

# Building Your Financial House

Set the Foundation of Your Future



## Module 6 Protect Your Potential Ex-Offender Reentry Participant Guide



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### Handouts

Case Study – Anna’s Policies

# Self-Assessment and Track Your Progress

ID \_\_\_\_\_

**Congratulations!** You are on your way to Building Your Financial House! Use this form to identify key ideas, practices, and the progress you have made to **Protect Your Potential.**

<p><b>Current Practices</b> <i>(check all that apply)</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> I have an emergency savings.</li> <li><input type="checkbox"/> I have advanced medical directive.</li> <li><input type="checkbox"/> I have a will.</li> <li><input type="checkbox"/> I have the following insurance policies:              ___ Health      ___ Disability              ___ Life        ___ Automobile              ___ Renter's/Homeowners</li> </ul>	<p><b>Prior to Incarceration</b> <i>(check all that apply)</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> I had the following insurance policies:              ___ Health      ___ Disability              ___ Life        ___ Automobile              ___ Renter's/Homeowners</li> <li><input type="checkbox"/> I have reviewed my insurance policies within the past year to make sure they meet my needs.</li> <li><input type="checkbox"/> I usually shopped at three places before making a major purchase.</li> </ul>
<p><b>Post-Session Progress</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> I set a goal to <i>protect my potential.</i>              I want to _____ by: <i>(when)</i> _____              because: <i>(impact)</i> _____              I need to: <i>(how)</i> _____              My roadblocks are: <i>(if any)</i> _____              which I can overcome by: <i>(how)</i> _____</li> </ul>	
<p><b>Worksheets</b> <i>(check if completed)</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> What Are My Potential Risks and Losses? <i>(page 7)</i></li> <li><input type="checkbox"/> Saving for Emergencies <i>(page 8)</i></li> <li><input type="checkbox"/> Calculating Life Insurance Need* <i>(page 10)</i></li> <li><input type="checkbox"/> Calculating Disability Insurance Need* <i>(page 13)</i></li> <li><input type="checkbox"/> Health Needs and Insurance Checklist <i>(page 15)</i></li> <li><input type="checkbox"/> Know Your Policies** <i>(pages 24-28)</i></li> <li><input type="checkbox"/> Documenting Your Wishes <i>(pages 31 &amp; 32)</i></li> </ul> <p><i>* Use information from the case study to complete.</i></p> <p><i>** Use information from the Case Study-Anna's Policies handout to complete.</i></p>	<p><b>Actions Taken</b> <i>(check all that apply)</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> I started an emergency savings.</li> <li><input type="checkbox"/> I will need the following insurance policy(s) upon my release:              ___ Health      ___ Disability              ___ Life        ___ Automobile              ___ Renter's/Homeowners</li> <li><input type="checkbox"/> I made/reviewed advanced medical decisions.</li> <li><input type="checkbox"/> I made/reviewed my will.</li> <li><input type="checkbox"/> I learned more from the additional resources.</li> <li><input type="checkbox"/> I shared this information with others.</li> </ul>
<p><b>Please share any additional comments you may have:</b></p>   	

## Introduction and Objectives

Welcome back to Building Your Financial House! Remember that each module will introduce money concepts (knowledge) and then the actions you can take to prepare for reentry with this knowledge. As a result of Protect Your Potential,

<p>You will know:</p> <ul style="list-style-type: none"> <li>• The potential risks to financial stability and ways to manage them</li> <li>• The types of insurance and their appropriate uses, benefits, and costs.</li> <li>• Identity theft, predatory lending and scams, and the resources for victims</li> <li>• The importance of having affairs in order in the event of an unexpected medical emergency or death</li> <li>• The importance of comparison shopping</li> <li>• The types of organizations and professionals which make up the financial system and the products and services they provide</li> </ul>	<p>Actions to take:</p> <ul style="list-style-type: none"> <li>• Establish an emergency savings</li> <li>• Identify reentry risks and establish a plan to manage them</li> <li>• Identify the health insurance needs upon release</li> <li>• Identify other types of insurance needed upon release</li> <li>• Establish or review medical directive</li> <li>• Establish or review will</li> <li>• Order C.L.U.E. report and review for errors</li> </ul>
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Forging your path to financial stability and success upon reentry will be hard, *very hard*, but achievable if you are willing to make the commitment. Keep the following in mind as you begin your reentry journey today.



## Path to Successful Reentry

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By now, you know it is time to create your path to becoming a successful ex-offender. It starts with making the commitment to becoming a productive member of society, securing gainful and meaningful employment, and living your success. Will you make that commitment?

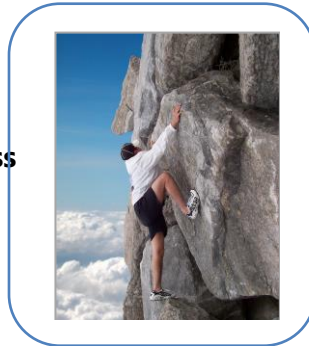
Remember also that no one can change the past, but you can direct your future. You can choose to do whatever it takes, including getting right with yourself and being in the right place with the right people. Review the key areas of which to pay attention so you can stay on the right path to successful reentry.



Source: Adapted from *New Directions-Reentry Guide* (WA State Employment Security Department)

## Managing Risk

**Risk is the chance of loss**



**from some type of danger.**

Risky behavior, such as rock climbing, increases the odds that you will suffer a severe injury. Keeping your doors unlocked increases the chance that someone will take your stuff. Who will pay for the losses or medical treatment if these things happen? You will. And replacing stolen items or paying hospital bills aren't cheap. Whether you're doing something to increase your risks or just going about your daily life, you can take steps to protect yourself. Managing risk refers to how you deal with the chance of a potential loss. Basically, you have four options.

1. **Avoid** the risk. Take yourself out of the situation altogether. Stay off the rocks! This option is the only way to truly eliminate risk.
2. **Reduce** the risk. Take steps to protect yourself. Wear a helmet, use ropes and don't go to high while rock climbing. Keep reminder notes by the door so you don't forget to lock it. These options may greatly reduce the chance of injury or loss and the severity.
3. **Accept** the risk. Take your chances: Whatever happens...happens! Don't worry about the rocks being so jagged! Someone won't really take my stuff! This may be a good strategy when the amount or likelihood of loss is small.
4. **Share or transfer** the risk. This is what insurance companies are all about. Many people choose this option to manage big financial risks, such as medical expenses or the loss of income. In exchange for a premium payment, the insurance company agrees to pay all or part of your loss.

***It's important to look at all risk management options when protecting your potential!***

**When do you know it's time to share or transfer the risk with insurance?** Let's break the question down in terms of necessary, important, or optional. Insurance is:

- **Necessary** - if the loss may cause financial ruin, interfere with your ability to earn an income or if it is required by law. Auto insurance is required, by law, in Pennsylvania.
- **Important** - if the loss may force you to borrow money to cover expenses. Renter's insurance can easily and cheaply cover the average \$13,000 of stuff owned by a single renter in a one-bedroom apartment.
- **Optional** - if the loss can be covered by other means including emergency savings, current income, or other coverage such as from an employer.

Source: Adapted from *High School Financial Planning Program* (NEFE) and from *DollarWorks 2* (University of Minnesota Extension)

## What are My Potential Risks and Losses?

**What does all this risk and insurance talk mean to your situation?** Think about the risks and losses that you may encounter upon your release. What steps can you take to manage (avoid, reduce, accept, share) the risks? What insurance, if any, might decrease the financial burden of that event?

<b>Life Event</b>	<b>Describe the Risks and Possible Loss</b>	<b>Ways to Manage Risk</b> (avoid, reduce, accept, share)	<b>Insurance Choice</b>
Example: Owning a car.	<ul style="list-style-type: none"> <li>• Car Accident</li> <li>• Theft</li> <li>• Hail Damage</li> <li>• Damage to car</li> <li>• Injury to self and others</li> </ul>	<ul style="list-style-type: none"> <li>• Obey traffic rules and speed limits</li> <li>• Wear seat belts</li> <li>• Lock doors</li> <li>• Park in garage</li> </ul>	Auto Insurance with <ul style="list-style-type: none"> <li>• collision</li> <li>• liability</li> <li>• comprehensive</li> </ul>
Returning to Your Network of Friends			
NOT Returning to Your Network of Friends			
Renting an Apartment			
Getting Married			
Having Children			
Untimely Death (yours or other)			
Stop Working/ Retirement			
Recreational Activities or Hobbies			
Other Event/Risk			

**What risks do you need to manage differently?**

Source: Adapted from *DollarWorks 2* (University of Minnesota Extension)

## Saving for Emergencies

**Nobody can predict the future**, so it makes sense to put aside money for the unexpected. Using the money saved for an emergency is better than taking out a loan or selling assets for cash. If you take out a loan, you will have to pay interest. If you sell assets, you may lose interest and possibly some of the original investment.

Here are some things to consider when building an emergency savings.



- The rule of thumb is to set aside enough cash to cover your basic living **expenses** for at least three months. However, even saving \$500 can help you cope better with unexpected expenses.
- Keep the money in an easily accessible (but not too accessible) savings account that is separate from your general savings. If you mix your emergency fund with your general savings account, it becomes too easy to dip into it. Consider opening an account at another financial institution, separate from your regular savings or checking accounts.
- Don't keep the money in a long-term asset, such as a stock, mutual fund or CD with a long maturity date; this makes accessing the money more difficult.
- Use the money only for true emergencies, such as an unexpected medical bill or car repair. If you lose your job, you may need your emergency fund for food, utilities, rent payments and necessary transportation. (People can usually put off buying clothing for at least three months.)

**How much will I need to keep in my emergency fund?** Complete the following worksheet using your anticipated expenses from **Module 3, Spend Sensibly, pages 13&14**, to calculate how much you may need in your emergency fund. Remember, even saving one month of expenses can help you in the future!

Emergency Savings Worksheet			
Groceries for 1 month	\$ _____	x 3 months	\$ _____
Gas/oil, electric and water for 1 month	\$ _____	x 3 months	\$ _____
Rent or Mortgage for 1 month	\$ _____	x 3 months	\$ _____
Car payment or bus fare for 1 month	\$ _____	x 3 months	\$ _____
Other debt for 1 month	\$ _____	x 3 months	\$ _____
<b>Total amount needed for emergency fund: \$</b>			

Source: Adapted from *Your Spending, Your Savings, Your Future* and *Smart About Money* (NEFE)



## Insuring Loss of Income

When we talk about insuring losses, you may not have a need in each category. Some needs are universal and life-long, like for your health and property. Other needs come about when life events happen and may only last for a short period of time, like loss of income due to death or disability. It's a good idea to think about your risks and losses on a regular basis, say once every year, and take any action necessary to keep your potential protected. Now we will address the losses most of us are concerned with: income, health, and property.

### Due to Death

In general, **life insurance** is used to replace income lost from the deceased, especially if he/she was the primary income provider for the family. It can also be used to pay off funeral expenses and debts, supplement savings for college, or leave a legacy according to their wishes. Life insurance may help to keep children in the family home and school district. Not everyone has a need for life insurance as it varies with age and responsibilities.



If you determine that you may need life insurance, how much should you have? Some insurance agents will give a general formula, i.e., five to eight times your annual wages. That amount may sell piece of mind, but it's not necessarily true for everyone. Your need is based on the following:

- How much of the family income do I provide?
- How would my survivors, especially spouse and children, get by?
- Does anyone else depend on me financially, such as a parent, grandparent, sibling, etc.
- How will my family pay final expenses and repay debts?
- Will there be estate taxes to pay?
- Do I have children for whom I would like to set aside money to finish their education?
- Do I have family members or organizations to which I would like to leave money?
- How will inflation affect future needs?

The next page provides a worksheet in order for you to put your considerations and needs into an actual dollar amount.

Source: Adapted from *Life Insurance Buyer's Guide* (NAIC)

## Calculating Life Insurance Need

Use the following worksheet to do a quick calculation for the amount of life insurance you may need. Remember that this is based on what is important to you, your family, and your goals. Use information from the **Case Study (pages 17, 18, 22, and page 34)** to complete the worksheet. Also consider Anna would like to be able to pay for two years of community college for each of her children if she were to die today.

Income Replacement	
1. Annual income needed if you were to die today: *	\$
2. Annual income family would receive from other sources:	\$
3. Total annual Income to be replaced: <i>(subtract line 2 from 1)</i>	\$
4. Multiplying factor for number of years needed: <i>(see below)**</i>	
<b>5. Total Income Replacement Need:</b> <i>(multiply: line 3 x line 4)</i>	<b>\$</b>
Cash Needed for Final Expenses, Debts, and Goals	
6. Funeral and other final expenses:	\$
7. Mortgage and other debts:	\$
8. College savings for children*** Current tuition \$_____ x _____ (number of children)	\$
9. Other goals:	\$
<b>10. Total Cash Need:</b> <i>(add: lines 6 thru 9)</i>	<b>\$</b>
Resources in Place	
11. Savings and investments: <i>(savings, CD's, stocks, bonds, mutual funds, etc.)</i>	\$
12. Retirement savings:	\$
13. Life insurance currently in place:	\$
<b>14. Total Resources Available:</b> <i>(add: lines 11 thru 13)</i>	<b>\$</b>
<b>15. Estimated Life Insurance Need:</b> <i>(calculate: line 5 + line 10 – line 14)</i>	<b>\$</b>

\*Start with your expenses from My Money Map, page SS-15. Adjust any expenses that may increase, i.e., childcare, and adjust for any expenses that may be lower, i.e., health and personal expenses for the deceased, etc.)

**Replacement Income Factor	
Years needed	Factor
10	8.8
15	12.4
20	15.4
25	18.1

\*\*\*College Savings –participation in PA Treasury's 529 Guaranteed Savings Plan ([www.pa529.com](http://www.pa529.com)) and buying tuition credits at current rates is a conservative method of keeping up with future tuition cost increases, regardless of your children's ages. Use the following the (2018-19) average tuition credit rates per semester and a normal # of semesters to earn an undergraduate degree as a guide. (Note that room and board expenses are not included.)

Community colleges:  $\$1,601 \times 4 = \$6,404$

PA State System of Higher Education:  $\$3,858 \times 8 = \$30,864$

State-related universities:  $\$8,450 \times 8 = \$67,600$

Private 4-year college:  $\$17,604 \times 8 = \$140,832$

*\*This is for informational purposes only and does not constitute advice for your individual situation.*

Source: Adapted from *Life Insurance Need Worksheet* ([LifeHappens.org](http://LifeHappens.org))

## Insuring Loss of Income *(continued)*

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Now that you have an idea about how much you may need, the next step is to find a life insurance policy that will meet your need in a cost effective manner. All life policies are not the same. Some policies cover you for your lifetime and others cover a specific number of years. Some build up cash values. Some policies combine different kinds of insurance, and others let you change from one type to another. Let's look at the two basic types of life insurance:

**Term** insurance covers you for a certain time frame or 'term' of one or more years. It pays a death benefit only if you die during that term. The main benefit of term insurance is that it generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value and has lower premiums in the early years compared to permanent policies.

You can renew most term insurance policies for one or more terms, even if your health has changed. Each time you renew the policy for a new term, premiums may be higher. Ask what the premiums will be if you continue to renew the policy and if you will need to pass a physical examination to continue coverage. Also ask if you will lose the right to renew the policy at a certain age. You may be able to trade in your term insurance policies for a permanent policy during a conversion period even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

**Permanent** life insurance is a policy that is in effect for life, as long as the premiums are paid. Whole life, universal life and variable universal life are common varieties of policies. Each has advantages and disadvantages, but these policies have higher premiums, as some of it goes to pay for insurance and some goes to the savings (cash value) component. The benefit is they are in effect for life as long as you keep paying the policy premiums. Follow is a brief summary of each variety of permanent life insurance:

- **Whole Life** is a basic permanent policy that covers you for as long as you live and the premiums are paid. Some policies let you pay for a shorter timer period, i.e. until age 65, but the premiums are higher. Premiums are usually fixed over the payment period.
- **Universal Life** is a flexible permanent policy that lets you vary your premium payments and adjust the benefit value. Note that if the payments you make plus the interest earned on the savings component don't cover the cost of insurance, your coverage may end. At that point you must increase premium payments or lower the death benefit to continue the policy.
- **Variable Universal Life** is also a flexible permanent policy, but the savings component can be invested in mutual funds or other allowed investments. The cash value (and ultimately, benefit value) is based on the performance of these funds, varying both to the up and down sides. Make sure you understand the investments and potential for decreased coverage when buying this type of policy

When choosing a policy, ask yourself if you need life insurance for your entire life or just a portion of it, i.e., while raising children? Keep in mind you may combine term with permanent insurance; term to cover the period of your greatest need, and permanent (with a lower benefit) for the remainder of your life. Discuss these options with your insurance agent to make sure you buy the right insurance for your needs.

Source: [Adapted from Life Insurance Buyer's Guide \(NAIC\)](#)

## Loss of Income Due to Disability

The greatest personal asset we have is the ability to earn an income. Statistics show that we have a **three in ten** chance of suffering a disability during our working lives and that will keep us out of work for 90 days or longer. Also think about how a disability could affect your earnings over a lifetime. For example, a 25 year old earning \$50,000 per year could lose \$3.8 million in future earnings if they suffered a permanent disability.\* Disability benefits are a necessity for almost anyone that works, regardless if they are single, married, and with or without children, in order to maintain a desired standard of living in the event of a disability.



\*Source: *The Real Risk of Disability in the United States*, Milliman Inc., on behalf of the LIFE Foundation, May 2007

There are several sources of benefits to consider when planning for disability protection. These benefits may be short-term, typically covering three to six months following a disability, or long-term, typically covering six months and beyond following a disability. They do not replace 100% of your pre-disability income, in order to prevent fraudulent claims and provide an incentive to return to work. There may also be limitation on the duration of benefits, depending upon the source. Here are some examples of disability benefit sources:

- **Sick time** – employers may specify a set number of sick days which are paid at 100% of salary before any disability insurance would be paid.
- **Worker's Compensation** – all states require employers to provide this coverage, which typically pays two-thirds of your pre-disability income; it is used to pay benefits for work-related illnesses or injury. According to the National Safety Council, only 73% of long-term disabilities actually qualify as work-related and wouldn't be covered by this benefit.
- **Social Security Disability Insurance** - you must work enough quarters to qualify for benefits which are based upon earnings over your work life; the number of work credits needed depend upon the age when you become disabled. The disability must also be expected to last at least one year or to result in death. Keep in mind that according to the Social Security Administration, 65% of disability claims are initially denied and the average monthly benefit in 2020 was \$1,277, which is near the federal poverty line.
- **Employer-sponsored plans** – these disability insurance plans are usually part of group insurance plans offered in an employee benefit package and typically pay 60% of pre-disability salary. Some employers pay the full cost of the disability insurance and other offer the opportunity to purchase coverage at low group rate. These plans may have a coordination of benefits clause, i.e., will pay less if you are receiving other sources of disability benefits. Note also if you voluntarily purchase disability insurance through your employer's group plan and use after-tax dollars, the benefit you receive will be income tax-free.
- **Individual disability insurance** – these policies are portable and can move with you from employer to employer. They tend to be more expensive but are the most flexible and reliable policies that you can purchase. Again, they typically cover 60% of your pre-tax salary and may have a coordination of benefits clause.
- **Other sources** – veteran's disability benefits, credit life/disability benefits, automobile insurance (if disability results from an auto accident), Supplemental Social Income (SSI), and, of course, your own savings.

Source: [Adapted from Disability Insurance \(LifeHappens.org\)](http://www.lifehappens.org)

## Calculating Disability Insurance Need

In order to determine if you have a need for disability insurance, it is important to evaluate all of your potential disability income sources and your expenses. Below is a quick calculation for how much disability insurance Anna may need if she were to experience a disability. Use information from the **Case Study (pages 17, 18, 22, and page 34)** to complete the worksheet.

Disability Income Sources	
1. Monthly income from spouse/other family members:	\$
2. Monthly income from savings/investments:	\$
3. Monthly social security, veteran's benefits, etc.:	\$
4. Other monthly income sources:	\$
5. <b>Total Disability Income Sources:</b> (add: lines 1 thru 4)	\$
Monthly Expenses	
6. Monthly expenses from My Money Map, page SS-15:	\$
7. Increased expenses: (health-related, child care, etc.)	\$
8. Lower expenses: (work-related, entertainment, etc.)	(\$ )
9. Other monthly expenses not previously included:	\$
10. <b>Total Monthly Expenses:</b> (add: lines 6 thru 9)	\$
<b>15. Total Monthly Disability Income Need:</b> (subtract line 10 from line 5)	\$

If your estimate need is a negative number, your current resources may be sufficient. As always, be sure to consult with your insurance professional for input on your individual situation.

Remember that disability insurance will not replace 100% of pre-disability income. Disability insurance can assist in getting you as close to pre-disability income as possible. Consider both group disability benefits through your employer and an individual policy but shop around and compare policies before you buy or select coverage. Keep in mind the following:

- What is the disability defined? Is the inability to perform *your own job* or the inability to perform *any job*?
- Does the policy cover disability from illness, accidents, or both; and are benefits paid for partial or residual disability?
- Are full benefits paid for loss of sight, hearing, or limbs, whether or not you are able to work?
- What is the maximum benefit and the percentage of income it will replace?
- Is the policy non-cancelable, guaranteed renewable, or conditionally renewable?
- Will the premiums be waived if you are disabled for a certain period of time?
- Does the policy adjust for inflation, and if so, what is the rate?

*\*This is for informational purposes only and does not constitute advice for your individual situation.*

Source: Adapted from *Figuring Your Disability Needs* (NAIC)

## Insuring Loss of Health

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The loss of health can be described in two ways, temporary and permanent, and is distinguished by the types of services needed and the type of insurance which covers them, not necessarily the duration of the condition or treatment. Temporary loss of health is covered by what we know as 'health insurance' and includes conditions of minor or acute illnesses or injuries; permanent loss of health refers to the condition of being unable to care for oneself and is covered by long-term care insurance. Let's start with temporary loss of health.

Employers have traditionally provided health insurance benefits to employees and their families. However, with the cost of insurance, many had cut back on benefits, leaving many un- or underinsured people. The Affordable Care Act (ACA) was passed in 2010, which states that everyone must have health insurance that includes essential benefits. Those that do not have access to employer provided plans can access individual plans through the marketplace exchanges created by the ACA.

Health insurance plans cover a variety of needs, but according ACA, plans must include the following essential health benefits:

- Ambulatory patient services (outpatient care you get without being admitted to a hospital)
- Emergency services
- Hospitalization (like surgery and overnight stays)
- Pregnancy, maternity, and newborn care (both before and after birth), including breastfeeding
- Mental health and substance use disorder services, including behavioral health treatment (this includes counseling and psychotherapy)
- Prescription drugs, including birth control
- Rehabilitative services and devices (services and devices to help people with injuries, disabilities, or chronic conditions gain or recover mental and physical skills)
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care\*

Keep in mind that the ACA may be repealed depending upon the legislative climate. As of 2019, no tax penalties will be assessed for individuals without health insurance, but the ACA is still in effect.

Even though the ACA requires essential benefits, it is still a good idea to look at your own healthcare needs. The next page has a checklist of healthcare needs and the opportunity to compare insurance plans. Right now, review the benefits column and check those items that are the must haves for your individual situation, including the family members that you are responsible for insuring. After the discussion about types of plan on pages PYP 16 & 17, you can revisit the checklist and compare your current health insurance plan or those that you are considering.

\*Note that dental and vision coverage for *adults* are not included as essential benefits.

## Healthcare Needs and Insurance Checklist

How can you determine if the health insurance plan(s) being offered by your employer (or if shopping for coverage according to the Affordable Care Act) is right for you? Use the following checklist to pinpoint your needs, if they will be covered, and for how much. Then decide which policy is best for you and your family.

<b>Benefits</b>	<b>Must Haves</b>	<b>Company #1</b>	<b>Company #2</b>	<b>Company #3</b>
Office visits				
Hospital care				
Surgery (in and outpatient)				
Emergency room visits				
Medical tests, X-rays				
Annual physicals				
Maternity care				
Well-baby care				
Immunizations				
Prescription Drugs				
Mental health				
Dental care				
Orthodontics				
Vision care, glasses, exams				
Other not listed				
<b>Costs</b>				
Monthly premium				
Office visit co-pay				
Prescription drug co-pay				
Emergency room co-pay				
Deductible				
Coinsurance (%)		%	%	%
Maximum out-of-pocket (\$)				
<b>Other Issues</b>				
Choice of doctors				
Referrals to specialists necessary				
Convenient locations				
Ease of getting appointment				
<b>Totals:</b>				
<b>Which is best for me?</b>				

Source: Adapted from *PA Health Options.com* (PA Insurance Department)

## Healthcare Plans

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Now that you have identified your healthcare needs, let's look at healthcare insurance. There are several types of health insurance plans, each with benefits and drawbacks. Here a brief summary of the most common types of plans.

- **Indemnity plans** – These major medical plans provide the most flexibility in choosing where and from whom to receive care. You may visit almost any doctor and hospital that you choose. These plans usually pay a portion of the cost and are often referred to as 'fee for service' plans.
- **Preferred Provider Organization (PPO) plans** – In these plans, the insurance company enters into contracts with selected hospitals and doctors to furnish services at a discounted rate. As a member of a PPO, you may be able to seek care from a doctor or hospital that is not a preferred provider, but you will probably have to pay a higher deductible or co-payment.
- **Health Maintenance Organization (HMO) plans** – These major medical plans usually make you choose a primary care physician (PCP) from a list of network providers. If you need care from any network provider other than your PCP, you may have to get a referral from your PCP. Treatment received outside the network is usually not covered, or covered at a significantly reduced level.
- **Point of Service (POS) plans** – These major medical plans are a hybrid of the PPO and HMO models. They are more flexible than HMOs, but do require you to select a primary care physician (PCP). Like a PPO, you can go to an out-of-network provider and pay more of the cost. However, if the PCP refers you to an out-of-network doctor, the health plan will pay the cost.
- **High Deductible Health Plans (HDHP)** have lower monthly premiums in exchange for a high deductible and may be HMO's, PPO's, POS's, etc. The IRS defines an HDHP as any plan with a deductible of at least \$1,400 for an individual or \$2,800 for a family.\* An HDHP's total yearly out-of-pocket expenses (including the deductible, copays, coinsurance, etc.) can't be more than \$7,050 for an individual or \$14,100 If you have an HDHP, remember that you may be able to open a Health Savings Account (HSA) to help pay for these out-of-pocket expenses. An individual can contribute \$3,650 and up to \$7,300 for family coverage into an HSA.
- **Catastrophic Plans** also have higher deductibles, higher out of pocket limits and lower premiums. These plans are basically safety nets against serious accidents or illness and have more limitations on essential services.

*\*Numbers are valid for 2022.*



## Healthcare Plans (continued)

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There are also **government programs** that provided benefits for seniors, low-income persons, and children. Following is a summary of these plans.

- **Medicare** – If you are 65, you are eligible for Medicare, which is divided into four parts.
  - **Part A** covers you when you're in the hospital, skilled care nursing facility (short-term), home health services, and hospice care. If you worked and paid Medicare taxes for 10 years, there is no charge for Part A.
  - **Part B** covers services from doctors and other health care providers, outpatient care, durable medical equipment, and preventative services. You pay a monthly premium based on your income for this coverage.

(Side bar: Medicare supplemental insurance or **Medigap** is private insurance that fills in the gaps that are not covered by Part A or B of Medicare, i.e., deductibles, co-pays, etc., which may be substantial. There are several types of Medicare supplemental plans available and offer the same benefits, regardless of which company is selling the coverage.)

- **Part C**, also known as, **Medicare Advantage** is a private insurance policy that provides the same benefits as Parts A and B, along with supplemental benefits that vary by plan. There may be a premium charged to you, depending on benefits covered and may require the use of certain doctors and hospitals.
  - **Part D** is prescription drug coverage. Some Medicare Advantage plans provide this coverage but some require separate purchase.
- **Medicaid** – This plan provides health coverage to eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities. Medicaid is administered by states, according to federal requirements. The program is funded jointly by states and the federal government.
- **CHIP** – This plan provides health coverage to eligible children, through both Medicaid and separate CHIP programs. CHIP is administered by states, according to federal requirements. The program is funded jointly by states and the federal government.

Source: Adapted from PA Insurance Department, Medicaid.gov (US Department of HHS), and *Insure U: Health Insurance* (NAIC)

## Permanent Loss of Health

A **permanent** loss of health is a condition of being unable to care for oneself for long periods of time or expected until death. It can be a result of a chronic illness, disability, or aging. Requiring long-term care includes a variety of services and supports, and most are not medical in nature. Some services provide assistance with activities of daily living (ADL's). ADL's include dressing, bathing, using the toilet, moving to or from bed/chair, caring for incontinence, and eating. Other services provide assistance with what are called instrumental activities of daily living (IADL's) and include housework, managing money, taking medication, meal preparation, shopping for groceries, using the telephone, caring for pets, etc. Long-term care planning also includes where to live and handling financial, legal, and family dynamics along the way.

According to the Administration on Aging (US Department of Health and Human Services), 70% of people turning 65 can expect to need some form of long-term care during their lives. Statistics also show that women, people having a chronic illness, living alone, family history, and poor diet and exercise habits increase the chances for needing long-term care. So, how much does care cost and what are options to cover these needs?

### Costs

The cost of long-term care depends on the type and duration of care you need, the provider you use, and where you live. In Pennsylvania (2021):\*

- The median cost of a semi-private room in a nursing home was \$10,403/month
- The median cost of an in-home health aide is \$4,957 per month
- The median cost of an assisted living facility is \$4,100 per month
- The median cost of adult day health care \$1,625 per month

### Paying for Care

- **Medicare** – Pays for skilled services or rehabilitative care for a *maximum of 100 days* and does not pay for non-skilled assistance for ADL's, which make up the majority of needed services.
- **Medicaid** – Pays for most long-term services but your income and assets must be below a certain level in order to qualify; there are also state requirements that must be met.
- **Long-term care (LTC) insurance** - LTC policies reimburse policyholders a daily amount for services in a variety of settings including at-home, community living, or full skilled-care nursing facility. Costs vary according to your age, maximum daily benefit, maximum days or years policy will pay, lifetime maximum benefit, and other options. It is important to review policy limitations, as well as, insurance company stability before buying LTC insurance.
- **Reverse mortgage** - This is a type of home equity loan, specifically for seniors (age 62 or older), that allows you to receive cash against the value of your home without selling it. Age and property value determine the maximum loan amount; credit history or income is not a factor. These loans are expensive and require counseling by an approved reverse mortgage counselor before you can start the loan process.
- **Life insurance** – Some policies will allow access to accelerated death benefits, sell the policy for cash for any reason, or sell to a third party in the event of a terminal illness. These settlements are typically capped at 50% of the death benefit, have age restrictions, and may be taxable.

\*Source: *Genworth Cost of Care Survey (2021)*

Source: [Adapted from LongTermCare.gov](http://LongTermCare.gov) (US Department of HHS)

## Insuring Loss of Property

### Automobile

Automobile insurance is mandatory in order to legally drive in Pennsylvania. More than that, having the right insurance coverage may protect you from a large financial loss in the event of an accident and accidents do happen. According to PennDOT, there were 104,475 reportable traffic crashes in 2020. Relative to Pennsylvania's population, 1 in 57 people was involved in a crash; 1 in 209 people was injured in a crash; 1 in 11,339 people was killed in a crash.

In Pennsylvania, there are three specific losses that must be covered in an automobile policy: medical benefits, bodily injury liability, and property damage liability.

- **Medical benefits** coverage pays for the medical bills for you (and others covered by the policy), if there are injuries resulting from an accident, regardless of fault. The minimum amount of coverage required is \$5,000.
- **Bodily injury liability** pays for damages for which you are liable, in the event that you injure someone in an auto accident. These damages can include medical expenses, lost wages, and pain and suffering. The minimum amount of coverage required is \$15,000 per person and total of \$30,000 per accident.
- **Property damage liability** pays for repairs to someone's property (their car, a fence, a tree, etc.) that results from an accident in which you were at fault. The minimum amount of coverage is \$5,000.



Note that the coverage limits are the most your insurance will pay in any one accident. If you do not have enough liability insurance, and you are found at fault for an accident, you may be responsible to pay for anything your insurance does not cover. There are also several types of optional coverage available.

- **Uninsured and underinsured motorist** coverage applies to you, relatives residing in your household, and your passengers if injured by at-fault uninsured/underinsured motorist or a hit and run driver. This does not include property damage.
- **Collision** coverage pays to repair damage to your car as a result of an accident. If your vehicle is being financed, your bank or lender may require you to have this coverage. The standard deductible in Pennsylvania is \$500 unless you choose otherwise.
- **Comprehensive** coverage pays for theft or damage to your car from hazards such as fire, floods, vandalism, etc.
- **Guaranteed Asset Protection (GAP)** coverage will pay the difference between an insurance company's payment for a totaled vehicle and the balance of a vehicle loan.
- **Other** options include accidental death benefits, rental reimbursement, towing, income loss, funeral benefits, etc.

An important consideration with auto insurance is to have limited or full tort coverage. If you are in an automobile accident, you are able to recover out-of-pocket medical and other expenses. **Limited tort** restricts your right to recover certain other expenses, such as pain and suffering, unless the injury is deemed a "serious injury," i.e. death, significant deformity, or an impairment of body function. **Full-tort** allows unrestricted rights to sue for all damages.

Source: Adapted from PA Insurance Department

## Loss of Homeowner/Renter's Property

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Homeowner's (and renter's) insurance protects you against financial loss if there is damage to your home and possessions and liability in case someone gets hurt in your home or on your property. Homeowner's insurance is not mandatory in Pennsylvania but banks and lenders will require coverage for at least the amount of the mortgage loan. Policies usually contain a package of coverage from structure to personal property to liability. Here is a summary.

- **Dwelling** coverage pays for damage to your house and structures attached to your house, including damages to plumbing, heating/cooling systems, etc. When determining the amount of coverage, keep in mind the replacement cost or how much it would take to repair or rebuild your home with similar materials and quality. **Replacement cost** is not the market value (what you would get if you sold your home) or actual cash value which subtracts wear and tear and age from replacement cost.
- **Other structures** coverage pays for damage to structures not attached to the dwelling and includes garages, sheds, fences, etc. The typical limit of coverage on these is 10% of the dwelling coverage.
- **Personal property** coverage pays for damage to your personal items, i.e. furniture, clothing, appliances, etc., and is usually a percentage of the dwelling coverage limit. Again, consider replacement cost to make sure you can adequately replace all of your personal items in the event of a total loss. Some items, i.e., jewelry, furs, antiques may have limitations but you can purchase additional coverage with a **rider** or **scheduled personal property endorsement**.
- **Loss of use** coverage pays for additional living expenses if you can't live in your home while it's being rebuilt or repaired. The typical limit of loss of use coverage is 20% of the dwelling limit.
- **Medical payments** to others coverage provides payment for medical bills for people hurt on your property or hurt by your pets. The basic amount of coverage is usually \$1,000 per person but higher benefits may be available for an additional cost.
- **Personal liability** protects you, your relatives in the household, and residents in your household under the age of 21 if you are sued and found legally responsible for injury or damage to their property. Most policies offer \$100,000; higher benefits may be available for an additional cost.

It's important to not only know *what* is protected but *when*. In the case of homeowner's insurance, it's a matter of covered perils or events which cause a loss, like a fire or hail storm. Some policies cover all perils except those that are specifically excluded; other only cover the perils specifically named in the policy. It's also very important to know that typical homeowner's and renter's policies do not cover damages resulting from a flood, sinkholes, or earth movement/earthquakes, but you can purchase coverage for those perils.

Source: Adapted from PA Insurance Department

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## Homeowner's Insurance Policy Forms

The following chart is an overview of the different homeowner's policy forms available. Forms are simply different coverages. Note that this is an overview; your actual policy may differ and should be carefully reviewed and discussed with your agent to make sure you have the protection that you need.

Form	Description	Dwelling/ Other Structures	Personal Property	Medical Payments	Personal Liability
2 - Broad Form	If perils not named, they're not covered	√	√	√	√
3 - Special Form	Perils covered, if not specifically excluded	√	√	√	√
4 - Contents Broad Form	Renter's policy		√	√	√
5 - Comprehensive Form	Same basic coverage as Special Form but Includes many optional coverages, as well	√	√	√	√
6 - Unit Owner's Form	Condominium, insures what is not covered by association policy	√	√	√	√
8 - Modified Coverage Form	Older homes, provides 'functional replacement costs'	√	√	√	√

Finally, there are several things you can do to make sure you have the protection you need but also reduce policy costs.

1. Create a home inventory, with photos, to make sure your coverage fits your situation.
2. Tell your insurer about any improvements, i.e. new roof, repairs, that you've made.
3. Bundle your insurance policies, i.e. home, auto, etc. for multi-policy discounts.
4. Having protective devices, i.e., smoke detectors, burglar alarm, dead bolts on doors, etc., can help reduce your premiums.
5. Consider potential injuries before installing a swimming pool, trampoline, or swing set.
6. Check with your insurance company before choosing a pet; some companies will not insure you if you own certain breeds of dogs.
7. Review your deductibles; if you maintain an adequate cash reserve, you may be able to lower your deductibles and thus policy costs.
8. Consider a home warranty that will cover mechanical breakdowns such as heating systems, plumbing, electric, and appliances, as these breakdowns are not covered by homeowner's insurance.

Source: Adapted from PA Insurance Department

## Questions to Ask About Coverage

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If you have identified a risk that you feel should be covered by insurance, here are some specific questions to ask when talking to an agent about an insurance policy.

Type of Insurance: \_\_\_\_\_

Company: \_\_\_\_\_ Agent Name: \_\_\_\_\_

In the event of a loss, I file a claim by \_\_\_\_\_

\_\_\_\_\_

In this policy, coverage is included:

1. For these PERILS (something that causes injury, loss or damage): \_\_\_\_\_

\_\_\_\_\_

2. For this PROPERTY \_\_\_\_\_

\_\_\_\_\_

3. To cover these LOSSES \_\_\_\_\_

\_\_\_\_\_

4. To cover these PEOPLE (the "insured") \_\_\_\_\_

\_\_\_\_\_

5. In this LOCATION \_\_\_\_\_

\_\_\_\_\_

6. For this TIME PERIOD \_\_\_\_\_

7. And for the losses, who will receive payment (the "beneficiary[s]") \_\_\_\_\_

\_\_\_\_\_

8. And for the losses, will receive this AMOUNT OF PAYMENT \$ \_\_\_\_\_

9. I can CONTROL LOSSES by \_\_\_\_\_

\_\_\_\_\_

10. I can CONTROL POLICY COSTS by \_\_\_\_\_

\_\_\_\_\_

Source: Adapted from *DollarWorks 2* (University of Minnesota Extension)

## The Cost of Sharing

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You can insure losses for just about everything, including body parts (like a fashion model's legs), pets, weddings, and even fantasy football, as long as you are willing to pay for it. In tough times, sharing the cost of items or services is a good thing. It helps both parties get something of value that they couldn't get on their own. It's no different when you 'share a risk' with an insurance company. You get protection and the company gets cash to run the business, make good on their promises, and hopefully make a profit. The cash that comes from you is called the **premium**, or simply the 'price of protection.'

The premium is not the only cost to you for sharing your risk. Here are more costs to consider:

- **Deductible or "you go first"**: an amount of money you must pay **first** before the insurance company pays on a claim (or loss). For example, you may have a \$500 deductible with your automobile policy. That means you pay the first \$500 of any claim before the insurance company will pay anything to you.
- **Co-payments or "pay per view"**: money paid for each use of a specific covered expense in a policy. For example, you may have to pay \$25 every time you visit a doctor or have a prescription filled.
- **Co-insurance or "your 'fare' share"**: the amount of a claim that is split between you and insurance company. For example, the insurance company may agree to pay 80% of the claim and you must pay the remaining 20%.
- **Annual policy fees or "more please"**: an additional administrative fee attached to a policy. This fee is more common in life insurance policies and annuities.
- **Commissions or "placement fees"**: fees paid to the agent for selling the policy. Commissions are usually included in the premium but not always.
- **Premium sales charge or "take a chance"**: a percentage fee (typically 5-7%) for premiums paid into a policy. This fee is more common in life insurance policies and annuities.
- **Surrender charge or "exit fees"**: fee charged if a policy is cancelled within a certain amount of time, typically 7-10 years. This fee is more common in life insurance policies and annuities.

**One cost that is not included in policy documents is the *waiting period* or "not so fast".**

This is the amount of money you will need during the time you have to wait *before* benefits will be paid. For example, let's say you have a long-term disability policy that doesn't pay benefits until after six months of being disabled. What money will you have for living expenses during the six month waiting period? Those are costs you will need to cover by other means, such as an emergency fund.

## Know Your Policies

Complete the following worksheets for the insurance policies from the **Case Study (Anna's Policies)**. Becoming familiar with common policies will help you in preparing for the coverage you may need upon release.

<b>Health Insurance</b>	
<b>Company:</b>	<b>Agent Phone:</b>
<b>Agent:</b>	<b>Agent Email:</b>
<b>Benefits</b>	
Annual Maximum	
Lifetime Maximum	
Dental	
Vision	
Other	
<b>Costs</b>	
Annual Premium	
Co-payments	
Co-insurance	
Max Out-of-Pocket	
Other	
<b>Limitations</b>	
Network Doctors	
Pre-approvals/Referrals	
Other	

Source: Adapted from *DollarWorks 2* (University of Minnesota Extension)



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**Automobile Insurance**

<b>Company:</b>	<b>Agent Phone:</b>
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<b>Agent:</b>	<b>Agent Email:</b>
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<b>Benefits</b>
-----------------

Liability -bodily injury -property damage	
Medical Expenses	
Physical Damage -collision -comprehensive	
Uninsured Motorist	
Underinsured Motorist	
Other	

<b>Costs</b>
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Annual Premium	
Deductibles/Other	

<b>Limitations</b>
--------------------

Full Tort/Limited Tort	
Other	

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**Homeowner/Renter's Insurance**

<b>Company:</b>	<b>Agent Phone:</b>
<b>Agent:</b>	<b>Agent Email:</b>

**Policy Form**

2 - Broad Form (Covered perils named)	5 - Comprehensive Form (#3 with additional options)
3 - Special Form (Perils covered if not excluded)	6 - Unit Owner's Form (Condominium)
4 - Contents Broad Form (Renter's)	8 - Modified Coverage Form (Older homes)

**Benefits**

Replacement Cost or Cash Value	
Dwelling	
Personal Property	
Personal Liability	
Medical Payments	
Loss of Use	
Flood/Earthquake	
Other (valuables)	

**Costs**

Annual Premium	
Deductibles/Other	

**Limitations**

Exclusions	
Other	

**Homeowner/Renter's Insurance**

<b>Life Insurance</b>	
<b>Company:</b>	<b>Agent Phone:</b>
<b>Agent:</b>	<b>Agent Email:</b>
<b>Policy Type</b>	
Temporary (Term)	
Permanent (Cash value)	
<b>Benefits</b>	
Death Benefit	
Policy Loans	
Flexible Premium/Benefit	
Other	
<b>Costs</b>	
Annual Premium	
Annual Policy Fee	
Sales Charge	
Surrender Charge	
Other	
<b>Limitations</b>	
(Non) Standard Premiums	
Suicide Clause	
Other	

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**Disability Insurance**

<b>Company:</b>	<b>Agent Phone:</b>
-----------------	---------------------

<b>Agent:</b>	<b>Agent Email:</b>
---------------	---------------------

<b>Policy Type</b>
--------------------

Group (Employer provided)	
---------------------------	--

Individual	
------------	--

<b>Benefits</b>
-----------------

Monthly Benefit	
-----------------	--

Taxable/Non-taxable	
---------------------	--

Other	
-------	--

<b>Costs</b>
--------------

Annual Premium	
----------------	--

Waiting Period Expenses	
-------------------------	--

Other	
-------	--

<b>Limitations</b>
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Definition of Job	
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Waiting Period	
----------------	--

Benefit Period	
----------------	--

Coordination of Benefits	
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Other	
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## Getting Your Affairs in Order

**Death is as natural as birth** - yet few of us give it serious consideration until we are confronted with the loss of someone we know. After someone dies, the survivors must make important decisions while also sorting through their emotions. Take time to plan ahead and discuss your wishes with family and friends. Providing them with guidance during difficult times may be easier for everyone. Consider the following in getting your affairs in order:

### 1. Organizing Your Records

In the *Check Taxes*, module we covered recordkeeping in-depth, including tools and guidelines. Remember, records are necessary for making health care decisions, obtaining insurance benefits, assisting with medical costs, and transferring ownership of your assets. Having a well-organized record system helps with quick retrieval of important financial information and legal papers. It also reduces stress and can save you money.

Keep in mind that in Pennsylvania, the following information is needed in order to file a death certificate: actual residence address, birth date, birth place, education level, mailing address, marital status, military service number, occupation, both parents' full names, and Social Security Number.

### 2. Making Medical Decisions Ahead of Time

Most of us have a hard time thinking about being unable to communicate or make our own decisions. If you become unconscious or otherwise unable to approve your medical treatment, Pennsylvania law will determine how and what medical decisions are to be made for you-unless you plan ahead with a living will or a Health Care Power of Attorney (HCPOA).

A living will and HCPOA give you a way to tell health care providers about the care you wish to receive, or not receive, should you become unable to communicate or make medical decisions for yourself. Both are known as advance directives for health care and are considered legal documents that provide clear and convincing evidence of your preferences. There are some differences between the two.

Living Will	Health Care Power of Attorney
Written statement of a person's wishes to initiate, continue, withhold, or withdraw certain <b>life-sustaining treatments</b> if they become incompetent, are in an irreversible coma, or determined to have a terminal condition.	Written document that designates an agent with the authority to handle <b>all or some of your medical decisions</b> such as admitting you to a medical or nursing facility, authorizing medical procedures, pain relief, hiring care givers, etc.
Only applies to medical decisions that must be made if you are terminally ill or in a state of permanent unconsciousness.	Only effective during one's life and terminates if the person becomes disabled or incompetent. (THE HCPA can be made to remain in effect by adding "Durable" to the title.)
Can designate a person responsible for carrying out your decision but don't have to.	Must designate an agent responsible for performing health decisions.

## Getting Your Affairs in Order *(continued)*

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### 3. Transferring Property

Most people assume that when they die their survivors automatically inherit their assets. This is not always the case. If a property owner dies without a valid will (called intestate), PA inheritance laws will determine 'who gets your stuff,' including your kids. A **last will and testament**, commonly known as a will, is a written document that describes who and how your possessions are distributed.

A will is important because it can designate a guardian for your surviving minor children, and is especially important if you want a non-family member to raise them. A will also identifies who will settle or distribute your stuff according to the will. That person is called the executor (male) or executrix (female). Keep in mind that some assets can be transferred without a will, including those owned as Joint Tenancy with Right of Survivorship, and those with beneficiary designations, (life insurance, retirement accounts, etc.).

### 5. Planning for Final Arrangements

Since ancient times, ceremonies like funerals and memorial services have been held to honor the dead and to help survivors cope with grief. There are many types of arrangements to consider: a funeral, viewing (or calling hours), grave site service (committal) and/or a memorial service. The type of arrangement may also depend on disposition method for the deceased's body, which includes cremation, burial, entombment and donation to medical science.

### 6. Financing the Final Ceremony

A traditional burial is becoming one of the largest single expenses for a household. The average cost of an adult funeral is \$8,093.\* Services and other items selected such as a casket, embalming, closing police escort, music, grave marker, use of funeral home facility, etc., will all affect the actual cost of a funeral. Prepayment options are available but it is recommended that you consult an attorney before signing any prepayment contract.

In addition to any savings, life insurance, or employee benefits you may have, there may be other financial resources available to help pay funeral expenses. Social Security (if the deceased earned enough 'credits') has a lump sum death benefit for survivors of \$255. Veteran's Affairs benefits are available for service- and non-service related deaths. Union and fraternal benefits may also be available. If you receive public assistance or Medicaid, you may be able to set up an irrevocable burial reserve (savings) which may not be included as part of your assets for assistance eligibility.

*\*Source: National Funeral Directors Association (2021)*

Source: Adapted from *Getting Your Affairs in Order* (Penn State Extension)

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## Documenting Your Wishes

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By writing down your wishes, you give your survivors guidelines to follow during the difficult time of making final arrangements. Use the following questionnaire to put it all together and get your affairs in order.

### Personal Information

My full name: \_\_\_\_\_ My spouse's full name: \_\_\_\_\_

My birth date: \_\_\_\_\_ My place of birth: \_\_\_\_\_

My father's full name: \_\_\_\_\_ My mother's full name: \_\_\_\_\_

The highest education level I have completed is: \_\_\_\_\_

My most recent employer is: \_\_\_\_\_ Telephone: \_\_\_\_\_

My mailing address is: \_\_\_\_\_

My residential address is: \_\_\_\_\_

### Estate Information

I have asked \_\_\_\_\_ (executor/executrix) to settle my estate who can be reached by \_\_\_\_\_

My will and other important papers are stored \_\_\_\_\_

Any life insurance policies, pension statements, death benefit records, etc. I may have are stored \_\_\_\_\_

I have given my power of attorney to \_\_\_\_\_ who can be reached by \_\_\_\_\_

### Persons To Be Notified

The following people should be notified in case of my death:

1. \_\_\_\_\_ Relationship \_\_\_\_\_
  2. \_\_\_\_\_ Relationship \_\_\_\_\_
  3. \_\_\_\_\_ Relationship \_\_\_\_\_
  4. \_\_\_\_\_ Relationship \_\_\_\_\_
-

## Documenting Your Wishes *(continued)*

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### **My Advisors to Be Notified**

The following advisors should be notified in case of my death:

Attorney: \_\_\_\_\_ who can be reached by \_\_\_\_\_

Banker: \_\_\_\_\_ who can be reached by \_\_\_\_\_

Insurance Agent: \_\_\_\_\_ who can be reached by \_\_\_\_\_

Minister: \_\_\_\_\_ who can be reached by \_\_\_\_\_

Other: \_\_\_\_\_ who can be reached by \_\_\_\_\_

### **Final Arrangement Wishes**

I would prefer a \_\_\_\_\_ to be held at \_\_\_\_\_

I would like to be \_\_\_\_\_ at \_\_\_\_\_

I would like \_\_\_\_\_ to conduct the final ceremony. If this is not possible, I would like \_\_\_\_\_ to officiate.

Rather than sending flowers, I would prefer that individuals make donations to \_\_\_\_\_

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### **Thoughts and Personal Messages**

Source: Adapted from *Getting Your Affairs in Order* (Penn State Extension)



## Be a Smart Shopper!

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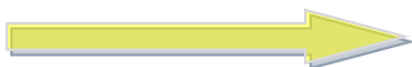
**It's up to you to get the most for your money!** You work hard for it and deserve to receive value when you spend it. You are responsible for protecting your right to receive value for your money. You can do that before, during, and after a purchase.

### Before



There are some simple questions to ask yourself before making any purchase. Do I NEED this item? How much can I afford? Can I negotiate the price or wait for a sale? Have I thought about how this item will be of value to me? Have I done my homework with possible alternatives? Will I practice the **Rule of Three**?\* Have I checked my local Better Business Bureau for information on the companies that I will be shopping? ([www.bbb.org](http://www.bbb.org))

### During



There's a saying that goes back to ancient Roman times, "*Caveat emptor*." It means, "Let the buyer beware," and it's all about comparison shopping. Use the 'Rule of Three,' compare at least three products or services before making a spending decision. Look closely at the items, including function, price, warranty, and value for the price. Ask questions until you receive a satisfactory answer. Use your comparison to negotiate a better price or ask for a discount. Remember, as a responsible consumer, you are in the driver's seat.

### After



Stand up for your rights. Know the consumer laws that may be applied if you think you haven't been given a fair deal. Take action to exercise your rights under these laws. It will not only help you but it helps your community. Taking action shows that you've made a decision to support businesses that deliver good products or services at a fair price. When people take action, unfair and dishonest practices are driven out.

How do you stand up for your rights? The first thing to do is write a letter of complaint. A well-written letter of complaint can have a big effect. You may get a replacement, be offered a store credit, or get your money back. Good companies are competing with other companies and want to keep your business; that is why they pay attention to these letters. Send the letter with a request for delivery confirmation and keep a copy for your records.

If you do not receive satisfaction after writing a letter of complaint, call the Pennsylvania Attorney General's office (1-888-520-6680). When you reach the right person, be prepared to tell them your story. Have all the facts at your fingertips, including your letter of complaint and any response received from the merchant.

*\*The **Rule of Three** is simply shopping at three comparable places before purchasing. This is especially important for major purchases or investments you may make.*

Source: Adapted from *Finding Paths to Prosperity* (CFED)

## Advertising and Consumerism

You or your family members may want a great deal of 'stuff.' Maybe you want more things than the family can afford. This is not surprise. We live in a consumer culture. We often buy just to "keep up with the Joneses." Often, it doesn't seem to matter whether a product works. We tend to think that if it doesn't look right or it's out of style, a new one is needed. How does consumerism affect us? Take a look at some of the ways we're pulled in.



### Television

Everyone on TV is dressed to make a statement. It seems like they've got all the latest cars, furniture, houses, etc. TV brings it all right into our living rooms shouting, "BUY SOMETHING!"

**What to do?** Stick to your goals. Make your own choices. Watch less TV.



### Ads

We're hit with ads from every direction-radio, TV, newspaper, billboards, websites, etc. All are shouting, "BUY SOMETHING!"

**What to do?** Practice the "Rule of Three" before making a purchase. Compare at least three products or services before making a spending decision.



### Malls

Many people go to malls for recreation. The store windows in the mall have the latest and greatest of everything and all are shouting, "BUY SOMETHING!"

**What to do?** Brainstorm alternative forms of recreation with your family. If you do go to the mall, have a list and stick to it.



### Friends and Relatives

Sisters, brothers, and friends may all seem to have great 'stuff.' Maybe you'd like (or feel pressure) to keep up with them and, "BUY SOMETHING!"

**What to do?** Keep focus on your goals. Think it through. Make your own choices.



### Children

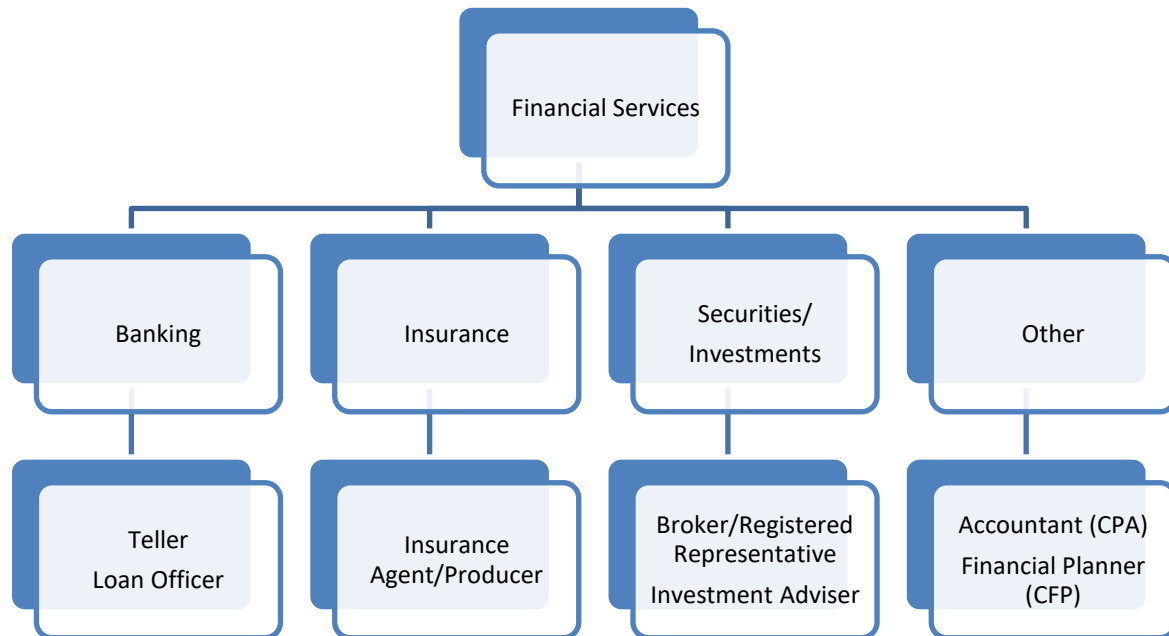
Companies advertise directly to children. Your children may put a lot of pressure on you to, "BUY SOMETHING!" like toys, cereal, and clothes.

**What to do?** It's okay to tell your children, "No, that's not part of our money map or goals." Share the family money map and goals with them. Help them set their own goals and save money for the things they want.

Source: Adapted from *Finding Paths to Prosperity* (CFED)

## Choosing Financial Professional

There is a wide array of choices when it comes to financial services and professionals. The following diagram shows financial service categories and the professionals that work in that category.



- **Teller**—a banking employee who handles routine banking transactions. Tellers do not need a license but the bank or credit union is regulated by the PA Department of Banking and Securities or the FDIC or NCUA.
- **Loan Officer**—an individual who sells loans. A mortgage loan officer must be registered with the PA Department of Banking and Securities.
- **Insurance Agent/Producer**—a individual who sells life, health, property, and other insurance products, such as annuities. An agent/producer must be licensed by PA Insurance Department.
- **Broker**—a person who sells securities (financial assets) such as stocks, bonds, mutual funds, etc. Although they often use such titles as financial consultant, advisor, planner, etc., brokers are salespeople. They must be licensed (as a registered representative) and are regulated by the Financial Industry Regulatory Authority (FINRA).
- **Investment Adviser**—an individual or company that is paid for providing advice about specific securities to their clients. Some investment advisers also brokers but they are not the same. One sure way to tell is that investment advisers are regulated either by the Securities and Exchange Commission (SEC) or the PA Department of Banking and Securities. To be sure, ask the professional about their regulators. A company that is registered with the SEC is called a Registered Investment Advisor (RIA); an individual who works for an RIA is called an Investment Advisor Representative (IAR).

- **Certified Public Accountant (CPA)**—an individual who is certified in the field of accounting. They typically provide services and advice to businesses and individuals on accounting, tax, and some financial planning. CPA's are licensed and regulated by the State Board of Accountancy.
- **Financial Planner**—a generic term for an individual who helps clients with strategies for managing your money. Financial planners differ greatly in the services they provide. Some will offer a plan that examines every aspect of your financial house—including savings, investments, insurance, taxes, college savings, retirement, and estate planning; others only offer planning in the scope of the products they sell. Financial planners are regulated according to the products that they sell. Most professionals who work for retail brokerage firms or in the financial services arms of banks and credit unions hold multiple licenses, i.e., registered representative, insurance producer, etc.
- **Certified Financial Planner™ (CFP®)**-an individual who has earned the designation and is regulated by the Certified Financial Planner Board of Standards. A CFP is trained in insurance, investment, retirement, tax, and estate planning, though they may or may not offer products for sale. If they do sell products, they must hold the applicable licenses.

So what questions should you ask before signing on with any financial services firm or professional? Here is the Investor Bill of Rights from the North American Securities Administration (NASAA). Although this is investing specific, the questions could apply to many other professionals.

### **Investor Bill of Rights**

When you invest, you have a right to:

- **Ask** for and receive information from a firm about the work history and background of the person handling your account, as well as information about the firm itself.
- **Receive** complete information about the risks, obligations, and costs of any investment before investing.
- **Receive** recommendations consistent with your financial needs and investment objectives.
- **Receive** a copy of all completed account forms and agreements.
- **Receive** account statements that are accurate and understandable.
- **Understand** the terms and conditions of transactions you undertake.
- **Access** your funds in a timely manner and receive information about any restrictions or limitations on access.
- **Discuss** account problems with the branch manager or compliance department of the firm and receive prompt attention to and fair consideration of your concerns.
- **Receive** complete information about commissions, sales charges, maintenance or service charges, transaction or redemption fees, and penalties.
- **Contact** your state or provincial securities agency in order to verify the employment and disciplinary history of a securities salesperson and the salesperson's firm; find out if the investment is permitted to be sold; or file a complaint.

Source: Adapted from *Save and Invest.Org* (FINRA) and *The Industry Pilot Series* (SilverCareerManagement.com)

## Federal Consumer Protection Laws

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There are many federal consumer protection laws. The Federal Trade Commission ([www.ftc.gov](http://www.ftc.gov)) protects consumers against unfair, deceptive, or fraudulent practices. It enforces laws enacted by Congress and trade regulations established by the commission itself. Categories of enforcement range from automobile purchase and financing to telemarketing and telephone services. We are going to focus on the rules that financial institutions must follow, housing protections, and others. In the *Borrow to Grow* module, we will cover lending laws.

### **Truth-in-Saving Act (TISA)**

TISA requires financial institutions to disclose the terms and conditions of bank accounts clearly and in writing, such as interest rates, minimum balance requirements, fees, etc. The bank must periodically send statements for your accounts and provide account information to you at any time you ask for it.

### **Electronic Funds Transfer Act (EFTA)**

EFTA establishes rights, liabilities, and responsibilities for customers that use these services and banks that offer them. EFTA services include using automated teller machines (ATM's), debit cards, and telephone or computer transactions.

### **Gramm-Leach-Bliley Act**

This act requires financial institutions to protect the privacy of consumers' personal financial information.

### **Fair Housing Act**

The Fair Housing Act prohibits discrimination on the basis of race, color, sex, religion, handicap, familial status, or national origin in the financing, sale, or rental of housing.

### **Real Estate Settlement Procedures Act (RESPA)**

RESPA requires that a consumer be given information about the services and costs involved in the closing of a residential mortgage. It also limits the amount that can be collected for mortgage escrow.

### **Magnuson Moss Warrantee Act**

This act sets the disclosure standards for written warrantees, including 'full' warrantees, implied warrantees, and consumer remedies for breach of warrantee or service contract.

### **Telemarketing and Consumer Fraud and Abuse Prevention Act**

This act sets the rules for deceptive telemarketing practices, unsolicited calls, the hours of the day and night when calls can be made, and unsolicited call disclosures.

Source: Adapted from *Money Smart* (FDIC)

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## Getting Help with Financial Issues in Pennsylvania

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With so many resources out there, it can sometimes be difficult to know who to call first. The following is a list of Pennsylvania resources available to help.

**Pennsylvania Attorney General** ([www.attorneygeneral.gov](http://www.attorneygeneral.gov) / 1-888-520-6680)

- Get information, ask a question, or file a complaint related to various consumer issues, including home improvement, telemarketers, health care, product safety, and civil rights.

**Pennsylvania Department of Banking and Securities** ([www.dobs.pa.gov](http://www.dobs.pa.gov) / 1-800-PA-BANKS)

- Get information, ask a question, or file a complaint against state-chartered banks, credit unions, trust companies and savings associations.
- Get information, ask a question, or file a complaint against state-licensed mortgage lenders; check cashers, pawnbrokers, money transmitters; independent vehicle repossessioners and in-house auto financiers.
- Confirm that an investment firm, advisor, or representative is registered in PA to sell securities.
- File a complaint or report suspected investment fraud or scams.

**Pennsylvania Department of Revenue** ([www.revenue.state.pa.us](http://www.revenue.state.pa.us) / 1-888-PA-TAXES)

- Get information or ask questions about state-collected taxes, including personal income tax, sales and use tax, all corporate taxes, inheritance tax, and realty transfer tax.
- Request forms, file or make tax payments.

**Pennsylvania Department of State** ([www.dos.state.pa.us](http://www.dos.state.pa.us) / 1-800-822-2113)

- Get information, ask a question, or file a complaint against state-licensed real estate professionals, including agents, brokers, and appraisers.
- Find out if a charitable organization or solicitor is registered in PA.

**Pennsylvania Housing Finance Agency** ([www.phfa.org](http://www.phfa.org) / 1-800-822-1174)

- Apply for a PHFA home purchase, modification or improvement loan
- Find a qualified housing counselor in your area.

**Pennsylvania Insurance Department** ([www.insurance.pa.gov](http://www.insurance.pa.gov) / 1-877-881-6388)

- Get information, ask a question, or file a complaint against state-licensed insurance agents, brokers, and adjusters.
- Get information or ask questions about insurance policies and annuities.

**Pennsylvania Treasury** ([www.patreasury.org](http://www.patreasury.org) / 1-800-222-2046)

- Find unclaimed property (bank accounts, stocks, un-cashed checks, CD's, life insurance policies, etc.)
- Get information about Pennsylvania's 529 college saving program.

## Identity Theft

Identity theft is when someone uses your personal information, like your name, Social Security Number, credit card number, or other financial account information without your permission, to commit fraud or other crimes.



Identity theft is serious. While some victims can resolve their problems quickly, others spend hundreds of dollars and many days repairing damage to their good name and credit record. Some consumers victimized by identity theft may lose out on job opportunities, or be denied loans for education, housing, or cars because of negative information on their credit reports. In rare cases, they may even be arrested for crimes they did not commit.

### How do thieves steal an identity?

For identity thieves, this information is gold. They are willing to do anything to get it, including:

- **Dumpster Diving** - rummaging through trash looking for bills or other paper with your personal information on it.
- **Skimming** - stealing credit/debit card numbers by using a special storage device when processing your card.
- **Phishing** - pretending to be financial institutions or companies and sending spam or pop-up messages to get you to reveal your personal information.
- **Changing Your Address** - diverting your billing statements to another location by completing a change of address form.
- **Old-Fashioned Stealing** - wallets, purses, mail, and personnel records.

### What do thieves do with a stolen identity?

Once they have your personal information, identity thieves use it in a variety of ways. They may open new credit cards, utility accounts, and bank accounts in your name. They may get a driver's license or official ID card issued in your name but with their picture; they may use your name and Social Security number to get government benefits. They may rent a house or get medical services using your name. They may also give your personal information to police during an arrest.

### How can you find out if your identity was stolen?

The best way to find out is to monitor your accounts and bank statements each month, and check your credit report on a regular basis. If you check your credit reports regularly, you may be able to limit the damage caused by identity theft. Unfortunately, many consumers learn that their identity has been stolen only *after* damage has been done. Collection calls, getting turned down for a loan, and getting mail about an apartment you never rented might be some tell-tale signs that you are a victim of identity theft.

### What should you do if your identity is stolen?

Filing a police report, checking your credit reports, notifying creditors, and disputing any unauthorized transactions are some of the immediate steps to take to restore your good name. You should also file an [ID Theft Complaint](#) with the FTC.

Source: Adapted from [www.ftc.gov](http://www.ftc.gov) (FTC)

## Additional Resources to: *Protect Your Potential*

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### **Comprehensive Loss Underwriting Exchange: <https://personalreports.lexisnexis.com>**

#### CLUE Report

CLUE is an insurance claims information report that contains up to seven years of personal property and automobile claims history. You are entitled to a free CLUE report every 12 months.

### **Federal Trade Commission: [www.ftc.gov](http://www.ftc.gov)**

#### OnGuardOnline.gov

This is federal government's collaborative website to help consumers be safe, secure and responsible online.

#### What to do if Your Identity Is Stolen

Learn what to do if someone steals your identity with these detailed steps.

### **FEMA: [www.fema.gov](http://www.fema.gov)**

#### Emergency Financial First Aid Kit (EFFAK)

Prepare an EFFAK so you can protect yourself and money in the event of an emergency.

### **Financial Industry Regulatory Authority (FINRA): [www.finra.org](http://www.finra.org)**

#### Understanding Professional Designations

This website provides a guide to professional designations and their abbreviations.

### **Life Happens: [www.lifehappens.org](http://www.lifehappens.org)**

#### Life Insurance Need Calculator

Use this online calculator to help determine life insurance needs. There is also a worksheet available in pdf form.

### **National Association of Insurance Commissioners: [www.insureUonline.org](http://www.insureUonline.org)**

Insure U is a website to help insurance consumers as their lives and needs change, and to educate them about how to avoid being scammed. Play interactive games to learn more about insurance and take quizzes to test your insurance knowledge.

### **PA Attorney General: [www.attorneygeneral.gov](http://www.attorneygeneral.gov)**

Get information, ask a question, or file a complaint related to various consumer issues, including home improvement, telemarketers, health care, product safety, and civil rights.

#### Consumer Protection Rights & Resources

Learn what your rights and responsibilities are as a consumer.

### **PA Insurance Department: [www.insurance.pa.gov](http://www.insurance.pa.gov)**

The PA Insurance Department provides consumers with a variety of insurance product guide, including automobile, homeowners, life, etc. The following are some general insurance tips to get you started.



## Pre-session Questionnaire

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ID \_\_\_\_\_

Circle the answer that you believe is correct.

1. Which of the following is a way to manage risk?
  - A. Reject the risk
  - B. Increase the risk
  - C. Accept the risk
  - D. Change the risk
2. Which of the following is example of when insurance is necessary?
  - A. Opening up a new credit account
  - B. Traveling with several suitcases
  - C. Driving an automobile
  - D. Keeping your financial records at home
3. Which of the following is should be considered when building an emergency savings?
  - A. Have enough cash to cover basic living expenses for three months
  - B. Put money into savings account only if you have extra at the end of the month
  - C. Keep the money in long-term assets to make sure you don't touch it
  - D. Use it for anything as long as you promise to put it back
4. Which of the following is a disability income source?
  - A. Life insurance
  - B. Health savings account
  - C. Health insurance
  - D. Sick time
5. True or false: The two basic types of life insurance are term and permanent?
6. Which of the following must be covered as part of the Affordable Care Act (ACA)?
  - A. Vision
  - B. Hospitalization
  - C. Preventative Dental care
  - D. Orthodontics (braces)
7. Which of the following insurance costs is considered the "price-of-protection"
  - A. Deductibles
  - B. Co-insurance
  - C. Premiums
  - D. Waiting period

## Post-session Questionnaire

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ID \_\_\_\_\_

Circle the answer that you believe is correct.

1. Which of the following is a way to manage risk?
  - A. Reject the risk
  - B. Increase the risk
  - C. Accept the risk
  - D. Change the risk
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  - C. Premiums
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ID \_\_\_\_\_

Location \_\_\_\_\_

Date \_\_\_\_\_

## Session Evaluation

We hope you found today's session engaging and of value to you. Please share your opinions and comments so we may continue to improve the program. Thank you!

	<i>Excellent</i>	<i>Very Good</i>	<i>Good</i>	<i>Fair</i>	<i>Poor</i>
<b>Overall</b> , I feel the session was:					
<b>Before</b> the session statement:					
My knowledge and skills about the topic were:					
<b>After</b> the session statement:					
My knowledge and skills about the topic are:					
My confidence to apply what I have learned today is:					
	<i>Strongly Agree</i>	<i>Agree</i>	<i>Not Sure</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
<b>During</b> the session statements					
The instructions were clear and easy to follow.					
The time allocated was right for the topic.					
The slides were clear and helped my learning.					
The examples helped my learning.					
The examples were relevant to my situation.					
<b>The instructor:</b>					
was knowledgeable about the topic.					
delivered lesson in a clear and understandable manner.					
was engaging and encouraged interaction.					
was well-prepared.					
was approachable and open to questions.					
<b>The session:</b>					
met my expectations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
was of value to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
has motivated me to take action.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Final Questions</b>					
The most valuable thing I learned today was:	What was the least valuable part of the session and how could it be improved?				
Additional comments:					