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

Financial Briefs

DECEMBER 2018

Insurance Dos and Don'ts

Many of us have a love/hate relationship when it comes to insurance. We love feeling covered and protected in case of disaster, but really hate paying out so much money just to guard against chance. This can lead to not spending enough time thinking about what works best for our particular situation. But when we know a little more about what to do (and what not to do) with our insurance, we can end up saving ourselves both cash and heartache in the long run.

Do:

- **Ask about discounts.** Taking the extra time to research which premium discounts may be applicable to you and your situation can save significant sums. Different companies offer various kinds of discounts, with diverse qualifying thresholds. You can't rely on your insurance company to automatically apply any available discounts to your policy, because they may not be aware that you qualify.
- **Shop around.** The company that offered the lowest rate when you were first looking is likely not the lowest a few years down the road. If your provider raises your premium or you've experienced a major life change, like marriage, moving, or a new teen

driver, it's a good idea to shop around for a potentially better rate. Even if nothing has changed recently, you should check other companies' rates every few years.

Don't:

- **Select the lowest deductible.** It may seem enticing to have the lowest amount of out-of-pocket costs, but choosing the lowest deductible options in auto and homeowners insurance may mean you'll actually pay more in

premiums than you could recover in claims. If you increase your homeowners deductible from \$500 to \$1,000, that could reduce your premium by up to 25%. Likewise, if you increase your auto deductible from \$200 to \$1,000, you could save up to 40% on your premium.

Holding a policy with a low deductible may encourage you to make small claims you would

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Life Insurance as an Estate-Planning Tool

The truth is that even with significant savings, life insurance is still a helpful and effective tool in estate planning.

Life Insurance Protects Your Heirs

Even if you have a funded pension that is sufficient to meet your retirement needs, once you pass away, those payments will likely shrink or stop entirely. If your pension was meant to support both you and your spouse, this can cause obvious problems. A life insurance policy, on the other hand, provides your loved ones with a tax-free source of cash to maintain their standard of living.

Another use for life insurance is helping your heirs pay off any debts you may leave behind. Or if you have a complicated family situation,

like children from a previous marriage or a second spouse, you may use life insurance as a way to ensure all your loved ones are provided for after your death in a way that reduces the likelihood of an intra-family battle over assets or even a protracted legal fight.

In some cases, you will be able to use life insurance for your own benefit as well. If you are worried about the potential costs of long-term care in your retirement, certain types of life insurance can offer some reassurance. A hybrid life insurance and long-term care policy can bring the benefits of each kind of plan together as a different version of whole life insurance. They are typically single-premium

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Insurance Dos

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otherwise take care of yourself and that could preclude you from any claims-free discounts for which you would have qualified. Instead of paying higher premiums for a lower deductible, funnel your savings on the premium into an emergency fund so you'll have cash on hand to take care of small claims, saving money in the long run.

- **Assume that group life insurance is cheaper.** If you have free group life insurance as a benefit from your employer, it can be tempting to purchase extra insurance from the same policy — but that is not always the best deal. If you are in good health, you may be able to get a better rate outside of group life insurers, who tend to raise their rates every five years or so.
- **Maintain insurance through COBRA.** If you have lost your job or changed employers, you may be worried about continuous health insurance coverage. Federal law requires that employers let you maintain your former health insurance on their group policy for up to 18 months after you leave, which may alleviate that concern...but at great cost. Keeping health insurance through COBRA means you will pay about 102% of the cost, which is an especially heavy burden if your employer previously paid at least some of the premium. You can save yourself that financial stress by researching other health plans or negotiating with a new employer to qualify for their health plan sooner.
- **Insure your home based on market value.** The market value of your home assumes that the home remains in one piece. But if a disaster causes it to be destroyed, the cost of rebuilding it may be more expensive than what it could sell for now — so the insurance value of your home must be enough to cover that

Give Yourself a Money Makeover

You know what it's like: whether it's a result of a significant life change or you just need to shake things up, it feels like it's time for a makeover. But instead of swapping long tresses for a pixie cut, this kind of makeover is one that will outlast changing trends and you'll always thank yourself for — a money makeover.

The first step is to figure out what isn't quite working for you. You wouldn't sit for a haircut without indicating what you want changed about your hairstyle, so you also need to determine the flaws in your money strategy before you can change it. This means you will need to make an honest, objective assessment of your financial circumstances and list what you wish was different. For example, you may notice that you routinely carry a balance on your credit cards and end up paying a lot in interest. You would rather have that money to save or invest, so your wish is that you would stop carrying balances on credit cards. In this process, you will likely have to deal with some things that reflect parts of you that you do not like, but take care to be honest while not overly berating yourself about your shortcomings.

Step number two involves narrowing your wish list down to smaller, fixable bites. You can't just snap your fingers and change everything at once, so you will need to choose what to focus on first.

Look over your list and highlight a few items that would make a big difference and are within your grasp, such as taking intentional steps to improve your credit score or committing to a strict monthly budget.

The next step is taking action. You will need to actually implement changes and stick to them. This is difficult, so it is helpful to make sure you have written down the measures you want to take and given yourself a timeline to follow. When a goal is fairly large, you may want to create milestone targets on the way to reaching it. This can help keep better track of your progress and prevent the ultimate goal from seeming too overwhelming.

The final step can sometimes be the first step: get help. If you are in over your head (or have more complex goals, like retirement or estate or tax planning), then seeking professional advice should be your first step. But even if you have chosen to go it alone, having someone in the loop to keep you accountable can be the difference between success and failure.

It can be easy to focus on all of the bad choices you have made in the past, but it's important to remember to celebrate the progress you are making now. Every little step counts, whether it's automatic contributions to savings, clearing your consumer debt, or just following your budget — make sure you acknowledge the good things you are doing in this money makeover.



extra cost. Fortunately, there are several online calculators that can help you determine a cost estimate for rebuilding your home.

- **Select a policy based on the premium alone.** If you're prone to sticker-shock and shy away from higher prices in general, you may default to choosing lower-cost plans automatically. However, this can ultimately result in you

not having the coverage that you actually need. Carefully examine the percentage you will be responsible for when it comes to doctor's visits, procedures, and prescriptions while comparing policies and use what actually works best for you instead of automatically choosing low premiums. ■

Estate-Planning Tool

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policies and you pay a lump sum upfront. Your heirs still receive a benefit upon your passing; but you will also have the option of taking an accelerated death benefit, which sounds unappealing, but simply means that you can draw on the death benefit while you are still living. Whatever funds are left over are passed on to your heirs.

Life Insurance and Charitable Giving

Leaving a legacy for a favorite charitable organization is more popular than you may think. A study by USLegalWills.com found that from 2015–16, 7.2% of wills drawn up by their service included a charitable bequest, despite their customer base of mostly average-earners. So you don't have to be a millionaire to leave an endowment that helps students at your alma mater or contribute for a larger enclosure for a beloved zoo animal. This can be done by naming the organization as a beneficiary on your policy, whether it is a policy devoted to the charitable cause or one split between the organization and your loved ones. Whichever strategy you decide on, the beneficiaries receive the money tax free, and you'll know you've left a legacy that can make a difference for the long term.

Advanced Life Insurance Can Simplify Complex Estate Planning

There are a multitude of ways that life insurance can work together with your estate plan, which is especially helpful for those with more complicated needs. For example, if you leave a sizable estate, it may be helpful for your heirs if you establish an irrevocable life insurance trust. This would make their estate taxes more manageable and prevent the need for them to liquidate other assets. However, a more complicated structure will require some counsel to find the best plan for you. Please call if you'd like to discuss your life insurance needs in more detail. ■■■

Calculating 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. Thus, you need to purchase an appropriate amount of insurance to ensure your family is adequately protected. 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, so they could leave you with an inadequate amount of insurance.

Your insurance needs will probably change over time. When you are a young, single adult, you may have little reason to purchase life insurance. As you start a family, your insurance needs will be greater, since other family members are depending on your income. As your children become independent, your insurance needs may decline. However, at that point, you may need life insurance for other purposes, such as to help fund estate taxes or for a business buyout.

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 things like:

- Do you want to provide the same standard of living, including things like vacations and club memberships? Will your spouse and children live in the same house?
- Will the family need to make different child-care 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 child care. 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, 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. ■■■

News and Announcements

From the Thurman Household

My son, Levi, is finishing up his semester and considering the various physical therapist degree routes and schools. So much to look over and decide. He is working part-time as a physical therapist intern. He came home excited one day and said, "I can't believe I get paid for this!" I felt that was a good sign.

I'm back into running. I put in an eight-mile run last weekend, but now it's getting cold. I've never been a cold-weather runner. Someone said, "There's no such thing as bad weather to run, just wimpy runners." So call me a wimp; when it's below 32, I'll be on the treadmill.

My latest book, *More Than a Millionaire*, is now out on Audible. I used a pro voice to read the book, and it's getting good reviews. On my editor's desk is my next book. It's a step-by-step process for finding a retirement advisor. I am still working on the title.

My wife, Pati, has signed up for a half marathon early next year. So her training is really going to kick into gear.

Hope you and yours have a Merry Christmas!

Randy Thurman, CFP®, CPA/PFS

From the Alexander Household

My glimpse into the life of a soldier at Ft. Sill as a member of Leadership Oklahoma Class 32 resulted in even greater respect for the sacrifices that soldiers make every day for our freedom. For us, taking part in "a day in the life" included rising at 5 a.m. for physical training, breakfast with enlisted men and women, and training exercises in the rain with a break to eat an MRE. The experience gave me a tremendous appreciation for the dedication and discipline of our troops.

Did you know that drill sergeants memorize 400 pages of material that they must deliver verbatim? They have to successfully deliver the material in no more than two attempts to stay in the program. Our

drill sergeants started with that level of dedication and talked about how to help each trainee reach his or her potential. It was impressive.

When you see veterans, ask them to tell you their story. It honors them. And hearing the stories of why soldiers chose their path from serving others to making a better life for themselves and their families was a humbling and inspiring experience for me. My takeaway was respect and gratitude for the men and women of our military.

*Carol Ringrose Alexander,
CFP®, AIF®, CDFA™*

From the Bolander Household

"I'm a Batman" is a favorite phrase of our two-year-old grandson. For example, I might say, "Luke, eat your green beans," to which he replies in the deepest voice he can deliver, "I'm a Batman." Then I say, "Batman, eat your green beans," and he picks up his fork and shovels them in. (He's a good eater.) I don't know how this fixation got started, and surely he will grow out of it someday. It is a good reminder that everyone needs a hero — especially children.

At this time of year, we are thankful for the blessings in our lives and are prompted to give to those who are less fortunate. The necessities of life and material comforts of this world come foremost to mind. Perhaps spending a little money does assuage our consciences and possibly define us as some type of hero. Though, on a more personal level, taking time to encourage a child or mentor a teen in your family, through church groups, or other volunteer organizations could very well put us in the same ranks as the renowned Batman to a child.

"Anyone who does anything to help a child in his life is a hero to me." ~ Fred Rogers (Mr. Rogers)

Merry Christmas!

*Brenda C. Bolander,
CFP®, CPA/PFS*