



Established Families Considerations

As an established family, you may already have many of your basic insurance needs in place, such as life insurance and homeowner's coverage. However, as the value of your home and other assets increase, and as your child or children approach college age, your financial situation – including your insurance needs – will change.

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Auto 301: Car Wars!

At this life stage, your cute little kids become teenage drivers, competing with you for the car. In addition – as you enter that mid-life period – your own automotive interests may steer you towards different types of cars than you’ve previously driven.

- When adding your teenage driver to your policy, be prepared to pay higher auto insurance rates. Although some states do not allow gender differences in auto rates, industry figures show that a teenage female driver can cause rates to increase as much as 50 percent, while a young male driver can boost costs by up to 100 percent.
- If you plan to provide your child with an automobile to take to college, check on the need for a separate auto insurance policy.
- At this stage of your life, you may be frantically transporting your kids – and their friends – to sports practices and other after-school activities. Given these chauffeuring responsibilities, you might want to consider increasing your liability insurance in case of an accident.
- Hopefully, your success in the job market is causing your net worth to grow. So you may want to consider purchasing an “umbrella policy” to raise your auto liability coverage, for example to \$1 million, in order to protect your assets.

Here are some tips to prudently control your auto insurance costs:

- When you add a teen driver to your policy, it’s a good time to evaluate different auto insurance companies and compare costs, as firms differ in their policies for young drivers.
- If you’re planning to purchase a car for your young driver, keep in mind that auto insurance premiums are linked to the type of vehicle driven. If you’re buying or leasing a new car, check the insurance rates before you make your final choice.

SUVs, convertibles and performance vehicles typically cost more to insure than some other cars.

- Parents of new teenage drivers should encourage their children to maintain good grades and to take a driver's education class, as these steps may help lower your insurance rates.
- In addition, keep in mind that if your child lives away at school (at least 100 miles) and has less access to the insured vehicle, you may be able to take advantage of insurance discounts.

Remember that companies often grant discounts to those who are considered "safe drivers," so try to keep your driving record – and your children's driving record - free from accidents and moving violations for at least three years, or consider taking a defensive driving course.

Home 301: Home Growth

At this point in your life, your home is very likely your biggest asset – as well as a major cost item in your budget. You may move to a larger house, build an addition or replace that child-stained sofa and inexpensive wall decoration with pricier furnishings and artwork.

- Remember to add home insurance coverage as you enhance the value of your home and acquire expensive possessions like furniture, computers, stereos and television sets.
- You should alert your insurance company when making any major home improvement – usually anything over \$5,000. You will want to update your homeowner's insurance policy to reflect the new enhancement and prevent being underinsured.
- In maintaining your residence you must realize that you are liable for things that happen on your premises. Keep in mind that in many states you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Remember that backyard items, such as a trampoline or pool, may require you to increase your liability coverage through an umbrella policy that protects you in the event that someone is injured while on your property.
- As you acquire more valuables – jewelry, family heirlooms, antiques, art – you might want to consider purchasing an additional “floater” or “rider” to your policy to cover these special items. They're typically not covered by a basic homeowner's or renter's policy.
- If you have a child about to go away to college who will be living in a dorm or apartment, be sure to check your homeowner's policy to see if their possessions will be covered. In many – if not most – cases, they will not be covered under your policy, and you may want to consider purchasing separate coverage.
- Importantly, know what's not covered by your policy. For example, a break in the water or septic line outside your home will typically not be covered by your homeowner's policy but can be a financial drain to repair. Specialized policies may be available to cover these situations, for example from your water or septic company.

Life 301: Life Line

Chances are that at this stage of your life you own life insurance and are generally familiar with the different types. However, people at this age begin to ignore their policies. It's important to periodically review and update your coverage to reflect changes in your financial situation and family composition.

- One strategy to keep costs down for a growing family may be to take a look at term life insurance, which offers financial protection for a specified time period. For example, term life insurance is often appropriate to provide coverage during your child-rearing years or while paying off a mortgage. You may want to consider this cost-effective way to protect your family while still putting money into other investments.
- Consider the future costs of your child's college education when determining how much life insurance you need at this life stage, and remember that permanent life insurance can help to complete a college savings program that is not fully funded. Another option you may want to consider is purchasing a combination of term life insurance and whole life insurance.
- If you are considering purchasing an annuity – a contract with an insurance company that promises to pay a series of income payments at regular intervals in return for premiums you have paid – explore the different types of options available:
 - Single premium
 - Multiple premium
 - Fixed
 - Deferred
 - Variable

In addition, make sure you examine whether an annuity makes sense for you in terms of your income needs.

Ask whether the annuity lets you tap into your principal if you should need it, or whether there are stiff penalty fees. Be sure you understand the fees associated with the annuity, as well as the special tax treatment of annuities: namely that income tax on annuities is deferred until you start receiving the income payments.

Health 301: Growing Pains

As your family matures, its health needs change. Thus when your annual enrollment date approaches for employer-provided health insurance, recognize that you may want to alter elections or eliminate certain types of coverage, if you have the choice.

- Keep in mind that health insurance policies will most likely not cover some common childhood procedures and problems, such as allergy tests, braces, and replacements for lost eyeglasses, contacts or retainers. Consider contributing money to a flexible spending plan, if your employer offers one, to help you put aside pretax money to cover these types of expenses.
- Know your rights and entitlements under COBRA – the Consolidated Omnibus Budget Reconciliation Act. If you lose or change your job or decide to start your own business, be sure to familiarize yourself with COBRA so that you're clear how your family will be covered when your situation changes.
- If you're over 50, you may want to consider whether long-term care insurance make sense for you. Before purchasing long-term care insurance, do a thorough analysis of your financial situation to be sure you can continue to afford the premiums for an extended period of years – through your old age until death – and figure out whether you have significant savings or other financial assets you want to protect. Many people find they cannot afford the premiums as they get older and get closer to the point when they are most likely to need the coverage. In addition, make sure you know what triggers will result in benefit payments, as well as the likelihood and potential size of premium increases.



Insurance Quiz– Established Families

Automobile Insurance

1. **Your son or daughter has just gotten a license and is eager to start driving. Which of the following will generally NOT help you get a discount on auto insurance when you add your new driver to your policy?**
 - a. Your child has good grades in school.
 - b. Your child has taken a Driver's Education or a defensive driving class.
 - c. Your primary vehicle will be parked in a garage rather than on the street.
 - d. Your child agrees never to use a cell phone or MP3 player while driving.

2. **Purchasing an “umbrella policy” to raise your auto liability coverage and protect your assets is mandatory as your net worth grows. TRUE or FALSE?**
 - a. True
 - b. False

3. **In general, which gender teenage driver is likely to raise your auto insurance rates the most when you add him/her to your plan?**
 - a. Male (However, some states do not allow gender-based auto rates)
 - b. Female

Homeowner's Insurance

1. **A “scheduled personal property endorsement” (also known as a “personal article floater”) provides broader coverage than is typically included in your regular home insurance policy for specific expensive items. Which item would typically NOT need to be covered by a “floater”?**
 - a. a diamond ring
 - b. a laptop computer
 - c. an antique armoire
 - d. a fur coat

2. **You have the option to insure your home and belongings for their replacement costs. Which of the following statements is TRUE?**
 - a. Replacement cost coverage takes into account the amount of time you have owned the home or your belongings.
 - b. Replacement cost coverage provides payment to replace or rebuild your home or repair damages as you please, without restrictions on the kind or quality of materials used.
 - c. Replacement cost is the amount it would take to replace or rebuild your home or repair damages, without deducting for depreciation.

3. **You may be thinking about buying a bigger home to accommodate your growing family. Which of the following factors is NOT LIKELY to impact the price of your homeowner's policy when you move?**
 - a. Your new home's proximity to a fire station
 - b. The type of construction (e.g., wood, brick, stone) used in the home you purchase
 - c. The amount you paid to insure your previous home
 - d. The geographic location of your new house

Life Insurance

- 1. You may be considering buying an annuity in order to receive income payments at regular intervals when you retire. Which of the following is NOT true of an annuity?**
 - a. You will be taxed only when you start taking distributions or withdraw funds from the account.
 - b. You may encounter stiff penalty fees to access your principal should the need arise.
 - c. The amount you receive will vary with each payment based on the performance of the insurance company that holds the annuity contract.
 - d. An annuity can be a useful retirement-planning tool.

- 2. One benefit of life insurance for families with children approaching college age is that it can help ensure that college tuition expenses can be met in the untimely death of a parent or key wage earner. TRUE or FALSE?**
 - a. True
 - b. False

- 3. You may have purchased a convertible term insurance policy when you were younger. As your net worth increases, you may now wish to convert to a permanent (“whole life” or “ordinary life”) plan. Which statement is TRUE?**
 - a. You can make the conversion at any time.
 - b. You will be required to inform your insurance company about any changes to your health.
 - c. The premium rate you pay on conversion is usually based on your “current attained age” – your age on the conversion date.
 - d. All of the above

Health Insurance

1. **In the event you decide to start your own business, change jobs, or are faced with losing your job, it is important to be familiar with your right to continue obtaining health coverage under COBRA (Consolidated Omnibus Budget Reconciliation Act). Which of the following statements is TRUE?**
 - a. Under COBRA, you and your family can elect to continue to be covered by your former employer's group health plan for typically up to 18 months after your employment situation changes, providing you pay the premiums on time.
 - b. Under COBRA, you can negotiate better insurance rates with your next employer or when you set up your own coverage for your new business.
 - c. Under COBRA, your former employer must continue to pay your health insurance premiums typically for 18 months if you want to remain on the employer's group health plan.

2. **Standard health insurance policies automatically cover which of the following common childhood health or dental needs?**
 - a. Braces
 - b. Allergy tests
 - c. Replacement costs for lost glasses, contacts or retainers
 - d. None of the above

3. **As long as your child is enrolled in even a single college course, he or she is automatically eligible to be covered by your health insurance. TRUE or FALSE?**
 - a. True
 - b. False

ANSWERS FOR ESTABLISHED FAMILIES QUIZ



Quiz Answers: Established Families

Automobile Insurance

- 1. Your son or daughter has just gotten a license and is eager to start driving. Which of the following will generally NOT help you get a discount on auto insurance when you add your new driver to your policy?**
 - a. Your child has good grades in school.
 - b. Your child has taken a Driver's Education or a defensive driving class.
 - c. Your primary vehicle will be parked in a garage rather than on the street.
 - d. Your child agrees never to use a cell phone or MP3 player while driving.**

The correct answer is D. Distractions of any kind, including those caused by cell phones or MP3 players, should be minimized while driving. However, there are typically no specific discounts offered for refraining from using these kinds of items.

- 2. Purchasing an "umbrella policy" to raise your auto liability coverage and protect your assets is mandatory as your net worth grows. TRUE or FALSE?**
 - a. True
 - b. False**

The correct answer is FALSE. An umbrella policy, which provides incremental liability insurance that kicks in after the liability amount on your auto or homeowners policy is exhausted, can be purchased at any time at any time, regardless of your income. However, you are not required to purchase this type of coverage as your net worth increases.

- 3. In general, which gender teenage driver is likely to raise your auto insurance rates the most when you add him/her to your plan?**
 - a. Male (However, some states do not allow gender-based auto rates)**
 - b. Female

The correct answer is A. A driver's gender may have an effect on an insurance premium. Although some states do not allow gender differences in auto rates, industry figures show that adding a teenage daughter to your policy typically

boosts your premium by 50 percent; adding a teenage son can more than double the price.

Homeowner's Insurance

1. A “scheduled personal property endorsement” (also known as a “personal article floater”) provides broader coverage than is typically included in your regular home insurance policy for specific expensive items. Which item would typically NOT need to be covered by a “floater”?
 - a. a diamond ring
 - b. a laptop computer
 - c. an antique armoire
 - d. a fur coat

The correct answer is B. Due to their high value, items such as jewelry, antiques and furs are often not covered for their full value through basic policies. Thus, many people purchase a “floater” policy to provide additional coverage for these types of items. However, most basic home insurance policies will cover a laptop computer, so a floater may not be required.

2. You have the option to insure your home and belongings for their replacement costs. Which of the following statements is TRUE?
 - a. Replacement cost coverage takes into account the amount of time you have owned the home or your belongings.
 - b. Replacement cost coverage provides payment to replace or rebuild your home or repair damages as you please, without restrictions on the kind or quality of materials used.
 - c. Replacement cost is the amount it would take to replace or rebuild your home or repair damages, without deducting for depreciation.

The correct answer is C. Replacement cost is the amount it would take to replace or rebuild your home or repair damages with materials of similar kind and quality, without deducting for depreciation. In contrast, actual cash value is coverage for the amount it would take to rebuild or repair damage to your home, or replace belongings *after* depreciation.

3. You may be thinking about buying a bigger home to accommodate your growing family. Which of the following factors is NOT LIKELY to impact the price of your homeowner's policy when you move?
 - a. Your new home's proximity to a fire station
 - b. The type of construction (e.g., wood, brick, stone) used in the home you purchase
 - c. The amount you paid to insure your previous home
 - d. The geographic location of your new house

The correct answer is C. The amount you paid for your previous homeowner's insurance policy does not affect the cost of the policy for your new home. However, factors such as your home's distance to a fire station, type of construction, the age of the home and even the location may impact the policy's price.

Life Insurance

- 1. You may be considering buying an annuity in order to receive income payments at regular intervals when you retire. Which of the following is NOT true of an annuity?**
- You will be taxed only when you start taking distributions or withdraw funds from the account.
 - You may encounter stiff penalty fees to access your principal should the need arise.
 - The amount you receive will vary with each payment based on the performance of the insurance company that holds the annuity contract.
 - An annuity can be a useful retirement-planning tool.

The correct answer is C. An annuity is a contract in which an insurance company makes a series of income payments at regular intervals in return for premiums paid. The amount of these payments does not change according to how the insurance company that owns the annuity is performing.

- 2. One benefit of life insurance for families with children approaching college age is that it can help ensure that college tuition expenses can be met in the untimely death of a parent or key wage earner. TRUE or FALSE?**
- True
 - False

The correct answer is TRUE. Many families purchase a life insurance policy as a way to ensure that dependents do not take on significant debt, including education costs, if a parent or key wage earner dies.

- 3. You may have purchased a convertible term insurance policy when you were younger. As your net worth increases, you may now wish to convert to a permanent (“whole life” or “ordinary life”) plan. Which statement is TRUE?**
- You can make the conversion at any time.
 - You will be required to inform your insurance company about any changes to your health.
 - The premium rate you pay on conversion is usually based on your “current attained age” – your age on the conversion date.
 - All of the above

The correct answer is C. A convertible term policy lets you start with a term policy and then switch your policy to a permanent one later. While there may be limits on when you can make the change, you will not have to provide a health update to the insurance company. The rate is calculated based on your age at the time of the conversion, not the age at which you purchased the original policy.

Health Insurance

- 1. In the event you decide to start your own business, change jobs, or are faced with losing your job, it is important to be familiar with your right to continue obtaining health coverage under COBRA (Consolidated Omnibus Budget Reconciliation Act). Which of the following statements is TRUE?**
- a. Under COBRA, you and your family can elect to continue to be covered by your former employer's group health plan for typically up to 18 months after your employment situation changes, providing you pay the premiums on time.
 - b. Under COBRA, you can negotiate better insurance rates with your next employer or when you set up your own coverage for your new business.
 - c. Under COBRA, your former employer must continue to pay your health insurance premiums typically for 18 months if you want to remain on the employer's group health plan.

The correct answer is A. Under COBRA, you (and your family) are entitled to a minimum of 18 months of continuation coverage, but you are responsible for paying the premiums, not your former employer. Participating in COBRA coverage has no impact on a future health insurance plan or premium costs.

- 2. Standard health insurance policies automatically cover which of the following common childhood health or dental needs?**
- a. Braces
 - b. Allergy tests
 - c. Replacement costs for lost glasses, contacts or retainers
 - d. None of the above

The correct answer is D. Many common childhood medical expenses, such as allergy tests, braces and costs for replacing lost eyeglasses, contacts and retainers, are not automatically included in standard policies.

- 3. As long as your child is enrolled in even a single college course, he or she is automatically eligible to be covered by your health insurance. TRUE or FALSE?**
- a. True
 - b. False

The correct answer is FALSE. It is important to review your policy to find out whether or not your child is covered. Many policies require a minimum part-time student status in order for college-age children to continue to be covered as a dependent.