



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

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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

OCTOBER 2023

Insurance and Financial Planning

Insurance plays a vital role in your financial plan. A comprehensive insurance plan, which can include everything from auto insurance to disability insurance, helps protect you, your family, and your wealth.

Without insurance, most people would have difficulty coping with major and unexpected financial setbacks. Insurance is a reasonable way to plan for worst-case scenarios.

Where Do I Start?

Most people already have some insurance. A typical adult with a family and a job might carry auto, life, and homeowners insurance (not to mention health insurance, which is another essential coverage). But most people purchase their insurance piecemeal, picking up a policy here and there when they need it. Rarely do people have a coordinated insurance plan that aligns with their overall financial plan.

Thus, your first step in developing an insurance plan should be sitting down and taking an objective look at your total financial situation, perhaps with the help of a financial advisor. Consider your age, family situation, the risks you face, and current assets and liabilities. This will help you identify areas where you might need the peace of mind that quality insurance provides.

For example, parents with

young children will almost certainly want life insurance, while people who suspect they may end up in a nursing home may want long-term-care insurance. Sound complicated? It can be. Unfortunately, there is no one-size-fits-all approach to buying insurance.

Evaluating Your Risk and Determining Your Needs

Determining what kind of insur-

ance you need to protect yourself and your family begins with an honest evaluation of the risks you face. That helps you decide what kind of insurance you need. But that's just the beginning. For example, if you have young children, you probably know you need life insurance. But how much is enough and what variety (whole or term) is best? And

Continued on page 2

Insurance Mistakes to Avoid

Insurance is an important necessity to help protect you from the unexpected, but you will want to make sure you have the appropriate amount of coverage at the appropriate price for this protection. Following are some common mistakes to avoid that will ensure you're not paying too much and that you have what is right for your situation:

Selecting the Lowest Deductible

When you select low deductibles on your auto and homeowners insurance, you may be paying more in premiums than what you can recover in claims. Increasing your homeowners deductible from \$500 to \$1,000 could reduce your premium by up to 25%. And the same is true with your auto insurance — increasing the deductible from \$200 to \$1,000 could reduce

your premium by 40%. Low deductibles may also encourage some to make small claims, which then prohibits you from receiving claims-free discounts. If you add your premium savings to your emergency fund, you will be able to cover those small claims yourself, saving you money in the long run.

Not Asking about Discounts

Take the time to research the premium discounts that are available. While they may vary with different companies, if your insurer doesn't know you qualify for discounts, you may not get them. Some discounts to consider include: insuring your home and auto at one company, installing an alarm system in your home, and working closer to home or even carpooling.

Continued on page 3

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Insurance

Continued from page 1

what about other types of coverage? Should you buy umbrella insurance or disability insurance?

Life insurance tends to be the area where people have the most questions about whether their coverage is adequate. To do this, you need to imagine the unthinkable: How would your family survive if you were no longer there to support them? Don't just pick a big number and assume it will be enough.

Consider this: You have a life insurance policy with a \$1 million death benefit that you think will be more than enough to provide for your family if you pass away unexpectedly. Tragically, you die, and your surviving spouse uses \$400,000 of the benefit to pay off your mortgage and some other debts, pay for your funeral, and cover other miscellaneous expenses. That leaves just \$600,000 for your family.

If your survivors invest that sum in a fund that earns an average 5%, that translates to a monthly income of \$2,500. That amount may not be enough to meet all your survivors' financial needs. And that assumes your financial situation is relatively uncomplicated. If you have children with special needs or who will be attending college soon, you may need even more insurance.

When it comes to disability insurance, you may be tempted to rely on your company's policy, but that might be a mistake as well. The coverage may not be as extensive as you expect, with a limited benefit period or a narrow definition of disability (you may only get benefits if you aren't able to work in any occupation, not just your current occupation). Robust disability insurance coverage is essential if you do not have the resources to replace your current income should you become unable to work.

Long-term-care insurance is another essential component of many people's financial plan. Given the

Review Life Insurance at Retirement

As retirement age approaches, it's usually a good time to reassess your life insurance policies to see if your needs have changed. With your children on their own and no earned income to replace, you may no longer need a large life insurance policy. Before making changes, however, make sure there aren't other uses for your life insurance policy, such as:

- **To leave a legacy to heirs** — Even if the money isn't needed for your children's support after your death, many people like the thought of leaving a large inheritance to their children or grandchildren. With an insurance policy in place, you can feel free to spend your retirement assets, knowing the insurance policy proceeds will be paid to your beneficiaries after your death.
- **To pay your grandchildren's college expenses** — With the rapidly increasing costs of college making it more and more difficult for parents to cover this cost, you might want to use an insurance policy as a college fund for your grandchildren. If you're still alive when they start college, you might be able to borrow some of the cash surrender value to pay these costs.
- **To support adult children** — There are a variety of reasons why you might want to provide financial help to an adult child. Perhaps your child is a doctor, but has significant debt from college. Or your child

might work at a job that doesn't pay a significant amount of money.

- **To provide a large charitable contribution** — A life insurance policy can serve a couple of purposes when making a large charitable contribution. You can name the charity as the beneficiary of the policy. Or you can leave other assets to the charity that would have been included in your estate and possibly subject to estate taxes. The proceeds of the life insurance policy, if properly structured, can then be paid to your heirs estate- and income-tax free.
- **To help deal with long-term-care costs** — Many individuals don't purchase long-term-care insurance, believing their spouse will take care of them. However, when one spouse dies, there may not be anyone to take care of the surviving spouse. The proceeds of a life insurance policy can be used to provide long-term care for the surviving spouse.
- **To optimize pension benefits** — When retiring, irrevocable decisions about pension plan benefit payments must typically be made. An individual life income option will pay higher benefits than a joint and survivor benefit, but then your spouse will not have pension benefits if you predecease him/her. You could use the proceeds from a life insurance policy as a source of income for your spouse after your death.

Please call if you'd like to discuss your situation. ■■■

high cost of nursing home care or a stay in an assisted-living facility, the need for these types of services in retirement would bankrupt many, even those with substantial retirement savings. If you suspect that you or your spouse might need such care, a long-term-care policy is one way to protect your assets and reduce the risk that you will run

out of money paying for a nursing home stay.

Clearly, insurance and financial planning are intimately intertwined. It is difficult to separate one from the other. If you have questions about whether your current insurance coverage fits with your overall financial needs, please call to discuss this in more detail. ■■■

Insurance Mistakes

Continued from page 1

Not Checking Around

You may have found a low rate when you purchased your current policy, but it may not be the lowest rate anymore. If your provider raises your premium or you have a major life change, such as a marriage, a move, or your teenager starts driving, this is a good time to shop around for the best rate that meets your needs.

Assuming Group Life Insurance Is Cheaper

Free group life insurance from your employer is a great benefit, but don't assume that the extra life insurance you can purchase from the same policy is the best deal. Group policy insurers make the assumption that those who are not in the best health will be the ones to apply. If you are in good health, you may be able to get a better rate on your own. Also, these insurers tend to raise their rate every five years or so instead of locking in a fixed-rate for 20 or 30 years.

Maintaining Insurance through COBRA

Employers are required under the federal law known as COBRA to let you maintain your health insurance on their group policy for up to 18 months after you leave your job. If you continue with COBRA, you will be paying about 102% of the cost. It can be a staggering amount if your employer was paying some of the premium. It is worth the time to research other health plans to reduce your premiums.

Insuring Your Home Based on Market Value

The market value of your home is not the same as the insurance value. You need to make sure you have enough insurance to completely rebuild the home if it is destroyed. There are some good online calculators that can help you determine a cost estimate for rebuilding your home.

Selecting a Policy Based on the Premium

If you purchase a health insur-

What's the Worst That Could Happen?

Budgets are tight and most of us are looking to save money if we can. It's easy to look at those insurance premiums you pay every month or every quarter and see an easy opportunity to keep some cash in your pocket.

While the lure of saving money is strong, exercise caution before you decide to not make that premium payment. Usually, cutting back on insurance to save money in the short term is a big mistake. If the worst happens and you need to actually use your insurance, you could find yourself in big trouble. Here are some reasons why you need insurance.

You Might Pass Away — If you have family members who rely on you for financial support, life insurance is a must. This coverage provides a financial payout to your beneficiaries if you die, which will help them cover immediate expenses or get by without your income for a period of time.

You Might Become Disabled — Most people seriously underestimate their chances of becoming disabled. Most of those disabilities aren't caused by on-the-job accidents or unusual incidents, but are the result of an auto accident or mundane but serious health problems like back issues, heart disease, depression, or arthritis.

You Might Be Required to Have Insurance — In some situations, insurance simply isn't optional. Car insurance is the obvious example, since you're legally required to have coverage on your vehicle. But some other types of insurance might also be required, like homeowners insurance if you have a mortgage. And following the passage of the Affordable Care Act, most Americans are now required

to have health insurance.

You Might Be Sued — While your chances of being sued are probably pretty slim, crazy things do happen, and sometimes lawyers get involved. Comprehensive insurance coverage, including auto insurance, homeowners insurance, and perhaps even umbrella insurance, will be a lifesaver if you end up being liable for someone's accident, whether it's because your dog bites the mailman, someone is injured while riding in your boat, or a guest trips and falls on your property.

You Might Need Long-Term Care — Few people have the financial resources to cover nursing home costs for an extended length of time. If you suspect you or your spouse might need care (perhaps because your parents spent time in a nursing home or because you have a health problem that might mean you'll need help down the road), insurance can help you with this expense. This kind of coverage can be expensive, though, especially if you're older.

You Might Experience a Natural Disaster — Floods. Earthquakes. Tornadoes. Wildfires. Hurricanes. The list of potential natural disasters you could experience is nearly endless. While the risk varies based on where you live, no one is immune from acts of nature. If the truly unexpected happens, insurance is there to protect your family and your home.

While we all try to reduce our risk of bad things happening, some things are just beyond your control. Once you accept that the unexpected is inevitable, buying insurance to protect yourself is the only logical move. Please call to discuss your insurance. ■■■

ance policy based solely on the premium, you may not have the coverage you need. Make sure you look at the percentage you will pay for doctor's visits and procedures, as well as for prescription drugs. Compare

policies based on multiple variables to ensure you're getting the best price for what you need.

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

News and Announcements

From the Flinton Household

"If there are no dogs in heaven, then when I die I want to go where they went." -Will Rogers

Many families have a natural "snuggler" in the house, and I just so happen to be that person in ours. Thankfully I have been fastidiously grabbing hugs and snuggles from our daughters, Samantha and Emerson, since they were born. As would be the natural progression in life, I can certainly feel the difference in frequency for those hugs and snuggles with 11, and soon to be 13-year-old, girls at this point. Thankfully I have a German Shepherd whose most favorite thing in the world, with her most favorite person... me, is to snuggle! Most mornings start with some version of us layering "her" blanket over the duvet, as she quickly launches onto the bed, smothers me to a certain extent, before laying over my torso to get in position to watch the sunrise while enjoying coffee. I enjoy the coffee. And sunrise. She mainly watches guard for unwelcomed squirrels. Prior to getting our Shepherd a few years ago I gave considerable time to the amount of hair we would live with. I figured I could buy Duct Tape in bulk and we would be fine. Five years later, and I can't say I've ever really used a lint brush. Although I'm fairly certain we've burned through a couple vacuum cleaners. It's funny what we originally are so concerned about, and how laughable it seems, after you realize who your favorite child is! Samantha and Emerson may be slowing down on their desire to snuggle with dad, but thus far the dog seems to be carrying the slack.

Make it a great month!

*Andrew K. Flinton, CFP®
President*

From the Bolander Household

Just before school started, our family took a few days to visit the Colorado Rockies. My daughter and granddaughter rode the zipline across the Royal Gorge, we had great adventures on hiking trails, and marveled at the bones in the Dinosaur Resource Center. Atop Pike's Peak we were pelted by tiny hailstones which had the consistency of soft snowballs. Now, the grandkids thought that was really "cool" for August!

"A professional is someone who is responsible for achieving a result rather than performing a task." - Michael Hammer, American philanthropist and businessman

Someone recently asked how long I have been with RIA, and I am happy to say it's been 11 years now. We have an extraordinary team of professionals here. From the front desk to the document manager, each person is acutely aware of his or her role in achieving results for our clients and their families. All our advisors are CERTIFIED FINANCIAL PLANNER™ professionals, and besides Joe and Randy, who started the firm way back in the 1990s, many of our team members have been with us more than 10 or 15 years. Christine Fuller has the longest tenure and Carol Alexander recently celebrated 20 years with the firm. RIA is a wonderful place to work, and I feel privileged to help clients, coworkers and friends achieve results that are important to them. Have a great month!

*Brenda C. Bolander, CFP®
CPA/PFS
Executive Vice President*

From the Peralta Household

I recently had the joy of being with my beautiful niece, Adelaide, as she experienced the beach for the first time. Our long weekend in Galveston allowed me to watch her play in the sand and enjoy the cool ocean water, reminding me that deep down, we're all still kids at heart. This realization inspired me to grab a boogie board, embrace some child-like fun, and try to ride a wave back to shore. Although my wave-catching adventure didn't quite pan out as I'd hoped, I'm certain Adelaide had a good laugh watching my struggles.

While my vision of catching and riding a wave back to shore didn't come to fruition, I did create enduring memories with Adelaide that I'll treasure for a lifetime.

*Alexx V. Peralta, CFP®
Financial Advisor Associate*