



RETIREMENT INVESTMENT ADVISORS, INC.

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

2952 Via Esperanza
Edmond, OK 73013
(405) 246-0404

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

www.TheRetirementPath.com

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left to right: Brenda C. Bolander, Joe Bowie, Randy Thurman, Carol Ringrose Alexander, Chad Rudy, and Andrew Flinton

Financial Briefs

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Do You Really Need Disability Insurance?

You've worked hard to earn that paycheck. It's the result of a lot of sweat equity. Have you ever seriously thought about what would happen if you couldn't work? What if an illness sidelined you for six months? Or if a serious accident prevented you from ever working again? Would you be able to pay your bills? Could you still save for important things, such as your children's education or your retirement?

We protect all types of assets with insurance — cars, home, even jewelry — but most do not think about covering their inability to work. According to the Social Security Administration's 2018 fact sheet, 1 in 4 of today's 20-year-olds will become disabled before reaching full retirement age (Source: *U.S. News and World Report*, November 6, 2018).

Most people assume if something happens to them, the insurance from their employer or Social Security disability insurance will cover them. And while that may be true, you need to make sure you understand what will be covered and where you could be vulnerable.

Disability Insurance Defined

Disability insurance pays a portion of your salary if you become disabled and cannot work. There are

two categories of disability insurance: short term and long term. Short-term disability replaces a percentage of your paycheck — typically 50% to 60% — for a few months.

Long-term disability insurance will cover a portion of lost income for a much longer period if you are unable to work. Long-term coverage has a longer waiting period between when you stop working and become eligible to collect benefits. This waiting period can be six months or longer, so you should have an emergency fund to cover expenses during this time.

There are many options available when purchasing a policy, each

with a different price and definition of disability. There are policies where you can also add riders to pay off loan balances and replace your retirement contributions, but they come with a price.

Isn't Your Workplace Plan Enough?

It may be enough, but you need to be aware of the specific conditions of your employer-offered plan, as well as the tax implications. One of the most important factors is how the policy defines disability. Own occupation will replace a portion of your pay based on the duties of your current position and is typically the most expensive. Any

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6 Life Insurance Mistakes to Avoid

Many families are in danger of being under-insured or have no life insurance protection at all. While some of this can be explained by a lack of urgency in younger people to purchase insurance, there are also some holdouts who don't really understand how it works. For the life-insurance seekers, here are some costly mistakes to avoid:

Mistake #1: Thinking you can't afford life insurance. The abundance of options available to people of all ages, income levels, and health status can make life insurance at-

tainable for people who may have believed it was only for the wealthy. In fact, the complications and sudden expenses of unexpected death can unfortunately mean that your family may not be able to afford *not* having the security of a life insurance policy.

Mistake #2: Relying entirely on an employer-sponsored life insurance policy. While it is convenient, opting to only utilize the group life insurance policy through work will almost certainly not provide you

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Do You Really?

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occupation will only cover you if you can't work at any job, not just the one you currently have.

You will also want to know how the disability insurance defines the income it will cover. What percentage of your income will be covered? Does the calculation include your bonuses or commissions? Based on what it will cover, you may have a gap between what they pay and your bills. If that's the case, you may want to consider obtaining some additional disability insurance.

If your employer is paying the premiums on the disability insurance, you will have to pay taxes on the benefits you receive.

If you believe that Social Security disability insurance will cover you if you have a serious illness or a debilitating injury, it's not that simple. Social Security disability insurance has the most restrictive definition of disability. To receive benefits, you must suffer from a physical or mental disability that prevents you from working for at least 12 months, so there is a big time gap between when you stop working and when benefits begin. And that's just the beginning, since the Social Security Administration also has a myriad of other qualifying criteria that you must meet. It is not easy to qualify for Social Security disability insurance.

What Do I Need?

Once you have a better understanding of what your employer offers, you need to take a thorough inventory of your expenses to determine if you need more disability coverage. If your paycheck stopped tomorrow, what would you need to make ends meet?

In addition to your expenses to cover daily living, such as your mortgage, food, utilities, and other insurance payments, you need to also think about how you will cover the things you are saving for, in-

Insurance Basics

It's not uncommon to purchase insurance in a haphazard manner. In the end, you haven't systematically evaluated your insurance needs, so you may find yourself overinsured in some areas and underinsured in others. To help prevent this from happening, consider these tips:

- **Review all your policies every couple of years.** You want to make sure you have adequate coverage in all major areas, while also evaluating whether revisions are needed due to changes in your personal circumstances. For instance, your need for life insurance is likely to change drastically over time, as your lifestyle and the number of people dependent on your income change. Review your homeowners, life, health, auto, disability, and long-term care insurance periodically.
- **Purchase insurance wisely.**

The primary purpose of insurance is to protect you from financially devastating losses, not from every minor loss you might incur. Thus, review all the riders and options in your policies, only retaining those that are important to you. Check if you qualify for discounts offered by your insurance companies. Consider increasing your deductible periodically — this is typically a good strategy for reducing insurance premiums.

- **Avoid insurance you don't need.** Don't purchase insurance for minor items you can easily cover yourself, such as extended warranties on small household appliances. When reviewing your policies, make sure you're not paying for duplicate coverage.

If you'd like help evaluating your insurance needs, please call.



cluding education for your children and your retirement. If your spouse works, will his/her salary be enough for a few months? If you are permanently disabled, is your spouse's salary going to be enough to cover your family's ongoing financial needs?

You basically have three options to consider if you don't have enough coverage. You can do nothing and hope that you don't get sick or injured, set up a savings plan to cover you in the event of injury or illness, or get additional disability coverage.

When looking for disability insurance coverage, there are five factors that will define the premiums:

- **Occupation:** if you have a risky job, your plan will be more expensive.
- **Age:** the older you are, the higher your premium will be.
- **Waiting period:** your plan will be cheaper if you wait longer to take the benefit, so if you can cover a good period of time with emergency savings it will lower your

premiums.

- **The dollar amount of the benefit you receive:** the more money you need monthly to cover your expenses, the more you'll pay in premiums.
- **Duration of your disability coverage:** the longer period the plan covers, the higher your premiums will be.

Also be aware that when you are purchasing disability insurance, you will have to pass the insurer's underwriting requirements, which will include a health history, your age, the risk of your occupation, your hobbies, and other factors.

Do You Need Disability Insurance?

If you have large gaps with your employer's plan, a risky job, or a small amount of money saved, you should consider purchasing disability insurance. Like the rest of your financial plan, it comes down to the cost of the insurance versus other priorities. Please call if you'd like to discuss this in more detail. ■■■

6 Life Insurance

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with enough coverage. Unlike traditional life insurance, group life insurance disbursements over \$50,000 can be considered taxable income and your loved ones will have to make do with less after taxes. Group life insurance will also not provide coverage if you are changing jobs, experience unemployment, or have to leave your position due to illness.

Mistake #3: Purchasing inadequate coverage. People often prioritize their discretionary spending over insurance coverage when making their budget, which can lead to insufficient funds being used for insurance. Review your budget and determine if the amount of coverage you've chosen is really enough for your family's needs and if you can afford the difference in premiums for better coverage.

Mistake #4: Choosing the wrong type of insurance. There are significant differences between term and whole life insurance, and these differences can affect the affordability, length of coverage, tax implications, versatility, and customization of your policy. Review any policies you have and make sure they still meet your needs. If not, they may be convertible so you can work with your agent to adjust your policy to better suit your circumstances.

Mistake #5: Not updating your beneficiaries. A lot can happen in just a few years, and if you do not review your beneficiaries on a regular basis, there is a chance they no longer match up with your wishes. This is especially true if there has been a divorce, birth, death, or family dispute in recent years. Beneficiaries on life insurance policies generally override wills, so keeping this up-to-date is particularly important. Include contingencies in case your primary beneficiary passes away or if one or more of your beneficiaries is a minor and will need a guardian or a trust to handle disbursements until they come of legal age.

Mistake #6: Not seeking pro-

Reevaluate Life Insurance at Retirement

As retirement age approaches, 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. Especially if your insurance premiums are high, you may be tempted to cancel the policy, take the cash surrender value, and enjoy retirement. Before doing that, 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.

While it is generally believed that life insurance needs decrease after retirement, there are a variety of reasons why you might want to retain your life insurance policy. If you'd like to review your circumstances, please call. ■■■

essional advice. Life insurance can be complicated and to make sure you have not overlooked something important, such as the tax implications for your loved ones, it may be wise to consult with a licensed professional. This will allow for peace

of mind that you have selected the best policy for yourself and your family's needs.

Please call to discuss your life insurance needs in more detail. ■■■

News and Announcements

From the Flinton Household

Tenaciously Teal, a non-profit that I volunteer for, has continued to be a wellspring in my life. The organization is focused on helping those that are battling cancer, and we provide support in the form of care packs that are delivered to infusions centers, “Brave Shave” parties for women facing hair loss, as well as gas and grocery cards to those struggling mightily to pay their bills and meet basic needs. Having had cancer at a young age, I am acutely reminded of the fragile space that we occupy in life, and the very personal struggles that we all will face at some time in our lives.

There are many times that I deliver care packs and it seems everyone is in great spirits and doing well, however, I know things are not always as they seem. For me, the affirmation of our work is confirmed when we receive a message or call from someone that had received a care pack, and to hear how that small act of kindness has changed their entire outlook on the rest of their lives. For so many that we see, they are fighting their last fight. To play a small role by letting His light shine through us, and have someone receive love, grace, and hope is truly what keeps us going. For all those that have a loved one that has fought a battle with cancer, as well as those of you who have had your own bout with cancer, know you are in our thoughts and prayers.

Wishing you a wonderful month,

Andrew Flinton, CFP®

From the Rudy Household

Throughout the year, our neighborhood has a variety of events where families gather to have a little fun. We have enjoyed cookouts and campouts, water-slides and fireworks, and just about everything in between. This summer 10 families with kids of similar ages decided to venture out of the neighborhood for an afternoon on the lake.

We traveled about 30 minutes to a marina on Lake Lewisville where we had rented a double decker boat. The boat looked like an oversized pontoon boat with a large second level platform. Each family boarded the boat with towels, sunscreen, and a favorite snack to share. After the captain shared the safety information,

we slowly floated to a nearby cove and anchored for the afternoon. The captain dropped the ladder into the water and opened up the slide and diving platform on the upper deck.

The kids all had a blast jumping and sliding into the water. Some kids eagerly went off the edge and others needed some time to become brave enough to jump. The parents spent their time in the water on floats and life vests circled around the dive platform landing area. It was a great day of sun, fun, music, laughter, and friendship. I always enjoy the events within the neighborhood, but I look forward to another fun boat day with our neighbors.

Chad Rudy, CFP®

From the Bolander Household

“Staycation — a vacation spent at home and involving day trips to local attractions,” says the Oxford online dictionary. This summertime included a staycation with our two grandkids. Each evening our church had Vacation Bible School, leaving the daytime free for adventure. The first day was spent with my sister and her granddaughter playing in the family pool. Another day took us to the Prague Pool, where Stella had first learned to swim — she’s always asking when we can go there again. She loved it, and Luke’s enthusiasm for jumping in again and again wore me out after two hours, so we cut that short. We had a marvelous time picking sweet juicy peaches from the orchard in Harrah, and eating them with ice cream every day, but don’t tell their mom! We took in a special matinee movie that emphasized the importance of friendship over fame, and a road trip to the Jenks Aquarium to pet the stingrays and starfish and to walk through the sharks! The last adventure took us the Mabee-Gerrer Museum of Art in Shawnee to see the 2300-year-old mummy Tutu and other interesting artifacts and beautiful artwork. Our souvenirs included a refrigerator magnet of Tutu and a carved scarab bracelet actually from Egypt.

Wishing you many happy adventures and memories!

*Brenda C. Bolander,
CFP®, CPA/PFS*