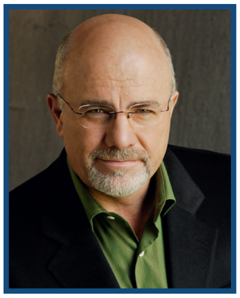

Dave's Do & Don'ts on Insurance

Insurance is an important part of any financial plan. It transfers risk away from the individual in exchange for a premium payment. It is very valuable in some key areas to help avoid financial devastation but can also be a drag on your ability to get out of debt and grow wealth if the wrong plans are purchased. Creating an Emergency Fund equal to three to six times your monthly income eliminates the need for many types of insurance programs and allows you to concentrate your insurance dollar on the bigger financial risks. Below is a brief review of strategies that Dave Ramsey recommends as an overall approach to purchasing insurance in a way that will maximize your protection and minimize your costs.

LIFE INSURANCE

DO: Term Life Insurance Only! Typically recommended is an amount equal to 10 times your income on 15 or 20 year guaranteed level term plans. Companies rated "A" or better are acceptable. Be sure to protect your spouse, whether working or not, and consider only small add on riders for children ($10,000-20,000).

DON'T: Purchase any type of Cash Value plan including Whole, Universal or Variable Life. Stay away from Return of Premium Plans since they are just another form of Cash Value plans. All of these plans are too expensive and horrible savings plans. Also, don't buy riders such as Accidental Death or Waiver of Premium on any life insurance policies. Don't fall prey to sales tactics that are based on emotions, confusion or savings/tax features.

DISABILITY INSURANCE

DO: Purchase Long Term Disability coverage that has a benefit period no less than five years . . . age 65 benefit is best. Try to enroll in Group or Association plans, if available, since they are less expensive and easier to qualify for. Have a benefit at least 60-65% of your current income. Select 90 or 180 day waiting Periods to save money and use Emergency Fund for shorter needs.

DON'T: Enroll in short term disability plans or other types of specific illness programs such as Cancer, Emergency Accident or Critical Illness Plans. They offer limited protection and slow the process of getting out of debt. If you have a loss of income due to one of these causes, your Emergency Fund and Long Term Disability will provide appropriate protection.

(*continued on reverse*)

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HEALTH INSURANCE

DO: Always consider the highest deductible you can afford based on your Emergency Fund and the medical needs of your family. Check into raising your stop-loss limit to help reduce costs. Consider HSA's (Health Savings Accounts) since they allow you to save money through higher deductibles and keep the savings in a tax free account to use for future expenses.

DON'T: Buy low deductible plans and copays unless you are heavy users of medical care. Never reduce the maximum payout of the policy when trying to lower costs. Don't let your COBRA or state continuation benefits lapse before finding replacement coverage. Don't buy indemnity style plans which are policies with per condition or per day limits.

LONG-TERM CARE

DO: Purchase protection once you turn 60. Discuss with other family members the need for Long Term Care Insurance when they turn 60. Check your local area for nursing home cost averages to determine benefit amount since they vary nationally. Take longer elimination/waiting periods to reduce costs. Never consider less than a five year benefit period . . . lifetime is best. Shop various plans by using an independent agent.

DON'T: Buy a policy before Age 60 since statistically the need for care is usually minimal or short term. Don't purchase plans that piggy-back annuities or cash value life insurance with the Long Term Care benefits. Don't buy the first plan presented to you. Costs vary from company to company . . . you need to shop around!

AUTO & HOME INSURANCE

DO: Always take higher liability limits on your home and auto policy . . . it's inexpensive and provides protection against lawsuits that can wipe you out. Always compare higher deductibles on your Home and Auto policies and see if there is a worthwhile savings. Drop collision on older cars if the savings makes sense. Always try and get Guaranteed Replacement Cost on your home's real property coverage (building). As your assets grow consider an umbrella policy. It gives extra liability protection at a low cost. Try and combine home and auto coverage with one company for extra discounts.

DON'T: Drive around with the minimum State Limits on your auto policy, it is the quickest way to lose all your savings and future income. If you can't find Guaranteed Replacement Cost on your home then make sure you don't underinsure at the beginning of the policy, check the value every year and request at least 50% Extended Replacement Cost coverage. Don't split up cars with different insurance companies since you miss out on extra discounts. Avoid reporting small claims which can count against your record and raise your premiums.

IDENTITY THEFT PROTECTION

DO: Purchase a plan that provides "full restoration" benefits which takes over all the work with creditors, government agencies, collectors, police, social security, etc . . . if you do become a victim. Make sure the plan covers all risks of ID Theft . . . not just credit related issues. Always order your free credit report from each credit bureau once a year. Take advantage of free consumer services to help reduce your risk. Enroll your entire family in a plan since children are prime targets of Identity Thieves.

DON'T: Purchase plans offering credit monitoring or fraud alert programs as their method of protection as they only deal with credit issues and leave you unprotected against all other forms of ID Theft. Don't fall for "hokey" million dollar advertising hype with limited fine print guarantees. Never enroll in credit score improvement or monitoring services. Don't pay for services which are free and you can do yourself.

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