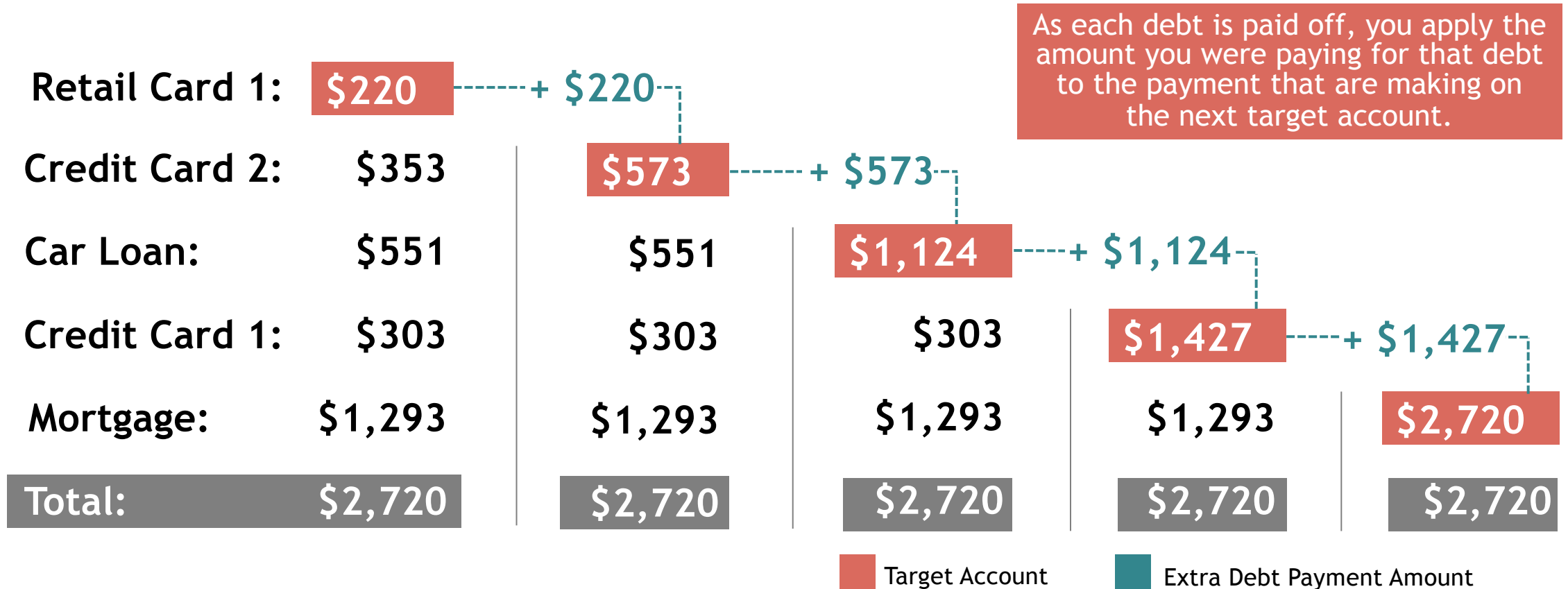
3 years and 2 months to pay off

\*Assumes revolving payment (minimum) is 3.5% of the remaining balance or \$20, whichever is greater. First month's payment is shown and term assumes continued payment of minimum amount with no additional amounts paid. No additional debt incurred.

\*\*Assumes payment of 3.5% of initial loan amount, no additional debt incurred and payment amount remains fixed throughout term of loan.



# The Debt Stacking Concept\*



\*The above example is for illustrative purposes only. The Debt Stacking concept assumes that: (1) you make consistent payments on all of your debts; (2) when you pay off the first debt in your plan, you add the payment you were making toward that debt to your existing payment on the next debt in your plan (therefore you make the same total monthly payment each month toward your debts); (3) you continue this process until you have paid off all of the debts in your plan. In the example above, when Retail Card 1 is paid off, the \$220 payment applied to Retail Card 1 is applied to Credit Card 2, accelerating its payment to \$573. After Credit Card 2 is paid off, the \$573 payment applied to Credit Card 2 is applied to Car Loan for a total payment of \$1,124. The process is then continued until all debts are paid off. Note that the total payment per month remains constant.

## The Debt Stacking Concept

Category	Without Debt Stacking	With Debt Stacking
Payoff	23 Years	9 Years 14 Years Sooner
Interest Avoided	\$0	\$130,643
Interest Paid	\$214,442	\$83,799
Monthly Payments	\$2,720	\$2,720

- Debt Stacking assumes that you add no additional debt and make the same monthly payment each month using the Debt Stacking method. Debt Stacking assumes that when you pay off the first target account, you then apply the amount of money you were paying toward the first target account to the next target account and continue with this process until you have paid off all the debts you have targeted.

## Solution #2 Debt Consolidation


- Establish a written budget
- Establish an equity line of credit or refinance your existing first mortgage if you can cut interest costs
- Consider a 15-year mortgage- should be a lower rate
- Borrow enough if possible, to pay off all debts and establish a small emergency fund
- Make a decision to never get back in the situation ever again

# Avoid These Common Credit Mistakes

1. Not valuing your credit
2. Raising credit card limits
3. Not monitoring your credit history
4. Not monitoring your credit score
5. Not knowing your interest rate and fees

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## Next Week Begins “Creating the Offense”

- Rule of 72
  - Time and Consistency
  - Become an Owner not a loaner
  - How Mutual Funds Work
  - Investment Spectrum
  - Investment choices- Allocation
  - Target Date and Company Retirement Plans
  - Retirement Planning Options
  - College Plan Options
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- A series of yellow dashed line segments are arranged in a curved, upward-sloping pattern in the bottom right corner of the slide.

Recap





# Thank You for Attending

- If you need help with anything that we covered tonight or if you have questions be sure and reach out to the person that invited, you through the private link. Text or email and they will follow up with you.  
**Take Action for Your Family**
- Do you have a friend or family member that would benefit from this information? Forward your private link that you received and encourage them to register for next week.

# Do you need a work from home plan to earn extra Income?

- 54% of adults want to work remotely most of the time after the pandemic, according to a new study from IBM
- IBM conducted a survey among 25,000 people to gauge how perspectives about work, transportation, and leisure changed since the outbreak of the coronavirus.
- Working from home could make workers happier and save employees and employers money.
- Of those surveyed, 75% said they would like to continue to work from home in at least a partial capacity, while 40% of respondents said they feel strongly that their employer should give employees the choice to opt-in to remote work.
- Ask the person who invited you to send you a link to our upcoming "Join Our Team Webinar"

