



Reinventing Retirement®

Protect Against the Unexpected

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Welcome to our Fifteen Minute Finance presentation “Protect Against the Unexpected.” Have you ever taken something for granted, only to realize how important it was after it was gone? I could be talking about a close friend, the love of your life, a family heirloom, or your health.

The common denominator is that something unexpected happened to take that person or thing away. Perhaps your friend moved away, your relationship with the love of your life ended for one reason or another, you lost your toy, or you fell ill. The unexpected – or the unthinkable – happened. In this seminar, we’re not going to talk about how to protect your heart from breaking or how to find a family heirloom you might have lost.

But we will focus on obtaining protection in the form of insurance coverage that can protect you and your family against some potentially devastating life events. And we’ll go beyond formal insurance and explore some other types of protection. To give these concepts a human face, let’s listen to John and Sue, a fictitious couple, discuss how they plan to protect themselves.

The specifics of John and Sue’s lives may change a bit from one presentation to another. In this seminar, they are a middle-aged married couple. Not all the details discussed here may pertain to your particular situation.

Protect Against What?

WHAT IF...?

death

DISABILITY

illness

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This presentation is for educational purposes only. This is not intended as financial planning or investment advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

Sue: John, have you ever asked yourself, “What if...?”

John: Yeah, sure, Sue. I often ask, “What if I had married that tall redhead?” Or, “What if I didn’t like football so much? What would I do with my time?” What on earth are you talking about?

Sue: John, really! What if something terrible were to happen to one of us? What if we were terminally ill or incapacitated, or even worse, what if you or I died? Not a very pleasant thought, I know. But we need to think it through. Are we protected against the unexpected?

John: OK. Now I get it. The big “What if?” Like: What does our health insurance cover if we get really sick? Or what about our life insurance? Do we have the best coverage?

Sue: And disability insurance. What if you became paralyzed or came down with a disease that left you unable to work?

John: All right. Now you’re beginning to depress me, Sue.

Sue: Well, better than finding ourselves out of luck and out of funds because we didn’t protect ourselves properly!

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Protection: Types of Coverage



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John: So, let's run down the list quickly: There's life insurance, health insurance, disability, long-term care coverage. There's a lot to think about. Not just the category of coverage and whether to get it, but how much is enough, and where to get the best deal...

Sue: Yes, there's a lot to consider, John. And you didn't mention estate planning. Having a will and other important documents in place can protect us and our kids against things like going through a lengthy probate process if we die without a will. It's important to be organized, name beneficiaries, and keep them up-to-date on all of our policies and accounts, including retirement accounts.

John: And I think we can control some risks. Just living a healthy lifestyle can lower the risk of disease or early death, Sue.

Sue: Very true.

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What Are the Risks of NOT Being Protected?

What might it cost you to NOT have insurance?



The average annual cost of a semi-private room in a nursing home in the United States is more than \$70,000.*

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*Source: U.S. Department of Health and Human Services, 2009

Sue: The first question is: Do we need all of that insurance coverage? What's the risk of not having protection?

John: Well, most financial experts would say you do need life insurance of some kind, at least while your kids are financially dependent on you. The financial impact would be huge – on top of the emotional burden – if either of us died without life insurance. And living without health insurance is very, very risky. But what about disability insurance?

Sue: John, that one is also important, but perhaps you need to consider the risks of your individual situation – and the likelihood of being disabled – and the cost and level of protection that a particular policy offers. But if you couldn't work, we'd lose your \$60,000 a year salary. How would we get by? Long-term care insurance is another one to give a lot of thought to. Did you know that the average annual cost of a semi-private room in a nursing home in the United States is more than \$70,000?*

*Source: U.S. Department of Health and Human Services, 2009

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How Much Protection?



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John: There's a lot to figure out, Sue. Even after we decide on whether to buy each type of insurance, we need to decide on how much coverage to buy.

Sue: I know, John. We need to think about it and maybe speak with our financial advisor to see what he has to say about where our money can be spent most effectively. Fortunately, there are some tools and articles on financial websites we can check out, like www.iii.org and www.lifehappens.org. But overall, I think that if we're going to purchase certain types of insurance policies, we should try to get enough coverage to make it worthwhile.

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How to Protect Yourself: Key Decisions

Life insurance

- Term insurance or whole life insurance?

Term

Pure insurance and only for a finite period

Permanent

Includes a savings component

Health insurance

- Premium costs versus deductible level
- What kind of health care program is best for you?



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John: So, what are some of the key decisions when reviewing our coverage, Sue?

Sue: Well, with life insurance, a basic choice is term versus whole life insurance. Do you want to have ongoing, all-encompassing coverage throughout your life or are you primarily focused on protecting your family while your children are financially dependent on you?

With health insurance, there can be a big trade-off. You'll have lower premiums if you are willing to raise your deductible level. On the flip side, if you are interested in a low deductible, you'll pay a higher premium. And then there are managed programs, such as HMOs and PPOs, that may offer certain benefits along with restrictions.

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Disability: Key Considerations

- Short-term or long-term?
- Can you afford a waiting period?
- Coverage until age 65, or only for five to 10 years?
- What percentage of salary to replace?
- "Own occupation" vs. "any occupation"



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John: Tell me more about what to consider in evaluating disability coverage, Sue.

Sue: First, we need to distinguish between short-term and long-term disability coverage. A long-term disability is one where you could face serious financial risks if you were unable to work for a long time. Long-term disability coverage typically involves a waiting period, which might be 90 or 180 days. If you have a large enough emergency fund that could last six months, you wouldn't need disability benefits until after those six months are over, and having a longer waiting period would lower your premiums.

Other things to think about include whether to have coverage until age 65 or just for five or 10 years, and how much of your salary to receive as a benefit. Many policies provide you with 60% of your salary as a benefit. Another key question is whether you want the insurance to cover your "own occupation" or "any occupation." A policy that stipulates "any occupation" means that it won't pay disability benefits unless you're unable to do ANY job, not just YOUR job.

Long-Term Care Insurance: What to Consider

- Long-term care can happen at any age

*According to the U.S. Government Accountability Office, 40% of the 13 million people who receive long-term care services are **between 18 and 64**.*

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John: Long-term care insurance is a tough one for me to get my head around, Sue. I've read articles that say how the costs could be astronomic if you need long-term care. Paying for premiums in your 40s or 50s when there's a good chance you won't need long-term care until your 70s or 80s...? I have a bit of a hard time with that.

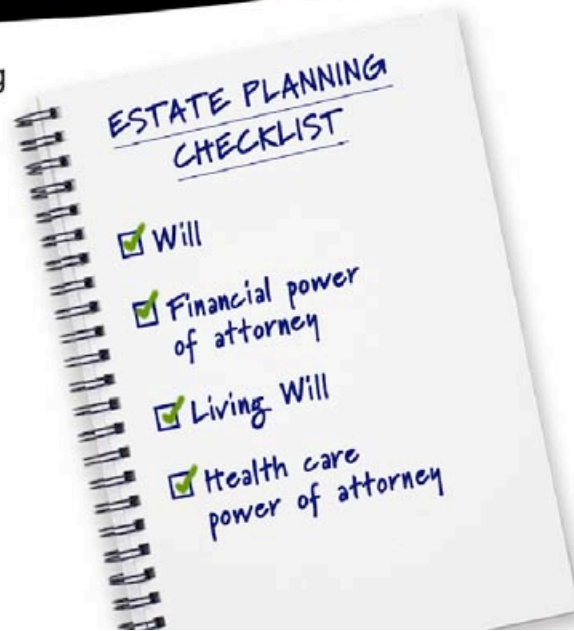
Sue: We do have a lot of other financial priorities competing with that, John. But there are a couple of key things to keep in mind. One is that if you do have an extensive long-term care need, how will you pay for it? Secondly, if you think you'd like to buy long-term care insurance but want to wait, say, from age 50 to 65 before getting coverage, you'll probably be paying much higher annual premiums if you start later versus lower premiums that don't rise if you begin coverage earlier. That trade-off could even out over time. And you might possibly be denied coverage if you wait too long. And then there's this statistic: According to the U.S. Government Accountability Office, 40% of the 13 million people who receive long-term care services are between 18 and 64.

John: I guess you just never know.

Sue: And isn't that the point? Protect yourself against the unexpected.

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Estate Planning



John: And then there's estate planning. We both need wills. We've put them off for too long.

Sue: Yes. And we should consider having other risks covered. What if you or I become incapacitated? Or, let's say one of us dies and the other is in a coma. If you don't want to be kept on life support, you need to spell that out ahead of time with a "do not resuscitate" order as part of your living will. There are also two types of powers of attorney that we should each consider. These delegate decision-making to someone else whom you entrust in case you are no longer able to do so yourself. One is general, and includes financial matters, and the other is specifically for decisions on health care.

John: Let's make an appointment with a lawyer and make all that happen. No more delays.

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Protect Your Health

Preventive medicine saves money, helps you feel good, and is fun!

- Eat well
- Stay active
- Sleep well
- Get regular physical checkups



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Sue: Well, we know that aging happens. No matter what we do, we'll both get older and there's not much we can do about that, but we CAN prevent some illnesses and help prolong our good health through our lifestyle choices.

John: Yeah, I agree there. An active lifestyle with regular exercise and a good night's sleep – you don't need to twist my arm. But speaking of twisting ... some of those yoga positions of yours – how do you do them? Don't they hurt?

Sue: Use it or lose it, John. We need to keep exercising or our bodies will get rusty and get older faster. Preventive medicine can be a lot less expensive and more enjoyable than hospital stays, operations and pricey prescription drugs. Regular physical checkups are an important part of that preventive plan.

John: No question, Sue. I'd rather hike up a mountain with you than be visiting you in a hospital ward.

Sue: Ha! You don't need to be worrying about ME going the distance, John. Women tend to outlive men, and I do love my dark, green leafy veggies – can you say ARUUUUGULA? – and my camel, lion and cobra yoga positions.

John: Lions and snakes? You're trying to scare me again, aren't you, Sue!?

Sue: Care for another helping of salad, John?

John: I thought you'd never ask!

USEFUL RESOURCES

Seeking Protection Against the Unexpected?

Find out more:

- Insurance: www.iii.org; www.lifchappens.org
- Estate planning: www.nolo.com/
- Healthy lifestyle: www.everydayhealth.com/;
www.webmd.com/

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Narrator: There is a lot to synthesize in this seminar. Fortunately, there's also plenty of good information on educational websites devoted to explaining insurance products in a way that's as easy to absorb as the healthy nutrients in John and Sue's diet.

Do your homework, and you could be protected for the long term.

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Thank you

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