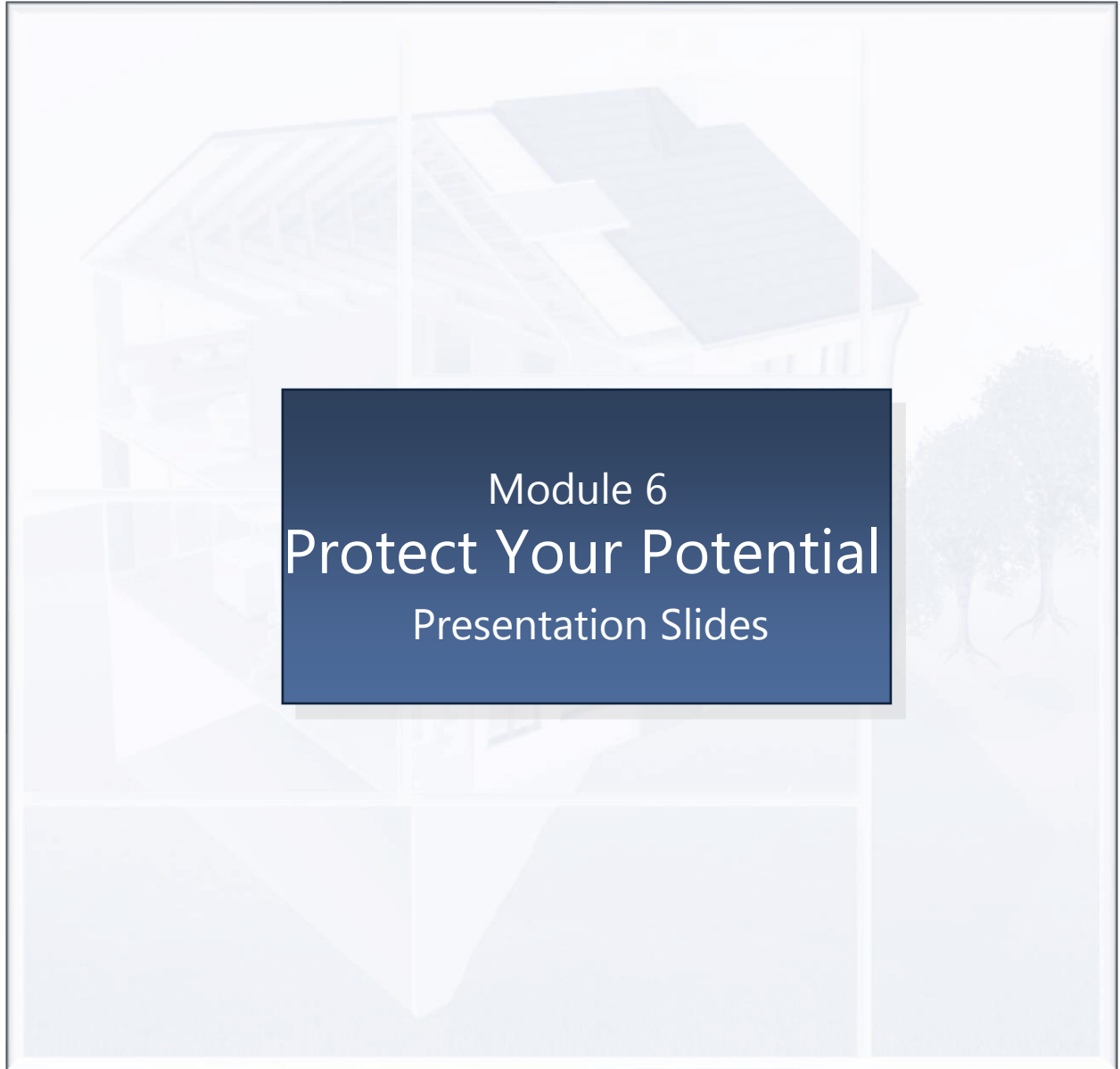


Building Your Financial House

Set the Foundation of Your Future



Module 6 Protect Your Potential Presentation Slides





Building Your Financial House WELCOME

Prior to Today's Session


Today's Topics

- Managing Risk
- Building an Emergency Fund
- Types of Insurance
- Cost of Insurance
- Consumer Protection

- 1 Invest in Yourself
- 2 Maximize Earnings
- 3 Spend Sensibly
- 4 Check Taxes
- 5 Make Money Work
- 6 Protect Your Potential
- 7 Borrow to Grow

6 Protect Your Potential

Just as a roof protects a house, protect your potential by having a cash savings for emergencies, managing risk with the right insurance, and being a smart consumer.

- Identify potential risks which could result in financial catastrophe
 - Define ways to manage risk
 - Identify the types of insurance used to transfer risk and their associate costs
 - Recognize the importance of getting affairs in order and steps to take
 - Recognize ways to comparison shop, avoid identity theft, and access consumer protection resources
- KNOWLEDGE
- 

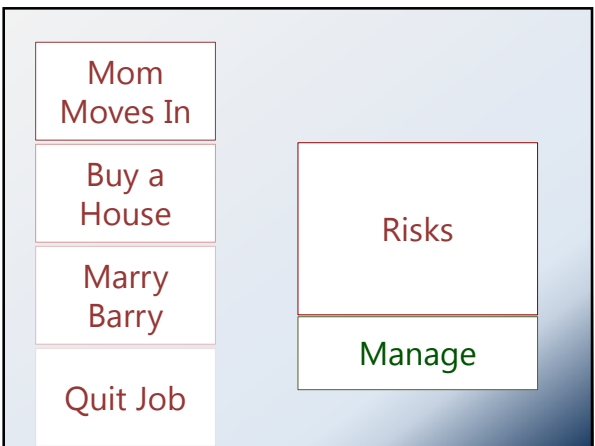
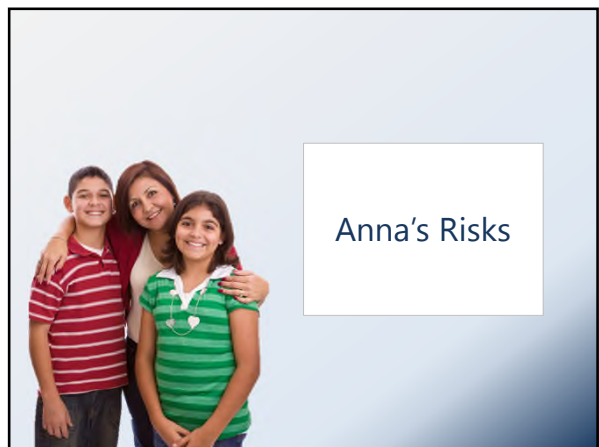


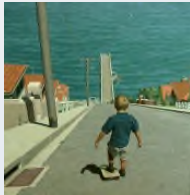
Risk

the chance of loss from some type of danger

-or-

uncertainty about the outcome of a situation or event



- Risk Management Process
- 
1. Identify the possible risk
 2. Consider how serious the loss would be
 3. Consider options to manage loss
 4. Take action

Risk Management Process



Options:

1. Eliminate
2. Reduce
3. Retain
4. Transfer

When to Transfer

Optional

- Covered by savings
- Low probability

Necessary

- Financial ruin
- High probability
- Required by law

Important

- Force to borrow
- Medium probability

Emergency Savings – First Line of Defense

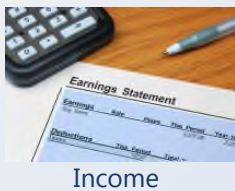


- Three (to six) months of expenses
- Cash (liquid)
- Accessible but not *too* accessible

Chat Poll:
What insurance is currently required by law?



Transferrable Losses



Income



Health



Property

Loss of Income



Loss Due to Death

Life Insurance

Common:

- Health examination (non-group policies)
- Suicide clause
- Term:
- Set period of time
- Renewal based on health
- Good for temporary needs, i.e., college, mortgages

Permanent:

- Coverage for entire life
- Whole, universal, and universal life policies
- Cash value feature

Loss of Income



Income Sources

- Savings
- Sick-time
- Worker's Compensation
- Social Security disability (with waiting period and diagnosis limitations)
- Employer-sponsored plans (tied to your employer and not covered under COBRA)
- Individual disability insurance (more costly but not tied to an employer)

Loss of Income



Disability Insurance

- Definition of job
 - Own occupation
 - Any occupation
- Typically replaces 60-65% of monthly income
- Coordination of benefits
- Short-term (up to six months)
- Long-term (six months+)
- May have maximum time limits to receive benefits

Loss of Health



Health Insurance

- Ten essential benefits (ACA)
- Emergency, in- and out-patient care
 - Laboratory services
 - Rehabilitative services
 - Prescription drugs
 - Pregnancy, maternity, and newborn care including birth control and breastfeeding
 - Pediatric care (including oral and vision care)
 - Mental health and substance use disorders
 - Preventative, wellness, and chronic disease management
- Optional benefits – adult dental, vision, hearing, etc.

Loss of Health



Types of Plans

- Indemnity - major medical with flexibility to visit almost any doctor or hospital of your choice
- Preferred Provider (PPO's)- arrangement between company and hospitals/doctors for discounted services
- Health Maintenance (HMO's)- typically requires you to choose a primary care physician; you may need a referral for out-of-network provider
- High Deductible Health Plans (HDHP) - lower monthly premiums in exchange for higher deductibles
- Government benefits – Medicare, Medicaid, CHIP, etc.

Did you know the median monthly cost of a nursing home in PA is over \$10,000?

*PA median costs for a semi-private room as reported in the 2021 Genworth Cost of Care Survey.

Loss of Health



Long-term Care (LTC)

- Types and costs:*
- In-home care (\$4,957/mo)
 - Assisted living facility (\$4,100/mo)
 - Skilled care/nursing home (\$10,403/mo)
- Paying for LTC:
- Medicare (100-day maximum with service restrictions)
 - Medicaid (asset and facility choice limitations)
 - Long-term care insurance (expensive with benefit limitations)
 - Other options (reverse mortgages or life insurance with accelerated death benefits)
- *PA median costs for a semi-private room as reported in the 2021 Genworth Cost of Care Survey.

Loss of Property



Property



Homeowner/Renter's Insurance

- Dwelling and other structures
- Personal property
- Loss of use
- Medical payments
- Personal liability

Automobile Insurance

- Required by law in PA
 - Medical benefits
 - Bodily injury liability
 - Property damage liability
- Options Coverage
 - Un- or under-insured motorist
 - Collision/comprehensive
 - GAP



Credit insurance



Product warranties



Identity theft



Side Bar: Identity Theft

What is it?

How does it happen?

Can it be prevented?

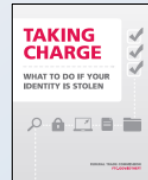
Can it be insured?



Side Bar: Identity Theft

If you are a victim:

- File a police report
- Fraud alerts to credit bureaus and ChexSystem
- Close any account that were, or you suspect were affected
- 1-877-ID-THEFT (438-4338) or online at www.ftc.gov/idtheft



Insure This?



The Cost of Transferring Risk



- Premiums – “price of protection”
- Deductibles – “you go first”
- Co-payments – “pay per view”
- Co-insurance – “your ‘fare’ share”
- Annual policy fees – “more please”
- Premium sales charge – “take a chance”
- Surrender charge – “exit fee”
- Waiting period – “no so fast”



Know Your Policies


- What *perils* (events) causing *loss or damage* to *what property* are covered?
- What *injuries* are covered and *on whom*?
- How do I file a claim?
- How much is paid and who will receive payment?
- How can I control possible losses and policy costs?

Getting Your Affairs in Order

- Final Arrangements 
- Medical Directives 
- Property Transfer 


Property Transfer

- Will – Who gets your stuff?
- Guardianship – Who gets your kids?
- Trust – Protect assets



Medical Directives

- Living Will
- Healthcare Power of Attorney (POA)



Final Arrangements

- Disposition
- Funeral/memorial



Consumer Protection

Why is this so important?

The Perfect Burger?



Too Good To Be True...

- 3 lbs ground beef
- 100 hamburger buns
- 2 cases of lettuce
- a dozen tomatoes
- Vegetable oil
- brown food coloring
- tweezers
- Superglue
- paintbrush
- waterproof spray
- glycerin and water

Source: PBSKids.org



Advertising and Commercialism



Ask yourself *before* you buy...

- Who is this ad targeting?
- What are they using to grab my attention?
- What tactics are they using to make me want buy the product, i.e., emotions, bandwagon, endorsements?
- Do I need it?
- Have I done my homework?
- Have I shopped around to at least three places?

Consumer Protection

National Resources

USA.gov	CONSUMER ACTION HANDBOOK
finra.org	FINRA Financial Industry Regulatory Authority
consumerfinance.gov	cfpb Consumer Financial Protection Bureau
consumer.ftc.gov	FEDERAL TRADE COMMISSION PROTECTING AMERICA'S CONSUMERS
FDIC.gov	FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

Pennsylvania Resources

attorneygeneral.gov	RIGHTS AND RESOURCES CONSUMER GUIDE
insurance.pa.gov	penNSYLVANIA INSURANCE DEPARTMENT
patreasury.gov	4.1% 3% 1.2% PENNSYLVANIA TREASURY Earn. Learn. Invest.
dos.pa.gov	penNSYLVANIA DEPARTMENT OF STATE
dobs.pa.gov	penNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES

Today's Topics

- Managing Risk
- Building an Emergency Fund
- Types of Insurance
- Cost of Insurance
- Consumer Protection

ACTION

- Build a cash reserve for emergencies
- Review potential risks to financial stability
- Evaluate current insurance policies and make necessary adjustments to transfer risk
- Plan and document wishes for final affairs
- Comparison shop and ask questions before, during, and after buying

Complete Today

Post-session Questionnaire

Circle the answer that you believe is correct.

- Which of the following is a way to manage risk?
 - Ignore the risk
 - Increase the risk
 - Accept the risk
 - Change the risk
- Which of the following is a method of when insurance is not used?
 - Reducing risk
 - Reducing risk
 - Reducing risk
 - Reducing risk
- Which of the following is a method of when insurance is not used?
 - Have enough cash to cover back living expenses for three months.
 - Pay enough for emergency services until you have been out of the area for at least 30 days.
 - Keep the money in long-term assets to make sure you don't lose it.
 - Use that money to help you pay for your car.
- Which of the following is a liability insurance?
 - Life insurance
 - Health insurance
 - Health savings account
 - Health insurance
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Session Evaluation

Did you find this session helpful? (circle one)

Very helpful	Helpful	Not helpful	Not at all helpful

What did you like most about this session? (circle one)

Very helpful	Helpful	Not helpful	Not at all helpful

What did you like least about this session? (circle one)

Very helpful	Helpful	Not helpful	Not at all helpful

What do you think you will do as a result of this session? (circle one)

Very helpful	Helpful	Not helpful	Not at all helpful

Email the Post-Session Questionnaire and the Session Evaluation to:

Now, it's your turn!

Note: For best results, view in Adobe Reader DC or Nuance.

Homework

Self-Assessment and Track Your Progress

Current Risks: (circle one)

- I have enough cash to cover back living expenses for three months.
- I have enough cash to cover back living expenses for three months.
- I have enough cash to cover back living expenses for three months.
- I have enough cash to cover back living expenses for three months.

Next Session Progress: (circle one)

- I will be able to protect my potential.
- I will be able to protect my potential.
- I will be able to protect my potential.
- I will be able to protect my potential.

What are My Potential Risks and Losses?

Life Event	Describe the Risk and Possible Loss	Steps to Manage Risk	Insurance Check
Getting a car	Car accident, theft, damage	Drive safely, use seat belts, wear and buckle up, change tire	Auto Insurance
Getting an apartment	Fire, theft, water damage	Check fire and smoke detectors, use fire extinguisher, lock doors	Home Insurance
Getting a house	Fire, theft, water damage, natural disasters	Check fire and smoke detectors, use fire extinguisher, lock doors, check roof	Home Insurance
Getting married	Divorce, loss of income	Communicate with spouse, create a budget, get a prenuptial agreement	Life Insurance
Having children	Childbirth, child care, education	Check health insurance, save for education, get life insurance	Life Insurance
Getting a job	Job loss, unemployment	Update resume, network, apply for jobs	Unemployment Insurance
Getting a loan	Default on loan, loss of assets	Read terms and conditions, make payments on time	Life Insurance
Getting a car	Car accident, theft, damage	Drive safely, use seat belts, wear and buckle up, change tire	Auto Insurance
Getting an apartment	Fire, theft, water damage	Check fire and smoke detectors, use fire extinguisher, lock doors	Home Insurance
Getting a house	Fire, theft, water damage, natural disasters	Check fire and smoke detectors, use fire extinguisher, lock doors, check roof	Home Insurance
Getting married	Divorce, loss of income	Communicate with spouse, create a budget, get a prenuptial agreement	Life Insurance
Having children	Childbirth, child care, education	Check health insurance, save for education, get life insurance	Life Insurance
Getting a job	Job loss, unemployment	Update resume, network, apply for jobs	Unemployment Insurance
Getting a loan	Default on loan, loss of assets	Read terms and conditions, make payments on time	Life Insurance

Borrow to Grow Pre-Session Questionnaire

Borrow to Grow Pre-Session Questionnaire

Circle the answer that you believe is correct.

1. Which of the following is a type of credit you can use most flexibly?
 A. Revolving
 B. Installment
 C. Military
 D. Service

2. Which of the following would increase the cost of credit?
 A. Lower fees
 B. Higher down payment
 C. Lower credit score
 D. Lower fees

3. Which of the following "3 Cs of Credit" refers to a person's credit history?
 A. Capacity
 B. Character
 C. Collateral
 D. Capital

4. Which of the following credit behavior has the most influence in the FICO scoring model?
 A. Amount of debt
 B. Payment history
 C. Recent rates
 D. Income

5. True or False There are disclosures that lenders must provide for revolving credit, installment loans, and mortgage loans.

6. Which of the following is credit that is not on your credit report?
 A. Making a credit card a secured interest rate
 B. Paying on time on your credit report
 C. Making payments through a debt management program
 D. Paying a credit line that the lender you use

7. Which of the following is an example of using credit to your advantage?
 A. Making a gift
 B. Making a loan
 C. Emergency car repair
 D. Using a credit line

PHFA Form 1001-0001-2022-01 | www.borrowtogrowphfa.org | 800.333.3333

Email Spend Sensibly
Pre-Session
Questionnaire to:

Questions?



Thank You!