Risk Management Strategies

Module 8

Created By: NEBRASKA COUNCIL ON ECONOMIC EDUCA[TION]

Here are the key points we will cover in Module 8:

1. **Understanding Risk and Insurance Basics**
2. **Risk Management Strategies**
3. **Behavior & the Cost of Insurance**
4. **Types of Insurance & What they Cover**
5. **Planning for Insurance Coverage**
6. **Long-Term Risk Planning >**
   Estate and Legacy Planning

Module Optional Video

The Nebraska Council on Economic Education recorded a series of videos through their Public Employees Financial Wellness Series.

One of the videos covers insurance and risk management strategies in its entirety. If you would like to use this video for your class, start the video at 06:30 and end it at 1:04:00.

Otherwise, the remaining slides cover the content for this module.

01

Insurance Basics

In this section, you'll learn the terminology necessary to begin understanding insurance such as premiums, deductibles, perils, and risk factors. You'll also learn how insurance works and how companies make money.

Intro to Insurance

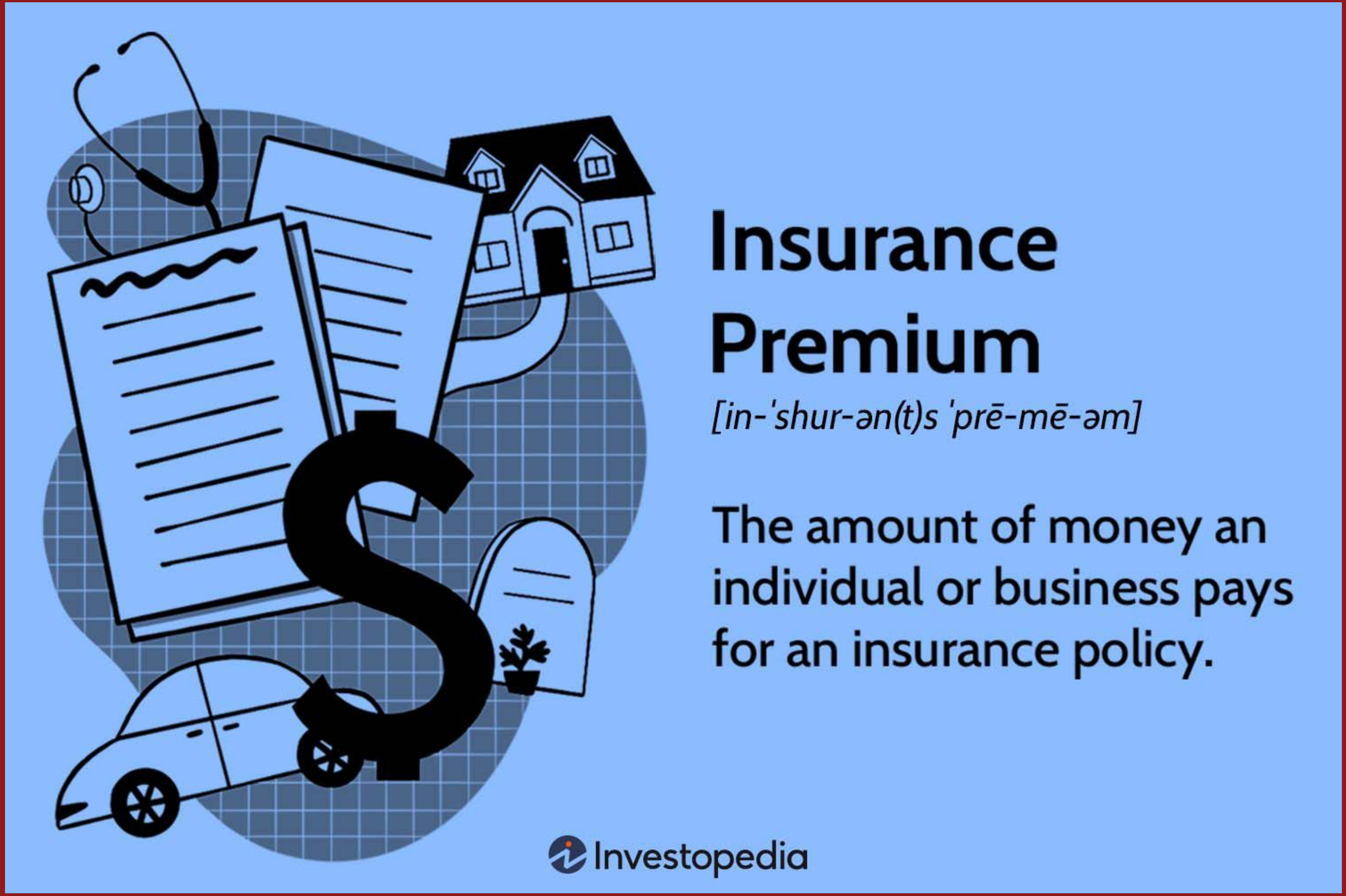
Life is full of risks - accidents, illnesses, natural disasters, even losing valuable items.

Insurance is a way to protect yourself financially when the unexpected happens. Instead of paying for a huge loss all at once, you pay a small amount (a premium) over time. In return, the insurance company helps cover the big costs if something goes wrong.

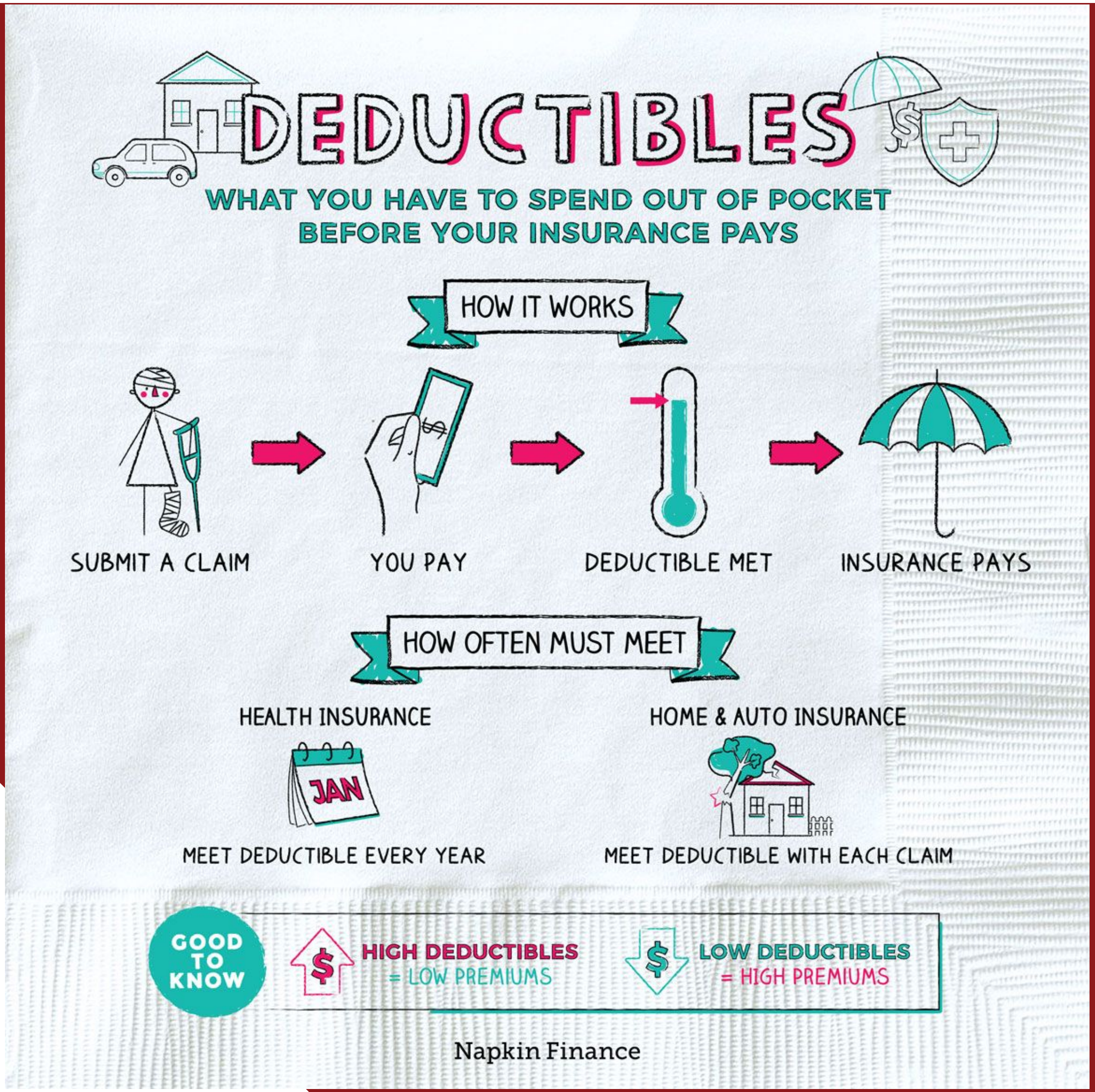
Watch this video to understand the purpose of insurance better: **EdPuzzle Video**

This resource is inspired by NGPF's Lesson Intro to Insurance

Insurance Premiums



Insurance Deductible + Limit



Insurance Peril

A peril is any event, situation, or incident that causes property damage or loss.

There are three broad categories commonly referred to in the insurance industry:

- Human perils
- Natural perils
- Economic perils

Ex: Fire, theft, wind, and vandalism are common perils that homeowners insurance can cover.

What is Risk in Insurance?

Risk = the chance that something bad (loss, accident, damage) will happen

Insurance companies study risk to decide:

- Whether to insure you
- How much your premium will be (the higher the risk, the more you usually pay)

Examples of Risk:

- A teen driver is considered high risk
- A healthy nonsmoker is considered low risk
- Living in a flood zone = higher risk

Insurance Risk Factors

The following are factors underwriters take into consideration when determining policy coverages and premiums, depending on the type of insurance:

- Age and gender
- Occupation
- Health status
- Family health history
- Habits such as tobacco, alcohol, or drug use
- Risky hobbies such as deep-sea diving or skydiving

Thinking Prompt

Imagine you’re buying car insurance.

- Plan A: $100 monthly premium, $500 deductible, covers accidents & theft.
- Plan B: $70 monthly premium, $1,000 deductible, covers accidents only.

Which plan would you choose and why? How do the premium, deductible, limits, and perils covered affect your decision? How does your personal risk level (like driving experience) play a role?

Other Key Terms to Know

- Claim = a formal request to the insurer for payment after a covered event
- Coverage = the protection provided by your insurance policy
- Policy = the official contract that outlines what is covered and under what conditions
- Liability = Your legal responsibility for hurting someone or damaging property

Things to know and remember:

Insurance rates vary, so shop around!

Multiple factors go into car insurance

Insurance extends to travel and caring for pets, too

Even investments have insurance

Be wary of insurance fraud

Activity Option

MOVE: What Determines Your Insurance Premium?

As you've seen, your premium will change based on the size of your deductible and the coverage limit. But, as you've also learned, insurance companies also use your risk factors in determining how much your insurance should cost. That's why drivers who have been in many accidents pay higher premiums (or can't even qualify for insurance) than safer drivers. Follow the instructions to complete the activity.

This activity is from NGPF's Lesson Intro to Insurance

How Does Insurance Work?

This resource is from NGPF's Lesson Intro to Insurance

This video will explain how insurance companies manage to make money, when it seems they might be stuck paying out huge claims for ruined houses, wrecked cars, and stolen laptops.

Why do you think the mathematical models used by insurance companies are so complex?

What is at stake if an insurance company's models aren't particularly good at predicting risk?

Activity Option

Create a matching activity for the definitions in this section with a scenario.

Example definitions (deductible, premium, peril, claim, coverage)

Example scenarios (1. A hurricane causes roof damage to your house; 2. The $1,000 you must pay before your insurance helps; 3. What your insurance pays to fix or replace property; 4. The monthly fee you pay for your insurance; 5. Filing paperwork to request payment after an accident.

02

Risk Management Strategies

The basic methods for risk management - avoidance, retention, sharing, transferring, and loss prevention and reduction - can apply to all facets of an individual's life and can pay off in the long run. You'll take a look at these methods in this section.

What is Risk Management?

- Risk management = the process of identifying, assessing, and choosing how to deal with risk
- Not all risks can (or should be eliminated) - but you can manage them wisely
- People and businesses use different strategies depending on the situation.

5 Basic Methods for Risk Management

As people begin to age, they usually encounter more health risks. Managing pure risk entails the process of identifying, evaluating, and subjugating these risks - a defensive strategy to prepare for the unexpected. On the following slides, you'll learn more about the 5 basic methods for risk management:

Avoidance, Retention, Sharing, Transferring, & Loss Prevention and Reduction

Avoidance

This method mitigates risk by not participating in activities that may incur injury, sickness, or death. Smoking cigarettes is an example where avoiding it may lessen both health and financial risks.

Life insurance companies mitigate this risk on their end by raising premiums for smokers versus nonsmokers. Under the Affordable Health Care Act, up to a 50% surcharge can be charged in premiums for smokers.

Retention

This is the acknowledgment and acceptance of a risk as a given. Usually, this accepted risk is a cost to help offset larger risks down the road, such as opting to select a lower premium health insurance plan that carries a higher deductible rate.

The initial risk is the cost of having to pay more out-of-pocket medical expenses if health issues arise. If the issue becomes more serious, then the health insurance benefits are available to cover most of the costs beyond the deductible.

Sharing

Sharing risk is often implemented through employer-based benefits that allow the company to pay a portion of insurance premiums with the employee.

This shares the risk with the company and all employees participating in the insurance benefits. The more people that participate and share the risk, the lower the cost of premiums.

Transferring

Use of health insurance is an example of transferring risk because the financial risks associated with health care are transferred from the individual to the insurer.

Insurance companies assume the financial risk in exchange for a fee known as a premium and a documented contract between the insurer and the individual.

A careful algorithm is used to determine proper premium payments for the requested coverage.

Loss Prevention and Reduction

Attempts to minimize the loss, rather than completely eliminate it. While accepting the risk, it stays focused on keeping the loss contained and preventing it from spreading.

An example of this in health insurance is preventative care.

Health insurers encourage preventative care visits, often free of co-pays, where members can receive annual checkups and physical examinations. Spotting potential health issues early on helps minimize medical costs in the long run.

Thinking Prompt

Match each situation to the best risk management strategy you just learned about:

1. You install a burglar alarm at home.
2. You choose not to go skydiving.
3. You buy renters insurance
4. You decide to pay for minor dental work instead of insurance.

Thinking Prompt Answer

Match each situation to the best risk management strategy you just learned about:

1. Reduction
2. Avoidance
3. Transfer
4. Retention

Activity Option

Design a Risk Plan

Have students choose one of the following life situations:

- A high school student with a part-time job
- A college student living off-campus
- A working adult with a family

Create a risk-management plan by listing: 3-4 possible risks and how you would manage each one using retention, avoidance, reduction, or transfer.

03

Behavior and the Cost of Insurance

Explain how one's mindset, habits, behaviors, and choices affect the cost of insurance and identify ways to reduce this cost.

Your Behavior Affects Your Premium

- Insurance companies set your premium based on how risky you are to insure
- Your habits and behaviors can raise or lower your cost
- The safer, healthier, and more responsible you are = cheaper coverage

Insurance Type	Behavior That Raises Cost	Behavior That Lowers Cost
Auto	Speeding, accidents, texting while driving	Safe driving record, taking a defensive driving course
Health	Smoking, obesity, not getting checkups	Regular exercise, healthy weight, preventive care
Life	High-risk hobbies (e.g., skydiving), smoking	No major health issues, healthy lifestyle
Home	No alarm system, poor maintenance	Smoke detectors, security system, updated wiring

Example: Texting While Driving

- Getting a texting-while-driving ticket can increase auto insurance by $500-600 per year
- In some states, the rate hike can last for 3-5 years
- This adds up to $1,500 to $3,000+ extra

Safe driving doesn’t just keep you safe – it saves you money!

Ways to Reduce Your Insurance Costs

- Healthy habits and smart choices
  - Don’t smoke or drink alcohol
  - Exercise regularly
  - Schedule yearly checkups
- Safe Driving
  - Avoid tickets and accidents
  - Take a defensive driving course
  - Use telematics (driver-tracking) apps for discounts
- Home & Renters
  - Install a security system
  - Bundle policies (auto + renters/home)
  - Keep your credit score high

Pop Quiz - True or False

1. Getting a speeding ticket can increase your car insurance.
   (True or False)
2. Insurance companies can’t charge you more for being unhealthy.
   (True or False)
3. Your credit score can affect your insurance rates.
   (True or False)
4. Installing a smoke alarm can lower your homeowners insurance.
   (True or False)

Pop Quiz - Answers

1. Getting a speeding ticket can increase your car insurance. *(***True***)*
2. Insurance companies can’t charge you more for being unhealthy. *(***False***)*
3. Your credit score can affect your insurance rates. *(***True***)*
4. Installing a smoke alarm can lower your homeowners insurance. *(***True***)*

04

Types of Insurance & What They Cover

Compare and contrast types of insurance based on different types of risk.

Types of Insurance to be Aware Of

LIfe is full of surprises. Some exciting, others stressful and costly. Car accidents, kitchen fires, or medical emergencies can create huge financial burdens. Insurance helps protect you by covering part of the cost when the unexpected happens. On the next slides, we'll break down the main types of insurance policies and how each one works.

Auto Insurance
Home Insurance
Renters Insurance
Umbrella Insurance

Health Insurance
Life Insurance
Disability Insurance
Long-Term Care Insurance

AUTO INSURANCE

Auto Insurance

Driving without auto insurance is against the law in almost every state. Not only is it illegal to drive without coverage, but it could significantly cost you if you get in an accident, especially if you're at fault. There are several types of car insurance that can pay for vehicle damage and injuries after an accident:

- Liability coverage
- Uninsured/underinsured motorist coverage
- Personal injury protection
- Medical payment coverage
- Comprehensive and collision coverage

5 Factors that Affect What You Pay for Auto Insurance

This resource and questions are from NGPF's Lesson Auto Insurance

Everyone pays a different amount for auto insurance. Watch the video to the left to learn five key factors that influence how much you'll pay.

Can you think of any other factors, not mentioned, that could influence your auto insurance premiums?

Activity Option

NGPF PLAY: Types of Car Insurance

Auto insurance is a little bit like a build-your-own meal restaurant. Each type of coverage is offered individually at its own stated premium, and you choose the combination of coverages required by your state plus any additional coverages you select yourself to make on customized policy. Follow the instructions to complete this activity.

This activity is from NGPF's Lesson Auto Insurance

Auto Insurance Deductibles

Remember a deductible is the amount you pay out of pocket before insurance kicks in.

- Example: $500 deductible → you pay the first $500 of damage, insurance covers the rest

Higher deductible = lower monthly premium, but more money due if there's an accident.

Lower deductible = higher monthly premium, but less to pay after an accident.

Choose a deductible you could realistically afford in an emergency.

Auto Insurance Coverage Limits

A coverage limit = the maximum amount your insurance will pay for a claim.

Common types of required coverage:

- Liability - pays if you injure someone else or damage their property
- Medical / personal injury protection - helps pay medical bills after an accident
- Uninsured / underinsured motorist - protects you if the other driver doesn't have enough insurance.

Some states only require minimum coverage, but that might not be enough after a major accident.

An Example of Not Enough Coverage

Jasmine was driving home from college when she lost control on an icy road and crashed into another car.

- Her state only required $25,000 liability coverage, so that's what she had
- The accident caused $50,000 in damage (car repairs + hospital bills for the other driver)
- Her insurance paid the first $25,000, but Jasmine was personally responsible for the remaining $25,000.
- Without savings, she had to take on loans and was stuck in debt for years.

Lesson: Minimum coverage may be legal, but it often isn't enough to fully protect you.

Reflection on the Story

If you were Jasmine, what steps could you have taken before the accident to better protect yourself financially, and what options would you have after the accident to manage the $25,000 you now owe?

RENTERS AND HOMEOWNERS INSURANCE

What is Renters Insurance?

- Protects you if your stuff is stolen, damaged, or destroyed (clothes, electronics, furniture, etc.)
- Covers losses from things like theft, fire, or certain water damage
- Often includes liability coverage if someone gets hurt in your rental
- Pays for temporary living expenses if your apartment becomes unlivable (like after a fire)
- Usually very affordable - often $10 to $20 per month

Your landlord's insurance only covers the building, not your belongings, that's why renter's insurance matters.

What’s Your Stuff Worth?

This resource is from NGPF’s Lesson Renters & Homeowners Insurance

One reason people give for skipping renters insurance is, “I don’t have that much stuff. And none of it’s very nice.” Use the interactive Allstate activity linked to “customize” your hypothetical first apartment.

How much did the website estimate it would cost to replace all the items in your apartment? How much does it assume your renters insurance policy will cost per month? Does this surprise you?

Optional Learning: Renters Insurance Video

If you would like to learn more about how renters insurance works and why it is so valuable, watch this EdPuzzle and answer the questions throughout.

EdPuzzle

This resource is from NGPF's Lesson Renters & Homeowners Insurance

Activity Option

NGPF FINE PRINT: Renters Insurance Agreement

With all insurance policies, it's important to not only understand the fundamentals of how they work but also to dig into the specific details of your policy agreement. It's there that you'll find out exactly what is and is not covered and for how much. Follow the directions on the worksheet to complete the activity.

This activity is from NGPF's Lesson Renters & Homeowners Insurance

What is Homeowners Insurance?

- Protects your house and belongings from risks like fire, theft, or storm damage
- Covers the structure (walls, roof, garage) and your personal property (furniture, clothes, electronics)
- Includes liability coverage if someone is injured on your property
- Can pay for temporary living costs if your home is unlivable after a covered event
- Required by most mortgage lenders

Homeowners insurance is about protecting both your investment (the house itself) and your financial security

Thinking Prompt

Last spring, Miguel's neighborhood was hit by a severe thunderstorm.

- A tree fell on his house, damaging the roof and crushing part of the living room.
- The repairs cost over $20,000
- Luckily, Miguel had homeowners insurance, which paid for the repairs and covered a hotel stay while the house was being fixed.
- Without insurance, Miguel would have been forced into debt or left without a safe place to live.

If Miguel wouldn't have had homeowners insurance, how would the $20,000 affect his life, and what tough choices might he have to make?

Activity Option

[NGPF DATA CRUNCH: How Do Renters and Homeowners Insurance Compare?]

While renters insurance and homeowners insurance protect against a similar set of perils, they vary greatly in the cost of their policies (and for good reason). Follow the directions on the worksheet to complete the activity.

This activity is from NGPF's Lesson Renters & Homeowners Insurance

How an Umbrella Insurance Policy Works

It's the low-cost way to get significant extra liability coverage.

Umbrella insurance is a type of personal liability insurance that can cover claims in excess of the limits of your regular insurance policy. It covers not just the policyholder, but also other members of the family or household.

It covers injury to others or damage to their possessions

It doesn't protect the policyholder's property or liability due to injury or damage caused on purpose

Quite cheap compared to other types of insurance

How an Umbrella Insurance Policy Works

Here are some examples of incidents where an umbrella policy could provide financial coverage if your homeowner's or auto insurance isn't enough:

- Your dog runs out of the house and viciously attacks a neighbor who was going for a walk. Your neighbor sues you to cover her medical bills and lost wages
- Your daughter gets into a fight at school and punches another girl, breaking her nose. The girls' parents are suing you.
- Your teenager throws a party at your house while you're out of town. Someone brings alcohol to the party, and one of the guests is arrested for driving under the influence on the way home and you are sued.

HEALTH INSURANCE

Thinking Prompt

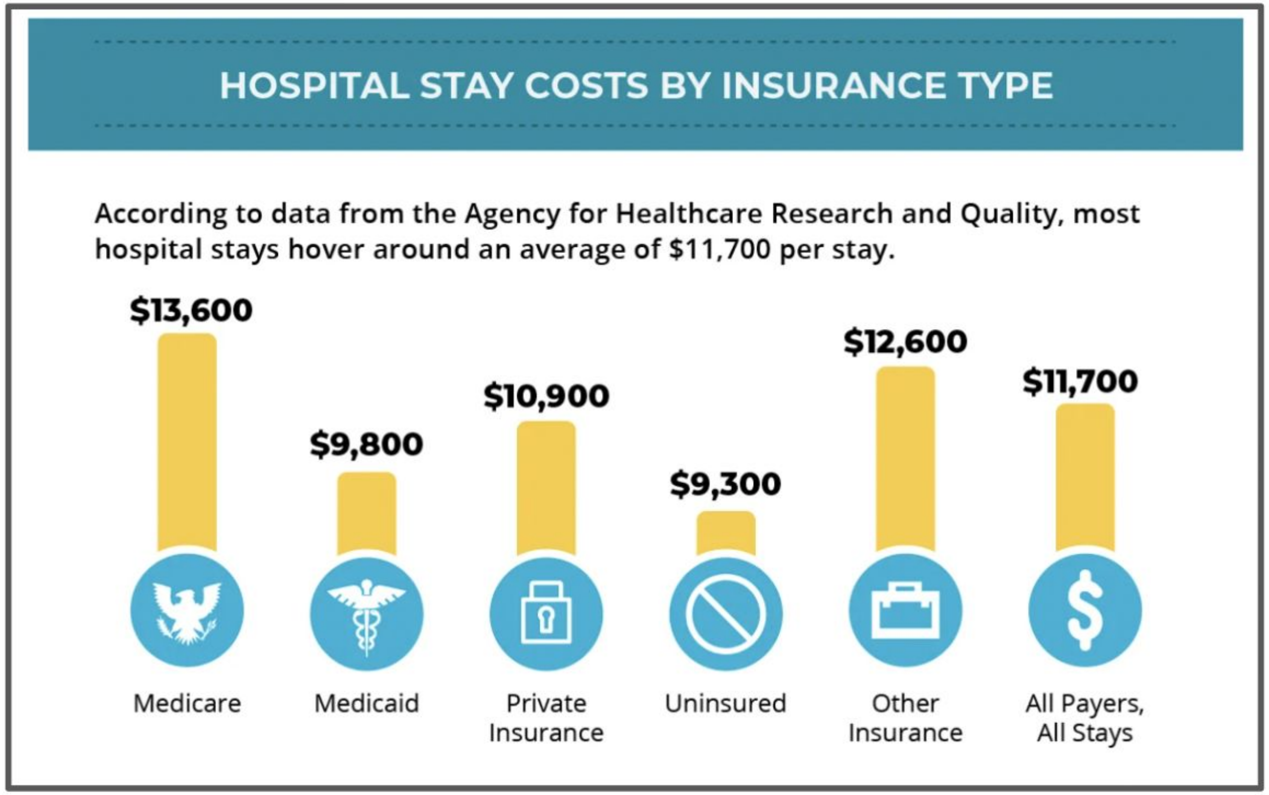
How much do you think an average overnight hospital stay costs?

a. $2,500
b. $5,230
c. $11,700

This question is from NGPF's Lesson How Health Insurance Works

Thinking Prompt Answer

About $11,700



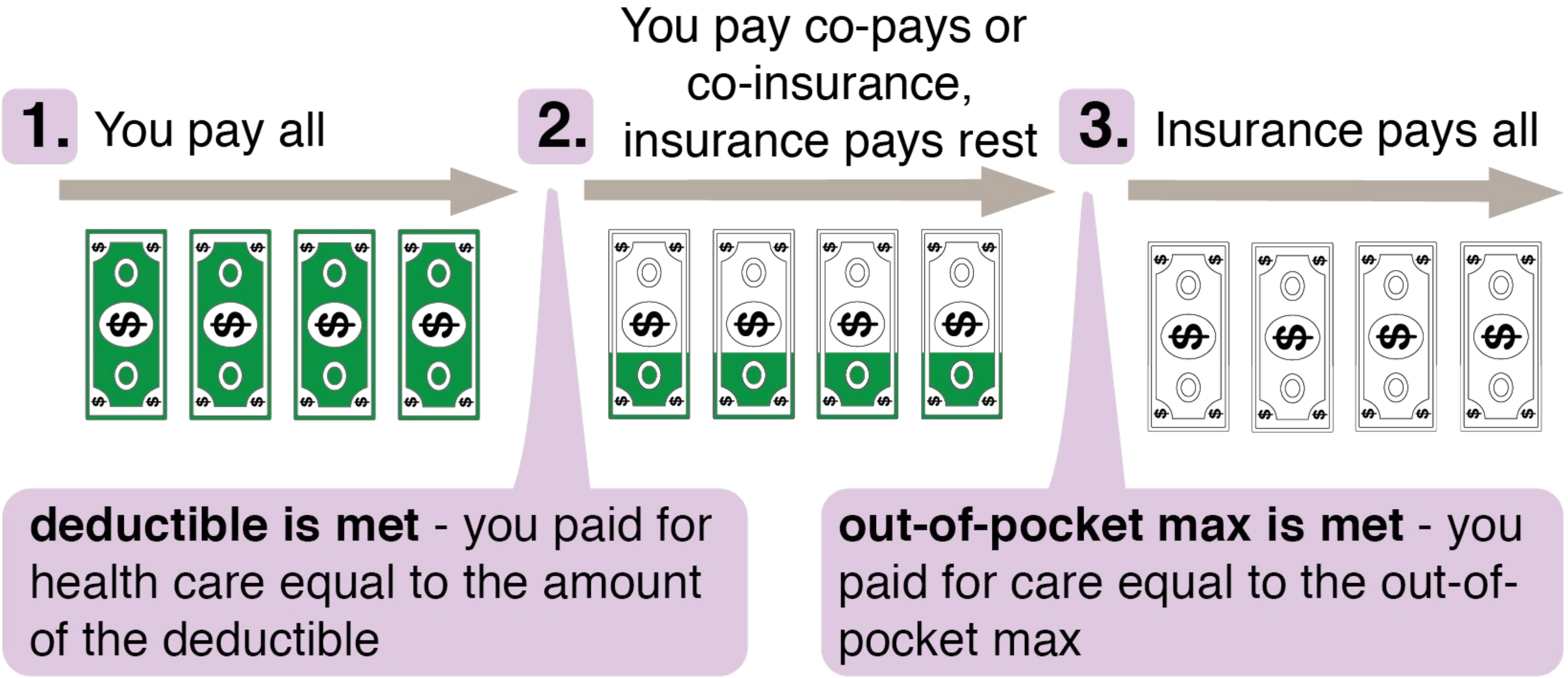
This question is from NGPF's Lesson How Health Insurance Works

What is Health Insurance?

Helps pay for medical costs so one illness or accident doesn’t ruin you financially. How it works:

- You pay a premium to keep coverage active
- When you get care, you may pay:
  - Deductible - what you pay out of pocket before insurance starts
  - Copay - fixed fee for a service (like $25 for a doctor visit)
  - Coinsurance - % of the cost you pay after deductible (like 20%)

How does Health Insurance Work



Activity Option

NGPF COMPARE: Types of Health Insurance Plans

Now that you know how costs are split between the insured party and the health insurance company, let’s learn what different types of plans are available. Follow the directions on the worksheet to complete this activity.

This activity is from NGPF’s Lesson How Health Insurance Works

Employer vs. Individual Health Insurance

Employer-Sponsored Insurance

- Provided as a benefit by your job
- Employer usually pays part of the premium
- You pay the rest through paycheck deductions
- Often lower cost than buying on your own

Individual Health Insurance

- You buy your own plan (through the Marketplace or directly from an insurer)
- You pay the entire premium yourself
- More flexibility to choose coverage, but usually more expensive

Example:

Employer Plan (through a job)

- Premium = $600/month
- Employer pays $400 → you pay $200
- Cost to you = $200/month

Individual Plan (on your own)

- Premium = $500/month
- No employer help → you pay the full $500
- Cost to you = $500/month

If you had both options, which plan would you choose and why?

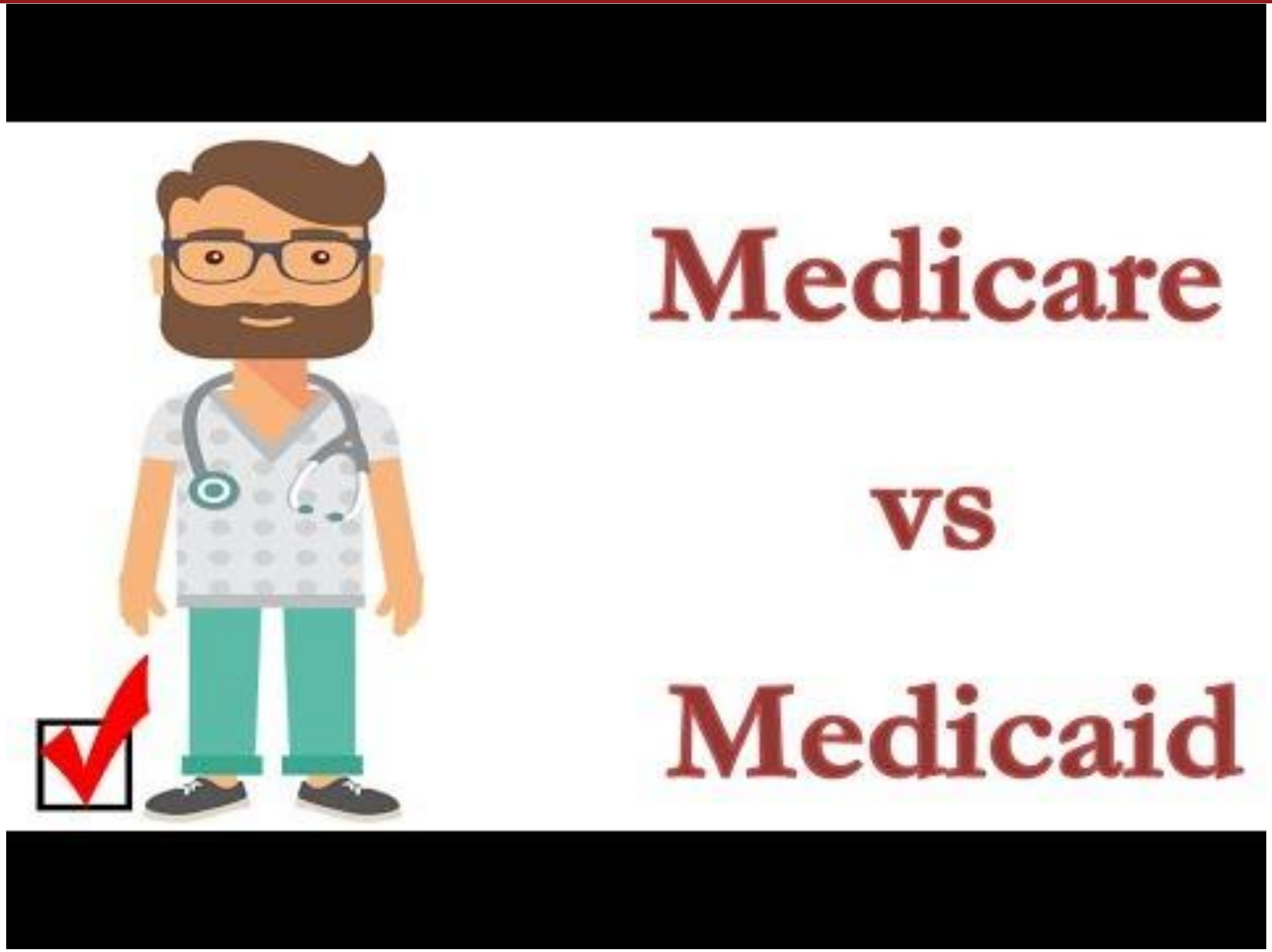
I'm Young & Healthy, Can I Skip Health Insurance?

This resource is from NGPF's Lesson How Health Insurance Works

After all this, you might be thinking that healthcare costs a lot, and it does. And, if you're lucky, you might be thinking that you don't really need health insurance because you are young and healthy. Watch the video to the left to learn why skipping health insurance might not be a great idea.

Do you think costs have increased or decreased since 2018? Explain.

What is Medicaid and Medicare?



This resource is from NGPF's Lesson How to Access Health Insurance

Americans also get health insurance through Medicaid and Medicare. Watch the video to the left to learn more.

In your own words, explain who Medicare and Medicaid support?

Why do you think the state and federal governments have decided to run these programs, rather than having everyone in the US rely on employer group or individual health insurance plans?

OTHER TYPES OF INSURANCE: PET, DISABILITY, & LIFE

Thinking Prompt

Which of these unexpected situations would worry you the most?

A) Not being able to work because of an injury or illness
B) Your pet needs a $2,000 emergency surgery
C) Your family struggling to pay bills if something happened to you

Activity Option

NGPF INTERACTIVE: BUMMER!

In this game, you'll spin the Wheel of Bummers to find out which risks are coming your way. Go to The Bummer Game to play. As you play, pay attention to how your insurance choices and the outcomes impact your total money.

After you complete the 4 rounds (pet, rental, auto, & all 3 combined), fill out the reflection questions on the worksheet provided by your instructor.

This activity is from NGPF's Lesson Other Types of Insurance

What is Pet Insurance?

- Helps cover the cost of vet care if your pet gets sick or injured
- You pay a monthly premium (like health insurance for pets)
- Covers things like: Emergency surgery, Medications, Illnesses & accidents
- You still pay part of the cost (deductible + coinsurance)
- Doesn’t usually cover routine checkups or pre-existing conditions

It protects you from big, unexpected vet bills so you don’t have to choose between money and your pet’s health.

Disability Insurance

Short-Term Disability (STD)

- Covers you if you can’t work for a few weeks or months
- Usually pays 50-70% of your income
- Common for injuries, surgeries, pregnancy recovery
- Often provided by employers

Long-Term Disability (LTD)

- Covers you if you can’t work for years, or permanently
- Can last until retirement age, depending on policy
- Protects income if you develop a serious illness or major injury
- Usually more expensive, but offers long-term security

Example: When Disability Insurance Matters

Scenario 1: Short-Term Disability (STD)

- Jordan breaks their leg in a car accident and is out of work for 3 months. STD covers part of Jordan's lost income until they can return.

Scenario 2: Long-Term Disability (LTD)

- Taylor is diagnosed with a serious illness that makes it impossible to work. She is out of work for several years. LTD provides income replacement so Taylor can still pay bills and live.

Which situation would be harder for you or your family to handle without disability insurance? Why?

What is Life Insurance?

Provides money to your loved ones if you pass away → helps them pay bills, debts, and living expenses

How it works: you pay a premium (monthly or yearly) and if you die while covered, your family (beneficiaries) receive a payout (death benefit).

Types of Life Insurance:

- Term Life - Covers you for a set period (10, 20, 30 years) Cheaper, straightforward.
- Whole Life / Permanent - Covers you for life. More expensive, but includes a savings/investment component

Why is Life Insurance Important?

1. Protects Loved Ones - provides money to cover living expenses if something happens to you
2. Pays Off Debts - Helps your family pay mortgages, student loans, or credit cards you leave behind
3. Covers Big Expenses - can fund housing, college tuition, or daily bills
4. Prevents Financial Stress - keeps your family from struggling or making tough choices during a hard time

Life insurance isn't for you → it's for the people who depend on you financially.

Example: Why Life Insurance Matters

When Marcus was 40, he unexpectedly passed away from a heart attack.

- He was the main income earner for his family
- The family still had a mortgage, car loan, and credit card debt.
- Because Marcus had life insurance, his wife received a payout that:
  - Paid off the mortgage
  - Covered daily expenses and childcare
  - Helped save for his children's college

Without life insurance, the family would have risked losing their home and struggling to afford basic needs.

Is Employer Provided Life Insurance Enough?

Many jobs offer basic health, disability, or life insurance. Usually at a low cost because your employer pays part of the premium. This is good starting coverage - but often has limits.

Why it might not be enough:

- Coverage may be too low to meet real needs (ex: life insurance payout only 1x your salary)
- Ends if you leave your job or switch employers
- May not include certain protections (like dental, vision, or long-term disability)

Supplemental insurance is extra coverage you buy on your own that can “fill the gaps” to give you more control and security for your future.

05

Planning for Insurance Coverage

Your coverage needs and costs change depending on different things!

Why Planning for Insurance Matters

- Insurance isn't one-size-fits-all
- Your coverage needs and costs change depending on:
  - Your income
  - Your age and health
  - Your family situation
  - The risks you're willing (or unwilling) to take

Think about it... should a college student and a parent with two kids have the exact same types of insurance?

Balancing Cost vs. Coverage

Higher Premium, Lower Deductible

- Pay more each month
- Less out-of-pocket during a claim
- Good for people who use insurance often

Lower Premium, Higher Deductible

- Pay less each month
- More risk if something happens
- Good for people who rarely make claims

If you're healthy & safe, you may opt for lower monthly costs - but be ready to pay more if something happens!

Key Factors That Affect Insurance Planning

Age

Older people often pay more for life/health insurance

Health

Pre-existing conditions raise costs; healthy habits lower them

Income

Higher earners may afford more coverage or lower deductibles

Dependents

Families need more coverage (life, health, home)

Risk Tolerance

Risk-takers may opt for lower coverage to save money upfront

Location

Crime rates, flood zones, and state laws influence home/auto premiums

Sample Profiles - Insurance Needs by Life Stage

Person	Coverage Needed	Why?
College Student (age 20)	Health, renters, auto (basic liability)	Limited income, living independently
Single Adult (age 30)	Health, auto (full coverage), life (basic)	Steady income, may start a family
Parent with 2 Kids	Health, auto, life (larger), home	More financial responsibility
Retired Couple (age 67)	Medicare, long-term care, home, estate plan	Fixed income, protecting wealth & wishes

06

Estate and Legacy Planning

Estate planning is a risk-management strategy!

“

You won’t live forever, so it is important to plan the best you can for when you are not here.

Estate Plans

Believe it or not, you have an estate. In fact, nearly everyone does. Your estate consists of everything you own: your car, home, other real estate, checking and savings accounts, investments, life insurance, furniture, personal possessions, etc. No matter how large or how modest, everyone has an estate and something in common – you cannot take it with you when you die…

Estate Plans

You probably want to control how those things are given to the people or organizations you care most about. To ensure that your wishes are carried out, you need to provide instructions stating whom you want to receive something of yours, what you want them to receive, and when they are to receive it. You will want this to happen with the least amount paid in taxes, legal fees, and court costs.

The state of Nebraska will write one for you if you don’t have one… so you need to get one established so you know where your assets will be distributed upon your death.

Key Estate Planning Tools

Will

Legal document that explains who gets what after you die

Healthcare Directive

Gives someone the right to make medical decisions for you if you're unconscious

Beneficiary Designation

Lists who receives your financial accounts (life insurance, retirement funds)

Trust

Holds assets to be distributed with conditions (avoids probate, offers control)

Power of Attorney

Appoints someone to make legal/financial decisions if you become unable to

💡

These tools protect your legacy and make sure your wishes are honored!

Key Components of an Estate Plan

Go to this **Investopedia article** to learn more about the checklist items every estate plan should include:

- Will & Trust
- Durable Power of Attorney (Financial)
- Beneficiary Designations
- Letter of Intent
- Health Care Power of Attorney
- Guardianship Designations

Real-Life Scenario

Taylor is 35 years old, has two kids, a savings account, and a small life insurance policy.

<u>Without a will</u>: The court decides who manages Taylor's estate, Assets may go through probate (public, time-consuming, costly), and guardianship of kids might not match Taylor's wishes

<u>With a will</u>: Taylor can name guardians, divide property clearly, and avoid family disputes

Legacy Planning – Going Beyond Assets

An extension of estate planning is legacy planning.

Your legacy is what survives you. What would you like your legacy to be? How will you leave your mark on this world? In what ways will you make it better?

Possible tools for doing so: charitable donations, scholarships/funds in your name, passing down traditions, stories, or personal values

Thinking Prompt

You are all greatly blessed with talents and skills that are uniquely yours. You have a way to fit into this world. If you focus solely on yourself, you may achieve great things, but you don't want that to feel shallow. Helping others is the antidote, making everything you've worked for more meaningful. What are some areas you could give financially to in your future life to help others? What could you start doing today, no matter how small or big?

END OF MODULE 8