

*Protecting your
Assets, Home*

 PROSPERWELL™
FINANCIAL
and You

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PROSPERWELLTM
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Introduction

When it comes to insurance, things can get confusing. There are so many different types of insurance. You know you need it, but do you need all of it? How much do you need? Can you be over-insured? The questions may seem endless.

This is why we have partnered with Cornerstone Insurance Agency to help create this guide to help you figure out how to help protect yourself and your family. We will go over the different kinds of insurance, checklists to determine which kind you need, when you should re-assess your policies and more.

At Prosperwell Financial, our mission is to coach, mentor and inspire you to achieve financial independence and happiness and we would love to help you with your investing and financial planning. In addition to helping you with your financial plan and investments, we are here to help you with any of the following:

- Brainstorm and get a financial plan in place for your business and your future.
- A complimentary asset allocation review of any investments. You can send us your investment account statements and we will give you an analysis and our opinion at no cost.
- Analyzing your insurance such as Life, Disability and Long-Term Care Insurance. We can review your current policies or get you quotes for a new policy. We can also help you analyze the proper amount of insurance.
- Send us your Social Security statement for a Social Security Analysis.
- Setting up an individual retirement account such as a Traditional or Roth IRA.
- Setting up a 401(k), Simple IRA or SEP IRA for your business.

At Cornerstone Insurance Agency, our mission is to provide customized, innovative, comprehensive home and auto insurance with competitive rates and comprehensive coverage tailored to you and your family. Our extensive insurance experience, coverage expertise, fast processing technology, outstanding claims know-how and exceptional customer service make us the go-to independent insurance agency in the southwest metro area. We also have an office in Arizona, and write insurance in 4 other states.

If you have any questions about the information included in this guide or would like to get a second opinion or new policy, please reach out to us, we would be happy to help.

Sincerely,

Nicole

Nicole N. Middendorf, CDFA
CEO, Prosperwell Financial
Wealth Advisor, RJFS
Nicole@prosperwell.com

Laura

Laura O'Neill
President/Owner, Cornerstone Insurance
Laura@cornins.com

What is Protection Planning?

You work hard to purchase the things you have and you want to protect those things. Things such as your home, vehicle, you and your family. Insurance is intended to be there for us we need it. It is a “safety net” to protect your financial future. By setting up the right insurance coverage now, you can avoid potential financially devastating problems in the future, if you were to get involved in a bad car accident, or be found liable for someone’s injuries. Planning this protection is crucial to your overall financial health, and can easily be set up with the advice of an experienced, professional insurance agent.

There are several types of insurance that you should have:

Auto Insurance

Car ownership involves several risks. In a car accident, people may be injured and cars sometimes get wrecked. You can also experience loss through theft, vandalism, or natural disasters. Auto insurance is there to protect you from those risks. There are 2 key parts to the auto policy:

1. **Liability coverage.** If you are responsible for an accident, your liability coverage will cover the costs of any injuries or property damage caused by the collision. Liability is required by law in every state. We recommend that everyone carry at least \$250,000 per person coverage, or \$500,000 “combined” limits at a minimum.
2. **Physical damage coverage.** This coverage is optional (unless you have a loan or a lease on your car, then it’s required). It protects you if you smash your car, if it gets vandalized, hailed on, stolen, etc. There is usually a deductible associated with this coverage – that’s the amount you pay if you have a claim. The higher your deductible, the less expensive the coverage, so if you can afford to, consider having a \$500 or \$1,000 deductible.

Homeowners/Condo/Renters Insurance

Homeowners insurance provides coverage if your home is damaged or destroyed up to the amount of your policy. It can also cover your personal property and provide you with compensation for liability claims, medical expenses, and other expenses. If you have a mortgage on your home, your lender will require homeowner’s insurance. Even if you own your home outright, it is still a good idea to have a policy to protect your home and assets.

Condo insurance works the same as homeowners, except that some of the parts of your unit are protected by the association’s master policy (which is paid for with your association dues). The condo policy covers everything else, and it’s really important to have your agent review the master coverage to make sure your condo policy covers any gaps in coverage.

Renters insurance is purchased by tenants and will cover damage to or theft of your personal belongings (clothes, furniture, etc) that are owned by you. It won’t cover damage to the house because you don’t own that. Most landlords require you to hold a policy up to a certain amount in order to rent from them.

Umbrella Policy

This is a type of insurance that adds another layer of protection for you and your assets when you need coverage that exceeds the limits of your homeowners and/or auto insurance. This is typically one of the most inexpensive yet most important coverages you can buy. A typical \$1,000,000

umbrella policy will cost you about \$150-\$200 a year (for 2 cars, 1 house) and will immediately give you an extra \$1mil if you hurt someone badly – this could be the difference between losing your hard-earned retirement accounts or assets. We recommend that everyone – from young couple starting out in life to retirees – purchase an umbrella. We live in a litigious world, and unfortunately, you could get sued. This wonderful policy protects you – and even includes the cost of hiring an attorney to defend you!

Disability Insurance

This type of insurance protects you from loss of income if you are unable to work for a long period of time due to an illness or injury. According to the Social Security Administration, just over one in four of today's 20-year-olds will become disabled before reaching age 67. The threat of a major disability poses a great risk to your income. Disability insurance policies pay you a benefit that replaces part of your earned income when you cannot work. You may be able to obtain short-term or long-term disability coverage, or both.

Life Insurance

This type of policy is in place so that your loved ones do not have to pay for your expenses after you pass away. The funds from this policy can be used in a number of ways such as to replace income after your death, pay debts you have left behind, help with college tuition or retirement as well as pay for your final expenses (funeral costs) and estate taxes. The proceeds from this policy are typically paid as a lump sum but may also be paid in installments.

There are several different types of Life Insurance available:

1. Term Insurance – designed for protection during a specific period of time
2. Permanent Insurance – offers you protection for life (as long as it does not lapse) and access to the tax-deferred cash value of the policy to help cover future income needs.

There are four key types of Permanent Insurance: Whole Life, Universal Life, Indexed Universal Life and Variable Universal Life.

Long-Term Care Insurance

Your chances of needing long-term care increases as you age. This type of coverage covers a range of services such as nursing home care, assisted living and in-home help should you need it in the future. This insurance will pay a certain dollar amount per day (for a set period) that is outlined in your policy. This is also recommended to consider for your parents so that you do not have to pay for those expenses out of pocket.

Insurance Checklist – When To Review or Call Your Agent

We recommend that all of our clients do an annual review of your insurance policies with your agent – even if it's just a quick, 5 minute phone call. However, these circumstances should prompt you to call your agent right away.

Homeowners Insurance

- Do you have a home business or “side hustle”? People make and sell things on Etsy, teach guitar lessons, babysit dogs at their house, or even meal prep for others. As soon as these side businesses start to earn an income it might be time for business insurance! Imagine if the dog you are sitting bites the neighbor kid, your homeowner’s policy doesn’t cover you for that. Or the kid who comes over for guitar lessons slips on your icy sidewalk.
- Did you do a major remodel to your home? Anytime you add square footage, a deck, solar panels, or make a major and significant change to your home you should go over your updates with your agent. You might need to raise your coverage a bit.
- Do you have any smart alarms? There are new alarms out there like water leak sensors that will shut off the water for you, smart smoke detectors that send you a text when your smoke alarms go off, and motion detecting cameras that notify smart phones of potential home intrusions. If you have any of these, call us and see if your company gives a discount for that.

Car Insurance

- Did you buy something motorized? E-bikes, scooters, motorcycles, boats, ATVs, and even those little go-carts for kids need to have insurance. If you recently bought something with a motor, you will want to get it insured.
- Is there a new driver in your house? Whether a niece moved in, a roommate moved out, or your 16-year-old got their license your insurance company needs to know. Any licensed driver living in your house needs to be listed on your policy, even if they never drive your car, and even if they have their own car and their own insurance!
- Do you have enough coverage – liability wise? If you haven’t received your coverage in years, there’s a good chance you have \$100,000/\$300,000 (or less) coverage. That’s just not enough coverage anymore. The average trip to the ER is well over \$100,000. Do yourself a favor and increase your limits – the cost is less than a fancy coffee at Starbucks once a month, usually.

Life Insurance

- Are you young and are at high risk for developing a medical condition (such as diabetes) later in life?
- Do you have a mortgage or other loan that is held jointly with a cosigner?
- Do you support a parent or grandparent or have a child before marriage?

- Do you own a home with your spouse and your spouse would not be able to financially survive on their income alone?
- Did you recently accept a new job or promotion and your income has increased significantly?
- Do you want to protect your loved ones in the event of your passing?
- Do you want to leave a legacy?
- Do you want to create a retirement safety net.

Long-Term Care Insurance

- Do you care for a parent who may require more help than you are able to provide in the future and cannot afford the cost of a nursing home?
- You are between the ages of 40 and 84.
- You have significant assets that you would like to protect.

Disability Insurance

- You are single and the only income supporting yourself.
- You are married but your family relies on your income.
- You are married, with joint income but your family could not survive on one income alone
- You work in a hazardous occupation.

Beneficiaries

- You should review your beneficiaries on all of your insurance policies each time there is a
 - Death in the family
 - Birth in the family
 - Divorce
 - Marriage

Do I Really Need It?

Life Insurance

You should purchase life insurance when you have liabilities to take care of or if you have someone who depends on your income. Let's say that you are married and have two kids, both under the age of nine. You have a salary of \$80,000 a year. Your spouse works part-time and takes care of the kids. If you died you would want to have a life insurance policy to pay off your liabilities, such as a mortgage or car loan, to help keep your same standard of living. You also would want this life insurance policy in place to replace your income if you were to pass away so that your wife could stay at home with the kids and have money to live off of every month.

Two main types of life insurance are term and whole life. Most Wealth Advisors, including myself, would tell you to buy term insurance and invest the difference of cost that you would have spent buying a whole life policy. Term insurance is the least expensive type of insurance you can buy. Term insurance is for a set period of time such as 10, 20 or 30 years. So, if you buy \$500,000 of a 20-year term insurance policy and you pass away within those 20 years your beneficiaries would receive the \$500,000. If you pass away after those 20 years, your beneficiaries would not receive anything. But the goal is that in 20 years you will have enough assets and have saved enough to be your own insurance policy.

Whole life insurance is for your whole life. It is more expensive, there is no set term and some of the money you spend in your premium goes into cash value account. Most of the time you don't necessarily know how much you are paying for insurance and how much of your money is "invested." In fact, though, this money is not really invested; it is actually put into a cash value account, which is basically a savings account.

Long-Term Care Insurance

LTC stands for long-term care insurance. It's generally used to cover costs when you get older and need to pay for some kind of regular medical care or whether to continue to live in your own home or move to a nursing home. Most people start to decide whether they need long term care insurance in their fifties or sixties and that's sometimes too late! If you really want to feel secure, make sure you have solid plans in place for your future and care!

Disability Insurance

Disability insurance covers you as a worker in the event of an incident resulting in a disability. Disability insurance is to replace your income if you are not able to perform your job. The benefit that disability insurance provides is compensation for you as an injured worker for your loss of pay. Most employers provide some type of disability insurance plan for employees; however, it may not be enough and it may be short term that it last only or less than 90 days. Talk to a Wealth Advisor, who can help you evaluate the plan your employer provides and whether you need to buy more coverage. You don't want to have to pay for too much insurance; however, you want to be adequately prepared for the future in case you are unable to work and provide an income for your family.

What Drives the Price on Car Insurance?

This is a common question we hear from our customers. Insurance companies use so many different factors to determine rate, gone are the days of only looking at the tickets and accidents.

Here is a list of a few rating variables that help determine Auto insurance premiums:

1. Driving record- Of course, this is still a big factor in determining rates. Any tickets or accidents will cause higher premiums and also will make a driver ineligible for a lot of discounts as well.
2. Age- We all know young drivers are expensive to insure, but premiums can also increase once drivers get past 65 years old as well. The best thing to do is to take advantage of good student discounts (for the young drivers) and senior defensive driving classes (they're called "55 Alive" and they are great informational courses you can take online).
3. Type of car- Some cars are most expensive to insure than others, insurance companies look at how likely the car is to be stolen, how high of a performance the engine is, how easy it is to repair/find replacement parts, and safety features in the car.
4. Location-Where you live plays a big role in the rate of car insurance. Accident statistics and crime rates are different from city to city. Our general rule of thumb is – the closer you get to downtown, the higher your rates are.
5. Usage- Statistics also show driving to and from work increases the risk of accidents more than someone who is retired and only drives around town for errands. With more miles to work insurance becomes a bit more expensive.
6. Credit score- This can have a big impact on your insurance rates.
7. Coverage- Of course a car with liability only is going to be less expensive than a full coverage car.
8. Telematics- The new trend in auto insurance is allowing your insurance company to monitor your driving habits (for 90days – 6 months) in exchange for a permanent discount off your rates – sometimes up to 30%! Most insurance carriers offer this cool new program, and our customers are savings tons of money by participating.

How Much Life Insurance Do You Need?

Your life insurance needs change as your life changes. When you are young, you may not have a need for life insurance. However, as you take on more responsibility and your family grows, your life insurance needs increase. Your needs may then decrease after your children are grown. You should periodically review your needs to ensure that your life insurance coverage adequately reflects your life situation.

Estimating your Life Insurance Need

There are a couple simple methods that you can use to estimate your life insurance need. These calculations are sometimes referred to as rules of thumb and can be used as a basis for your discussions with your insurance professional.

Income Rules

With this rule, it states that your insurance need would be equal to six or eight times your gross annual income. For example, a person earning a gross annual income of \$60,000 should have between \$360,000 and \$480,000 in life insurance coverage.

Income Plus Expenses

This rule considers your insurance need to be equal to five times your gross annual income plus the total of any mortgage, personal debt, final expenses, and special funding needs (e.g. college). For example, assume that you earn a gross annual income of \$60,000 and have expenses that total \$160,000. Your insurance need would be equal to \$460,000 ($\$60,000 \times 5 + \$160,000$).

Several more comprehensive methods are used to calculate life insurance needs. Overall, these methods are more detailed than the general rules and provide a more complete view of your insurance needs.

Family Needs Approach

The family needs approach requires you to purchase enough life insurance to allow your family to meet its various expenses in the event of your death. Under the family needs approach, you divide your family's needs into three main categories:

1. Immediate needs at death (cash needed for funeral and other expenses)
2. Ongoing needs (income needed to maintain your family's lifestyle)
3. Special funding needs (college funding, bequests to charity and children, etc)

Once you determine the total amount of your family's needs, you purchase enough life insurance, taking into consideration the interest that the life insurance proceeds will earn over time, to cover that amount.

Income Replacement Calculation

The income replacement calculation is based on the theory that the family income earners should buy enough life insurance to replace the loss of income due to an untimely death. Under this approach, the amount of life insurance you should purchase is based on the value of the income that you can expect to earn during your lifetime, taking into account such factors as inflation and anticipated salary increases, as well as the interest that the lump-sum life insurance proceeds will generate.

Estate Preservation and Liquidity Needs Approach

The estate preservation and liquidity needs approach attempts to calculate the amount of life insurance needed upon your death to settle your estate. This includes estate taxes, and funeral, legal, and accounting expenses. The purpose is to preserve the value of your estate at the level prior to your death and to prevent an unwanted sale of assets to pay estate taxes. This method takes into consideration the amount of life insurance needed to maintain the current value of your estate for your family, while providing the cash needed to cover death expenses and taxes.



Conclusion

Thank you for taking the first step in protecting yourself and your assets – educating yourself. We strongly encourage you have us take a complimentary, no-obligation look at your policies and review them to see if you are adequately covered. We would be happy to help you look them over to determine what your insurance needs are.

For all of your auto, homeowners and umbrella insurance needs, please contact Cornerstone Insurance Agency at 952-448-5028. You can find more information about us at www.cornins.com.



For all of your Life, Long-Term Care and Disability insurance needs, please call Prosperwell Financial at 763-231-9510. You can find out more information about us at www.prosperwell.com.



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These policies have exclusions and/or limitations. The cost and availability of Long Term Care insurance depend on factors such as age, health, and the type of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of Long Term Care insurance. Guarantees are based on the claims paying ability of the insurance company.