



# RETIREMENT INVESTMENT ADVISORS, INC.

2925 United Founders Blvd.  
Oklahoma City, OK 73112  
(405) 842-3443  
(800) 725-4530

9300 John Hickman Pkwy.  
Suite 504  
Frisco, TX 75035  
(972) 377-2850

[www.TheRetirementPath.com](http://www.TheRetirementPath.com)

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left to right: Carol Ringrose Alexander, CFP®, Chad A. Rudy, CFP®, Brenda C. Bolander, CFP®, Andrew K. Flinton, CFP®, and Randy L. Thurman, CFP®

## Financial Briefs

SEPTEMBER 2022

### 8 Scenarios When You Need Life Insurance

#### You Recently Married

When you decide to get married, much of the focus is on the wedding festivities, as well as combining your incomes to live a life closely resembling the one you've always dreamed of. What newlyweds often don't consider, however, is the possibility of their untimely deaths. Can you each afford your current lifestyle on your own? A life insurance policy can provide a level of financial comfort in the event of your death that doesn't force your spouse to suddenly uproot his/her life and even go into debt while grappling with the implications of this tragedy.

#### You're Married with Minor Children

As a parent of minor children, unless you've built considerable wealth through savings and/or investments, obtaining a life insurance policy should be your top priority. Unless your spouse, ex-spouse, or appointed guardian can solely provide for them in a way that doesn't dramatically alter their lifestyle, it's important to consider a life insurance policy with a suitable benefit that covers their needs. Keep in mind that an accident could leave your children without either parent, so it's important to take your guardian's financial situation into

consideration.

#### You're Married Without Children

Two working spouses, particularly those without children, may assume that life insurance holds little importance, especially if they each have an employer-sponsored plan. However, how long can your spouse financially manage without you, and what kind of lifestyle will he/she live on one income? A life insurance policy can safeguard the home and lifestyle you've worked so hard to achieve.

#### You're a Single Parent

Single parents have even more to think about in the event of their death. First, with what you'd currently leave behind, can your appointed guardian continue to care for your children in the same way you provide for them now? This is of particular concern for minor children who go to live with grandparents living on a fixed income. The Social Security benefit and/or public assistance your guardian might receive is likely not enough to keep up with the growing costs of food,

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### Review Your Homeowners Insurance

Often, homeowners insurance is purchased with the home and is not thought about again until a claim is made. Since there is little you can do at that point about your coverage, take time periodically to review your policy. Some items to consider include:

- **Review the adequacy of your policy limits.** Investigate how much it would cost to replace your home and make sure your policy limit will cover that amount. Don't insure your home for its market value — it may cost more or less than that to rebuild your home. And even if your home were totally de-

stroyed, you would still have the land. Try to obtain guaranteed replacement cost coverage, where the insurance company will rebuild your home even when the cost exceeds the policy limits. Be aware, however, that some companies no longer offer this coverage and even those that do define guaranteed replacement cost in different ways. Make sure your policy has an inflation endorsement that adjusts your coverage annually for increases in construction costs.

- **Obtain coverage for special risks.** Basic policies protect you

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## 8 Scenarios

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clothing, and more. As difficult as it is to imagine, it's important to consider protecting your children should something happen to you before they become adults.

### You're the Breadwinner

Without your financial contributions, your family's home, vehicles, and daily essentials are at risk. Unless you have the money set aside to pay off your mortgage and other bills and continue to provide monthly income for your family, your death could force your spouse or appointed guardian to seek more income via a job or second job, sell your home and many of your other prize possessions, or even move in with other loved ones. Consider your spouse's age and the number of years he/she hasn't worked if that's the case. What is the probability of him/her finding a job that can provide for your family and/or maintain your current lifestyle? If there are children involved, many of these changes could be as devastating as your death.

### You're a Stay-at-Home Parent

Many couples unwisely assume that a parent who stays home with children doesn't generate income and therefore wouldn't leave a financial gap in the event of his/her death. However, keep in mind that a mom or dad caring for children is likely providing childcare, transportation, help with homework, household management, meal preparation, housekeeping, and more. Who would manage these tasks if the stay-at-home spouse died? Can you fit a childcare provider, housekeeper, and part-time cook or meal delivery service into your current budget? An insurance policy that anticipates the long-term costs of these essentials could help with the financial implications of losing a stay-at-home spouse.

### You Have Grown Children

When you die, nearly everything you own now belongs to your estate (unless your assets are transferred to a trust), which must be re-

## Umbrella Insurance

Even if you have all the essential types of insurance, your family's finances may be at risk. That's because your standard insurance policies have liability coverage limits. If you're sued, you could quickly exceed those limits. Umbrella insurance (which is sometimes called personal liability insurance) is a type of supplemental insurance coverage designed to protect you from that possibility.

### Umbrella Insurance Basics

Do you know how much your insurance would pay if you caused a car accident that resulted in a serious injury to someone else? What if someone tripped and fell on that loose step on your front stoop, or your dog bit a neighbor? While your auto or homeowners insurance would cover some of the associated expenses, the coverage limits could be far lower than you realize.

With umbrella insurance, you purchase this coverage as an add-on policy to your current primary insurance provider. Coverage limits typically start at \$1 million and may reach as high as \$10 million. The premiums are usually fairly affordable, costing a few hundred dollars for every million dollars of coverage. The one catch is that

your insurer will require you to buy the maximum amount of coverage on your other policies. You should also make sure you have all the basic policies you need before buying umbrella insurance.

If you're concerned about the additional cost of umbrella insurance, you may be able to get the extra coverage for little additional expense by boosting your deductibles.

### Who Needs Umbrella Insurance?

In theory, anyone could be the subject of a major lawsuit, and thus could benefit from umbrella insurance. But this coverage is most appropriate for people who have a lot to lose in a lawsuit — those with significant assets or property they want to protect. Also keep in mind that your homeowners insurance doesn't typically provide coverage for certain types of claims, such as those related to libel or defamation, or if you are sued because of your volunteer work on a nonprofit board.

How much coverage do you need? Financial advisors and insurance experts often recommend personal liability coverage that is at least equal to your net worth. Please call if you'd liked to discuss this in more detail. ■■■

viewed by a probate judge even if you have a valid will. Life insurance works differently in the sense that it's excluded from your estate and passes directly to your listed beneficiary in a more expedient manner. It's generally tax free as well. Consider, too, the main source of your children's inheritance. For most people, the majority of their wealth lies in the value of their home, which can take several months to sell. A life insurance policy can help your children cover electricity, gas, water, and other costs of maintenance as they go through the process of selling your home. Likewise, the death benefit can cover funeral expenses

and even provide your children or loved ones with a legacy that will endure well beyond your death.

### You're Under 65

In spite of the senior discounts or freebies you may receive as the perk of reaching your golden years, insurance becomes much more expensive, if not impossible to attain in some cases. With life insurance in particular, age is one of the biggest risk factors and therefore not something you want to put off until retirement. The younger you are at the time of your life insurance purchase, the more affordable your policy.

Please call if you'd like to discuss this in more detail. ■■■

## Homeowners Insurance

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from fire, smoke, windstorms, vandalism, and lightning. The most comprehensive policies cover every peril except those specifically excluded, typically floods, earthquakes, war, and nuclear accidents. If you live near a flood plane or earthquake area, obtain specific coverage for these perils. Find out if your policy will pay to rebuild your home in accordance with local zoning laws and ordinances. An existing home does not have to meet new zoning laws and ordinances, but when you rebuild, you must comply with those laws.

- **Understand what other items are covered by your policy.** Your homeowners policy also typically covers personal property, other structures on your property, landscaping, loss of use when your property is destroyed, and personal liability coverage. Carefully review the limits for all of these items, since you can generally add endorsements if you need additional coverage. Typical policies cover personal property for a maximum of 50% of the coverage on the home, usually paying actual cash value, which deducts depreciation from the amount paid. Try to obtain a replacement cost endorsement, which pays to replace your property and typically raises the limit to 70% of your home's coverage. Pay special attention to limits for items like jewelry, antiques, collectibles, and works of art.

### How to Reduce Premiums

While you do not want to skimp on your homeowners insurance coverage, it is possible to obtain appropriate coverage and save money at the same time. Insurance companies offer discounts for a variety of reasons. Consider the following tips to help save on your homeowners insurance premiums:

- Utilize safety features in your home, such as fire alarms, carbon monoxide detectors, fire resistant

## Calculate Your Life Insurance Needs

While life insurance can serve a variety of purposes, one of the most common is to maintain your family's standard of living in case you die. Many rules of thumb exist, such as five to seven times your annual income, but don't rely on rules of thumb to determine your coverage. These rules don't take into account your individual circumstances.

Your insurance needs will probably change over time. To determine how much insurance you need, consider these questions:

**What lifestyle do you want to provide for your spouse and dependents after your death?** Review your needs in detail, taking a look at important considerations like:

- Do you want to provide the same standard of living, including amenities like vacations and club memberships? Will your spouse and children live in the same house?
- Will the family have to make different childcare arrangements?
- Do you want to provide for college educations for your children?
- If your spouse doesn't work, do you want that to continue or do you expect him/her to work after your death? If you expect your spouse to work, what is a reasonable amount of income to expect him/her to earn?
- Do you need to consider the support of elderly parents or other relatives?
- How long must your family live off the insurance proceeds? Will

your current retirement fund provide enough income for your spouse to live on after retirement or do you need to provide income until his/her death?

- Do you want to pay off a mortgage or other debt with insurance proceeds?
- Do you have estate tax considerations you want to address with life insurance?

**How much will that lifestyle cost?** Come up with an estimate of how much this lifestyle will cost. Include all of your current expenses that would remain the same as well as any new expenses you have identified, such as for childcare. Remember to factor in hidden costs, such as providing for health insurance that was paid for by your employer. For large debts, such as a mortgage, determine whether it makes sense to pay the loan off in full or to continue making monthly payments.

**How much life insurance do you need?** First, consider what other income sources your spouse and/or dependents will have. This could include your spouse's earnings, retirement plans, Social Security benefits, savings, and investments. Life insurance proceeds will be needed to provide the difference.

Your life insurance needs will change over time, so you should periodically go through this analysis. Please call if you'd like help assessing your life insurance needs.

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doors, motion sensors, and security systems.

- Increase your deductible, which can significantly lower your premium. If you do so, however, keep an adequate emergency fund to cover higher out-of-pocket costs for any claims.
- Ask about discounts for using the same insurance company for other insurance needs, such as auto, life, or health.

- Stay with the same company. Insurance companies will often give loyalty discounts to customers who have stayed with the company for years, although you will typically have to ask for this discount.
- Maintain a smoke-free environment. Insurance companies will often lower premiums for households that are smoke free. ■ ■ ■

## News and Announcements

### From the Alexander Household

*"Death is not extinguishing the light; it is putting out the lamp because the dawn has come."*

~ Rabindranath Tagore

We laid my father-in-law, Col. Aubrey Dale Craig, to rest today. It was a beautiful service with military honors.

Many years ago, a friend recommended the book, *My Son ... My Son ... – A Guide to Healing After Death, Loss, or Suicide*, by Iris Bolton. The message I remember is how to deal with the sudden loss of a loved one by looking for the gift in the experience that can bring your family closer. I've found that this approach can be applied to many challenges, but particularly with grief.

After experiencing the loss of my uncle, father, mother- and father-in-law in the past 18 months, I attempt to make sense of loss by comparing the experiences, but there really isn't any comparison. Each experience is unique. Someone once said that we experience grief more as waves than a linear process, which I find to be true.

Today, the gift I experienced from Aubrey's service was that it brought the blended family together in a way that was beautiful. I gained greater insight into his life through memories that were shared. Together, we honored his life and memory.

*Carol Ringrose Alexander,*

*CFP®, AIF®, CEPS, RIP®, CDFA™*

### From the Rudy Household

As usual, the summer seemed to fly by. We were able to take a family vacation to Cozumel before the girl's activities started. Everyone is back to school, which tends to set more structure to our weekly schedules.

After her summer internship, our daughter Kayla started her junior year at Texas A&M. This year brings in the Aggie class ring tradition, so my wife Amy and I will plan a visit to College Station for her celebration. She was selected as the VP of Finance for a leadership organization, AWIB (Aggie Women in Business). Between classes and extracurricular activities, she will have a busy year.

Our daughter Megan started her freshman year at OU and plans to study Nursing. I have been warning Megan to expect a small, old dorm room, but I was quite wrong. She moved into a brand-new dorm with three roommates who all met online. The dorm has a shared living space, and each girl has an individual bedroom. She enjoys her roommates and is making new friends by the day. We look forward to visiting her in Norman and will catch a football game while we're there.

Our daughter Tatum started her sophomore year in high school. She is adjusting to having both sisters off in college and is still determining whether or not she likes having extra parental attention! She is still enjoying being on the drill team and is an officer this year. She will take

her driver's test soon, so that will add a new level of excitement.

Amy and I are very happy for the girls and all their experiences!

*Chad A. Rudy, CFP®*

### From the Wallis Household

*"The moment is not found by seeking it, but by ceasing to escape from it."*

~ James Pierce

As my children grow older, the years seem to move faster and pass in a blur. It seems just like yesterday when we were facing sleepless nights with a newborn. Yet our boys are now 21 (Kyle) and 13 years old (Griffin). While they still need us, they need us in different ways. We are taking off the figurative training wheels and allowing them to steer through life with more freedom. "Adulthood" is quite the adventure.

I find myself chuckling at some of the conversations I have with the oldest as he navigates living with roommates and going to OU. One day he sent a text, "How do you get internet?" Another day, he needed help buying his car tag because we have always done it for him. He frequently tells his younger brother to enjoy being a kid while he can.

As the days whiz by, I find myself being more mindful of the time that I spend with my loved ones. I want to step away from distractions (especially technology) and soak in the time that we have together. On a recent family vacation, I was thankful for the cabin's spotty WiFi. As a gentle rain fell outside, we gathered around the dining room table and played a serious game of Uno. We laughed, we playfully booed, we triumphantly cheered, and we found ourselves just enjoying each other's company. Well, until my husband played the card that made me draw four more, right when I was on the precipice of winning.

I enjoy live music and at every concert in recent memory, I find myself surrounded by people recording the concert on their phones. I understand they want to remember that experience. However, would they enjoy it more if they put away the technology and just soaked it in with their own eyes and ears? Instead of recording the moment, what if they just chose to live in it?

At this year's PGA championship, a spectator made headlines (and inked a lucrative product deal) when he simply watched Tiger Woods hit a shot, instead of recording it on his phone like every surrounding fan. Experiences make our life richer, not recordings. I am making an effort to live in the moment and I hope you will, too.

Best wishes,

*Jennifer Wallis*

*Senior Marketing Vice President*