

Exercise 13

Critical Thinking

Notes

This exercise applies all your presentation graphics skills. In this case, create a presentation based on a fictional report.

Vocabulary

No new vocabulary in this exercise.

Directions

1. Read through the report that starts on the following page.
2. Create a new presentation, choosing an attractive presentation design.
3. Create a presentation that uses at least eight slides.
4. Include at least one bulleted list slide, one slide with a graph, and one slide with a table.
5. Change the presentation design and the layout for one slide.
6. Use the slide master to add the date, page (slide) number, and footer text for each slide.
7. Change the title alignment on at least one slide.
8. Change the font and size for text on at least one slide.
9. Spell check the presentation.
10. Save the presentation as INSURE.
11. Print and close the presentation.

Evaluating Life Insurance Options

Why We All Need Life Insurance

When we're in our teens and twenties, we all tend to feel immortal. We believe most of our life stretches ahead of us and assume we can plan for serious life changes later—much later.

By age 30 or so, reality sets in. By that time, you might be married and have children. You start saving money for college costs or a new home purchase. You start planning for retirement. And you start considering a life insurance purchase.

You might say, "But I have insurance through my job," or "My spouse makes more, so my income doesn't really matter." Despite such reasons, however, it's safe to say that nearly everyone needs a good life insurance policy to protect surviving family members.

Employers do typically offer some type of life insurance policy to many employees, but not all. If your employer doesn't provide you with coverage, you should definitely seek it on your own.

You also shouldn't assume that you don't need insurance if your income is smaller than your spouse's. After all, most of us do not work for fun. If you die prematurely, the lack of your income could make it more difficult for a child to attend college or for your spouse to pay for child care.

In addition, studies show that surviving family members need at least five times your income to maintain the same lifestyle should you pass away. This cushion of income can ensure, for example, that your family can continue to afford your home.

Finally, life insurance transfers almost directly to your survivors. Even when you have a will, other monies like your bank account typically have to go through the court system before your family receives them. This can make it difficult for your family to pay the bills in the meantime.

In fact, a recent survey of 1,000 people by the Insurance Institute of America yielded insight into why people buy life insurance. In the survey, 450 people gave "No employer policy" as the reason for their life insurance purchase. 350 said "Need more coverage." 150 said "No will," and 50 said "For investment."

NOTE: While certain types of insurance do offer an investment component, most investment professionals recommend that you don't use insurance as your primary form of investment.

Basic Types of Life Insurance

Once you've made the decision to shop for life insurance, you need to know what types of insurance are out there. While insurance choices have become more complex over time, you can start by considering two basic types of insurance.

A *term life* insurance policy lasts a set length of time, such as five or ten years. You pay a yearly premium for that coverage during the duration of the policy. After the policy period expires, you can renew the policy. Typically, you'll pay a higher rate and have to undergo a physical exam or blood test when you renew. As you get older, the terms for renewal become more strict and the policy prices increase dramatically. On the plus side, term life policies cost less when you're younger and give you routine opportunities to renew or change your coverage. Because term life plans tend to be more simple, it's also easier to compare policies from different companies.

A *whole life* insurance policy lasts your lifetime, as long as you pay your policy. For this reason, you can think of whole life as a more “permanent” type of insurance. Whole life policies generally have more variations and are harder to compare. However, they offer the appeal of lifetime coverage. When you buy most whole life policies, you also lock in your policy rate for a lifetime, so you don’t have to worry about dramatic coverage pricing changes in the future. Whole life purchasers don’t have to undergo regular exams for renewal. And, the policy generally accumulates a “cash value,” so you can opt to cash in the policy and get your money rather than renewing it.

Example Rates

When you shop for insurance coverage, make sure you're comparing apples to apples. This may mean that you have to divide a one-time policy payment for a whole life policy by 30 to compare with the annual payment you'd make over the next 30 years for a term life policy.

Just to give you an idea of how much annual premiums can vary between term life and whole life policies, example pricing follows. These figures were provided by the Insurance Institute of America. They assume \$100,000 of coverage, that the term life policy is a 30-year policy, and that the pricing applies to a new policy purchased at the specified age.

Purchase Age	Policy Type	
	Term Life	Whole Life
35	\$150	\$250
40	\$200	\$300
45	\$300	\$325
50	\$450	\$350

Other Points to Consider

Obviously, term life may save you money in the short run, but it leaves you with more expensive coverage at points where money may be tight—when your kids are in college or when you’re trying to save for retirement. So, you need to think about whether you can absorb the term life expenses in the long run. If so, you may be better off investing the extra cash now and sticking with term life.

On the other hand, you may have some type of family history of illness, which would tend to make you want to lock in your lifetime coverage. If your family members tend to develop diabetes in late adulthood or have multiple mild heart attacks, a whole life policy could protect against situations where a term life policy would become too expensive.

Has your situation recently changed, or do you expect it to? For example, if you're self-employed but expect to rejoin a corporation at some future point, you might choose term life. Or, if you’ve recently bought a more expensive home, you may want to supplement a whole life policy with a term life policy.

Finally, under certain circumstances, a whole life policy can help round out your list of investments. The cash value in your policy accumulates tax-free, so diverting some investment dollars into a whole life policy today could ease your tax burden later.