



Main Street Baptist Church Financial Literacy Workshop

**APPLYING BIBLICAL PRINCIPLES TO YOUR FINANCIAL PUZZLE
SESSION V - Virtual (via Zoom)**

June 13, 2020 - 10:00 am - 11:30 am

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Dave Ramsey, a few of the theories on Life Insurance

Previous sessions we discussed...

- ▶ Defined and discussed financial literacy, financial pitfalls to avoid and money myths
- ▶ Provided tools for our long-term goal of financial empowerment
- ▶ Budgeting: Created projected and actual budgets (tracked expenses and bank statement re-conciliation)
- ▶ Discussed steps to financial freedom
- ▶ Discussed ways to increase your income using your valuable gifts
- ▶ Discussed the importance of saving and charitable giving
- ▶ Established saving plans
- ▶ Discussed goal setting and why it's important
- ▶ Completed goal setting activities
- ▶ Reviewed credit reports and ways to address items on your report
- ▶ Discussed ways to improve your credit
- ▶ Prepared checklist for financial disasters

Biblical Principal (Covered in past Lessons)

God is the Source

- (Phil 4:19) God Supplies our needs according to His riches in Glory by Jesus Christ

Giving is Essential

- (Luke 6:38, Give and it shall be given unto you)
- (Prov 3:9, Honor the Lord with thy Substance and 1st fruits)

Live with a Margin

- (Prov 22:3, A prudent man foresees)

Saving

- (Prov 21:20, There is treasure in the dwelling of the wise, but a foolish man spendeth it up)

Today we will....

Discuss managing your finances during Covid19.. Updates

- Proposed 2nd stimulus package

Review our Biblical principles

Discuss our long-term goal of becoming financially empowered

Benefits of protecting your assets

Biblical Principal (Be Content)

1. Remember the 10th Commandment

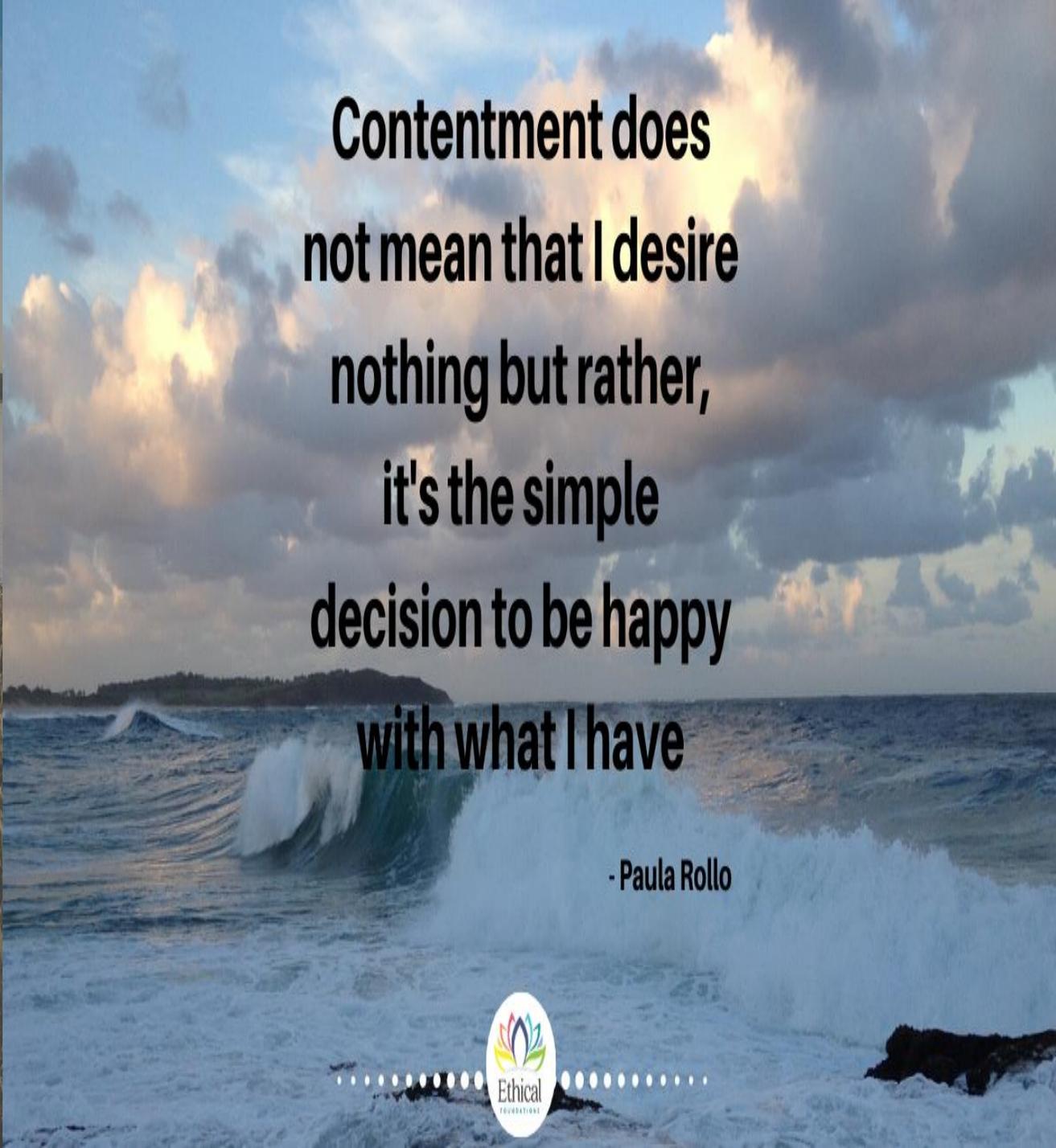
- (Hebrews 13:5, “Let your conversation be without covetousness; and be content with such things as ye have: for he hath said, I will never leave thee, nor forsake thee.”)

2. God Provides

- (Philippians 4: 10-13, “¹⁰ But I rejoiced in the Lord greatly, that now at last you have revived your concern for me; indeed, you were concerned *before*, but you lacked opportunity. ¹¹ Not that I speak [g]from want, for I have learned to be [h]content in whatever circumstances I am. ¹² I know how to get along with humble means, and I also know how to live in prosperity; in any and every circumstance I have learned the secret of being filled and going hungry, both of having abundance and suffering need. ¹³ I can do all things [i]through Him who strengthens me..”)



Contentment comes from being fully convinced that God is God, that you belong to Him, that He loves you madly, and that He is always with you.



Contentment does not mean that I desire nothing but rather, it's the simple decision to be happy with what I have

- Paula Rollo



Managing your finances during Covid19

- **LIVE ON A BUDGET** - Review and revise as neededbe more conservative
- Lots of unknown are ahead...be lean and efficient and **SAVE** when possible
- Prioritize billspay essential bills first
- Contact creditors for payment plans or hardship options
- Apply for unemployment.. if job loss or furlough due to COVID19 - receive additional \$600 per week

To apply:

<https://uiclaims.des.ky.gov/ebenefit/eben.htm> or call 502-875-0442

- Use your stimulus relief refund money to **pay off debts** and save

To check your stimulus relief refund status:

<https://www.irs.gov/coronavirus/get-my-payment>

- **Cut any non-essential expenses** and cancel unnecessary subscriptions
- **Downgrade non-essential un-cuttable expenses** that cannot be cut, figure out how to downgrade them to save money
- Learn how to do many of your home repairs ...YouTube has great DIY videos
- Great time to get additional on-line certifications to enhance job knowledge and earnings post COVID19

2nd Proposed Stimulus - The House's Heroes-Act

- ▶ **Individuals:** An eligible person would receive up to \$1,200 if their adjusted gross income, or AGI, from their 2019 federal tax filing or 2018 filing (if you haven't filed taxes yet) was less than \$75,000 and incrementally decrease as the AGI goes up.
- ▶ **Children and dependents:** Each dependent would qualify for a \$1,200 payment, unlike the first stimulus bill, which capped up to three children at \$500 apiece. It would apply to college students, children over 17, disabled relatives and a taxpayer's parent.
- ▶ **Families:** Households would qualify for a maximum payment of \$6,000 total, capped at five family members at \$1,200 apiece. The amount you'd be eligible to receive would decline the higher your AGI is.
- ▶ **Noncitizens:** Those without a Social Security number could use an individual taxpayer identification number to qualify for a payment.
- ▶ **Unemployment benefits:** The bill would carry over the current enhanced unemployment benefit of \$600 per week (on top of states' typical unemployment payout) to January 2021.

Protecting Your Assets



Life Insurance



Car Insurance



Home Warranty

Insurance Is about Financial Security and Protecting Your Assets...

It may seem like you need to study volumes of books and information to understand insurance, but at its core, the principle of insurance is very basic: When you have something to lose, and you know that you could not afford to pay for a loss yourself, insurance provides a way for you to protect your investment, lifestyle, and assets by paying a small amount of money every month in exchange for the assurance that if something goes wrong, the insurance company will have your back in the form of financial compensation.

Some purposes for purchasing life insurance are:

- ▶ To replace income that would be lost upon death.
- ▶ To hire others to replace their contributions to the family that would be lost upon their death (daycare, transportation, cleaning services, lawn services, etc.)
- ▶ To pass your estate to your heirs in a tax friendly fashion.
- ▶ To pay taxes, administrative fees, and debts upon death.
- ▶ To pay for chronic, critical or terminal illness expenses (when the policy has living benefits)
- ▶ To pay off mortgage, school loans, business loans, to pay college expenses, and pay off debts.
- ▶ To pay for all final expenses, including funeral, memorial service, burial, transportation, etc.
- ▶ To leave a gift to charity.
- ▶ To provide cash value for retirement.

How Does Insurance Work?

- You pay an agreed-upon amount — the premium
- The insurance company in exchange protect you from listed risks and will compensate you for losses (car accident, theft, or fire), should one occur.

...in essence, your premiums are collected by the company and when you file a claim, they take money from your pool of money collected to compensate you.

What are Personal Insurances?

..are types of Insurances you buy to protect you from risks that could create financial losses that you would not be able to afford to cover on your own.

...relates to risks that you as an individual may face, due to accidents, illnesses, death, or damage to property you own.

LIFE INSURANCE

WHAT ARE MY OPTIONS?

TERM LIFE INSURANCE

- ▶ Is an insurance policy that provides coverage for a **specific amount of time (term)**, such as 5, 10, 15, 20, or 30 years.
- ▶ Premiums are initially inexpensive; they increase over time. Your premium may increase at specific intervals during the life of the policy, as a result, **you may discover you can no longer afford the coverage when you try to get a new policy.**

Example: Age 35 premium \$27; by Age 65 premiums \$185..the older you become the more expensive it will be

- ▶ If you die during the coverage period, the insurance company **pays a death benefit** to whomever you've named as the beneficiary of your policy.
- ▶ If you are still alive when the policy ends, the insurance company pays you nothing, and the coverage stops. Your TERM coverage has expired!!
- ▶ If you outlive it, that's great!! You have protected your family while having lower premiums, which allows you to save the difference for retirement. This makes you financially secure whether you live or die.
- ▶ **Does not offer cash value.** It's not worth anything unless you die during the term.

WHOLE LIFE INSURANCE



Is a type of permanent life insurance that provides a death benefit and accumulates a cash value.



The whole life policy ends when you die



Accumulates cash value over time



You can borrow against the cash for an emergency



You can cash it in or surrender the policy...take the full cash value - fees. You would be required to pay taxes on the gain (proceeds - your cost (premiums paid))

Term Life vs. Whole Life Insurance: What's the difference?

Term

- ▶ Provides life insurance coverage for a specific amount of time. If you pass away at any time during this term, your beneficiaries will receive a payout from the term life insurance policy.
- ▶ No cash value
- ▶ Initially more affordable; premiums increase as you age and can become unaffordable and you may have to cancel due to the cost. Then you would need to seek coverage at an older age.

Whole Life

- ▶ Coverage lasts your entire life. Your beneficiaries will receive a payout from the policy
- ▶ Builds cash value
- ▶ You can borrow against it
- ▶ You can cash it in
- ▶ Premiums are generally more expensive.. **but can be fixed** for the life of the policy. No big increases as you get older.

Which Policy Is Best?

While whole life coverage last throughout your entire lifetime... You might think it's a good thing to have life insurance coverage for your entire life

... But here's the truth...if you practice the principles, we've covered in our sessions...you won't need life insurance forever. Ultimately, you'll be **self-insured**. Why? Because you'll have zero debt, a full emergency fund, and money available to investment.

Cost Comparison of Life Insurance

- ▶ 30-year-old man has \$100 per month to spend on life insurance
- ▶ He shops around and find he can purchase an average of \$125,000 in insurance for his family.
- ▶ Whole Life - will build savings and cost \$100 per month
- ▶ Term Life - he could get a 20-year-term, which will cost \$7 per month instead of \$100.
- ▶ So, if goes with the Term coverage and invest the extra \$93 each month for 20 years, with a 10% rate of return, that would turn into about \$70,000...which is the end of policy; but will have no coverage but will have \$70K. Even better, if he invested for 30 years it would turn into over \$200,000!! Depending on others factors he may now be self-insured and not need life insurance!! **Talk about a lot of bang for your buck!!**

Ways to reduce the cost of your life insurance expense:

- ▶ Stop smoking.. smokers are classed as high-risk customers and thus their premiums are much higher
- ▶ Compare polices & quotes: Review your policies and get a minimal of 3 quotes
- ▶ Revisit your life insurance needs
- ▶ Purchase life insurance when you are younger and healthy
- ▶ Purchasing additional or voluntary coverage on your job...can be portable and less expensive
- ▶ Disclose all health issues up front
- ▶ Take the life insurance medical exam (guaranteed vs simplified issue policies)
- ▶ Using a company that bundle your insurance coverages (car, home) for a multi-policy discount
- ▶ Request group discounts rates
- ▶ Improve your health
- ▶ Don't buy more than you need

10 Ways to Lower Your Car Insurance Bill

- ▶ Get more than one rate quote before you commit
- ▶ Evaluate Insurance costs before you buy your vehicle
- ▶ Go high on deductibles; allows you to save the difference in cost
- ▶ Nix collision and/or comprehensive coverage on older cars
- ▶ Maintain good credit scores
- ▶ Ask about low-mileage discounts
- ▶ Ask about group insurance discounts (teachers, public officers)
- ▶ Ask about all other discounts
- ▶ Avoid lapses in coverage
- ▶ Think twice about paying in installments

What is a Home Warranty?

It's a contract covering repairs and replacements on systems, and appliances in your home, usually for a period of one year.

- ▶ This may include coverage of all the parts and components of your home's electrical, plumbing, heating, air conditional systems, washer, dryer, dishwasher, water heater, garbage disposal, and exhaust fans.
- ▶ Cost: The average annual cost is \$400 - \$600; varies with each company.
- ▶ **How Does a Home Warranty Work?** Example: your refrigerator stops working

You file a claim with your warranty company, and they will connect you with a service provider to assess the problem and fix your refrigerator, If not repairable they will replace. You will have a small trade fee/or deductible to pay between \$50 - \$100 each time you need a repair, and the amount varies with each company.

What are the Pro's and Con's of a Home Warranty

PRO'S

- ▶ Flat rate repairs and replacement can help you save money - fewer unanticipated costs
- ▶ Do not have to locate a service contractor
- ▶ Peace of mind.. Knowing you have coverage for your appliances and major systems

CON'S

- ▶ You could get more coverage than you need
- ▶ Not everything is covered
- ▶ You don't get to choose who does your repairs
- ▶ May not use it each year
- ▶ Depreciation may be a factor

Home warranty cost comparison

ITEM	REPAIR COST
Average appliance	\$171
A/C unit	\$356
Drain	\$217
Furnace	\$289
Heat pump	\$357
Hot water heater	\$569
Roof (asphalt shingle)	\$712
Swimming pool heater	\$424
Toilet	\$222

Is this type of coverage worth it? That depends on several factors, including the age of your existing appliances and if they're covered by other policies. Let's look at some average repair costs for common household appliances and systems, according to data from HomeAdvisor:

Let's say your A/C unit and hot water heater break down in the same year. Based on the average repair costs in the table, you'd have to pay \$925 out-of-pocket to fix both systems. If your one-year home warranty cost fell somewhere between the \$300 to \$600 range (plus what you'd pay in service fees), you could potentially save a few hundred dollars on repairs.

Life Insurance Activity

- ▶ Review your current life insurance
- ▶ Complete the Life insurance inventory form
- ▶ Contact each company to make sure everything is correct
Verify the terms, benefit amount, and beneficiaries

Now think about your true insurance needs. Ask yourself, do you **have enough coverage, or do you **have to much** coverage... and having difficulties paying all the premiums? Make all appropriate changes and keep this form in a safe place where other family members know how to find it.

Questions and answers over today's material or any material from our past sessions...

▶ Future plans...