Course Objectives

- Increase your knowledge about financial planning
- Improve your ability to make informed decisions
The Importance of Insurance in a Well Balanced Financial Plan
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Lesson Objectives

- Increase your knowledge about financial planning
- Understand the role of insurance in a plan
- Improve your ability to make informed insurance decisions
The Financial Planning Process Involves Six Elements

1. Set Goals
2. Gather Data
3. Analyze Data
4. Create Plan
5. Implement Plan
6. Monitor Plan
Financial Planning Blocks

- Estate Planning
- Tax Planning
- Investments
- Insurance
- Money Management
Building Blocks of Financial Planning

- Provide income continuation
- Protect property and assets
- Supplement retirement income
Insurance tools may include:
- Life Insurance
- Disability Insurance
- Long Term Care
Understanding the risks that can sidetrack or potentially destroy one’s financial plan

- Accidents
- Sickness
- Death
- Disability
What is Life Insurance?

Benefits

- Peace of Mind
- Completes one’s dream
- Creates a college fund
- Provides financial options for the survivors
A life insurance policy is a contract with an insurance company.
- In exchange for premiums (payments) the insurance company provides a lump-sum payment, known as a death benefit to beneficiaries in the event of the insured's death.
What is Term Insurance?

• Same as renting an apartment but a longer lease
• Lasts for a specific term
• Relatively low level guaranteed premiums
• No cash value build up unless it is a return of premium plan
• Shorter the term, the lower the premium
• Usually 10, 15, 20 and 30 years
What is Permanent Insurance?

- Similar to buying a home because you build up equity over a period of time by paying down the mortgage and with the value of the home appreciating.

- Depending on the type of plan selected, the premium is level for the entire time and then, like a home, it eventually may be paid for.
Types Of Permanent Insurance

• Whole Life – Safest product with many guarantees
• Universal Life – Flexible premium and face amount
• Variations of Universal Life
Whole Life

• Fixed premium for 10 years to lifetime depending on the plan selected
• Premiums and base cash value is guaranteed
• If a Participating policy – it pays non guaranteed dividends
• Nonparticipating – No dividends
Universal Life

- You control the premium and you can always decrease the amount of coverage
- If you increase the coverage, it is subject to health qualification
- Your decisions will impact the performance of the policy
- Important to monitor performance of policy over the years
Variations of Universal Life

- Guaranteed Universal Life
  - As long as the stated premiums are paid on time, the death benefit will always be there

- Current Assumption Universal Life
  - Performance of the policy is based on the current or assumed interest rate and the current cost of insurance
Variations of Universal Life

- Indexed Universal Life
- Same as current assumption Universal Life but the interest rate is tied to an Index like S&P 500
Temporary Disability Insurance (TDI)

- The State mandates that all employers provide TDI to full time employees (20 hours/week and earn greater than $400/42 weeks)
- After a 7 day waiting period benefits are payable for up to 6 months
Disability Income Insurance: LTD

Long Term Disability (LTD)

- You are your biggest asset
- Protecting that asset – your ability to work is important
- Disability income insures your ability to make a living
Chances of a Disability

- 1 in 4 of today’s 20 year olds will become disabled before they retire
- Over 37 million Americans are classified as disabled or 12% of our population
- More than 50% were disabled during their working years 18 to 65
Chances of a Disability: Age 35

Healthy Male or Female age 35
- 21% chance of being disabled for 3 months or longer during their working career
- 38% chance of the disability lasting 5 years or longer
- Average length of a disability is 82 months (almost 7 years)
Understanding the definition of disability is the true difference between products

- Occupational qualification
- Benefit Selection
  - Elimination periods
  - You are self insured except for TDI
  - Benefit periods range
- One must qualify medically and financially to obtain a disability policy
Which Product is Right For You?

Needs analysis

• What would you and your family need in the event of death or disability?

Budget

• What does your budget allow for the protection portion of your financial plan?
Considerations

- Do they have a product that meets your needs?
- How are they rated by various rating agencies?
  - AM Best
  - Standard and Poor’s
  - Moody’s
  - Fitch
How Do I Qualify?

• Medical qualifications
  • Determined based on one’s age
  • The amount of insurance one is buying
  • One’s health impairments

• Typical Requirements
  • Paramedical exam
  • Medical questions
  • Height and weight
  • Blood and urine samples
Best Way to Prepare For Your Insurance Medical Exam

- The insurance doctor has one opportunity to make the right decision
- The decision is based on your insurance physical
- Medical report provided by your doctor
- All other related information from the application
- Motor vehicle report
Do Yourself A Favor Before the Insurance Physical

- Get a good night’s sleep
- Fast from food as directed
- Drink lots of water
- Take any prescribed medications
- Abstain from heavy exercise prior to the exam
- Take a list of any medications and the dosage along with names of your doctors
- Relax
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