

nextgeneration >

Educator's Guide

nextgeneration >

An education program on insurance basics
sponsored by Life Happens, a nonprofit organization



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About This Program

Next Generation is an education program focused on insurance and financial-planning basics sponsored by Life Happens, a nonprofit organization. The program is designed to help teach high school students about financial responsibility and prepare them to make wise decisions in their future.

The program provides lessons on risk management, life insurance, health insurance, disability insurance, and financial planning. A core focus is personal responsibility in the context of financial-management skills. Students will learn how to recognize and manage financial risk—skills that can serve them when they're confronted with important decisions throughout the various stages of their lives.

There are lessons, quizzes, and videos developed for the program's five main themes, which complement each other and are designed to work together. Each of the five modules can also be used as stand-alone segments that can be presented to students as individual units.

In addition to helping students learn the principles of risk management, insurance, and financial planning, the program is also designed to help students develop and apply critical-thinking, decision-making, and problem-solving skills.

The Program's Five Modules

Introduction to Risk and Insurance

Risk and consequences are key life lessons. What am I willing to risk? How can I mitigate risk or lessen the consequences of taking certain risks? Students will learn what they can and can't control, while also assessing personal responsibility.

Life Insurance

This module focuses on the importance of planning for life—and death. Students will discover why life insurance is designed to help those left behind when a loved one dies. They will also learn about the differences between term and permanent life insurance, and how both types of insurance work.

Health Insurance

Students will learn about the various types of health insurance and gain insight into becoming smart health care consumers. They will explore questions such as: Where does wellness fit in? What role do employers play?

Disability Insurance

In this section, students will learn about the odds that someone will become disabled during his or her career

and how disability insurance can provide replacement income to help the policyholder make ends meet when he or she is unable to work.

Financial Planning

Where are you going in life? How are you going to get there? The program presents students with financial-planning basics and tools. Students will examine the financial pyramid, which will help them understand the concept of building a secure financial base through savings and insurance programs, and of growing and accumulating assets through investment tools such as mutual funds and retirement plans.

Navigating the Website

The **Next Generation** website is organized into five sections:

Lessons & Worksheets

There are lessons and worksheets for each of the program's five themes: risk, life insurance, health insurance, disability insurance, and financial planning. These sections include:

- *Educator's Guide*—Each module includes a PDF guide with tips for implementing the lessons and answers to the student worksheets.
- *Student Worksheets*—Printables include glossaries, handouts, and worksheets as individual PDFs so that you can print the pages to use with your class. As you review each lesson, we recommend that you have copies of the student worksheets available so that you can review the relevant student documents.
- *Pre-/Post-Unit Quizzes*—For each topic, there's a downloadable quiz that you can use as an assessment tool to determine students' prior knowledge and/or evaluate their understanding of the lessons presented. Interactive versions of these quizzes are also available in the student section for students to complete on their own. See www.scholastic.com/NextGeneration/Students.
- *Videos*—There is a featured video for each unit and a guide with suggestions for integrating these videos into the lessons and presenting them to students. A complete list of videos is available in the separate video section on the site.

Note: You can download a PDF of the complete Educator's Guide online in the "About the Program" section, or you can download the guide related to each module. You may choose to provide students with a printout of all the student pages, or you may want to copy and distribute individual activity sheets related to the lesson you're teaching.

Videos

A series of videos has been included to complement the lessons and reinforce key messages presented in the program. Several of the videos describe real-life scenarios told from the perspectives of young people who experienced them. These videos illustrate the importance of insurance protection to help students understand how insurance could impact their lives. In addition, there are several humorous videos designed to present financial-management messages in a more lighthearted way.

The videos have been included to help you launch the lessons and engage students in discussions. Notations in the Educator's Guide in the "Lessons & Worksheets" section include suggestions for when to incorporate the videos into the learning modules.

Each video includes a brief description and the total running time. As with the lessons, we recommend that you preview the videos before sharing them with students. In addition, you will also find a downloadable video guide with previewing and post-viewing questions for several of the program's featured videos.

Student Resources

The student section of the website has been designed for you to share with students. Students can access this section of the site only by going to www.scholastic.com/NextGeneration/Students. When you click on "Student Resources" from the teacher site, it will open in a new browser window, which is what students will see.

Explore the "Student Resources" and direct your students to this site for the following materials:

- *Quizzes*—Interactive versions of each of the five pre-/post-unit quizzes are available for students to take on their own. Once they complete a quiz, students can print their answers and discuss them in class.
- *Glossaries*—Key terms related to each of the five modules or themes are available for students to access as they complete worksheets and exercises.
- *Family Activities*—These are activities for students to use with their families. Encourage students to take these activities home and share them with their parents and caregivers to find out what kinds of insurance and financial-planning strategies their families use. Help students start dialogues with their families as they themselves become more aware of and interested in the relevance of financial protection and planning in their own lives.
- *Videos*—Students can watch the videos related to each module.

National Standards

The lessons and activities satisfy a number of learning standards in financial literacy as well as other subjects such as life skills, math, and language arts. Where possible, we have linked lessons to these content standards within each module. The site also includes a matrix that aligns the lessons and activities with national education standards.

National Standards Sources:

- National Standards in K–12 Personal Finance Education: <http://jumpstart.org/national-standards.html>
- National Council of Teachers of Mathematics: www.nctm.org/standards
- McREL: <http://www2.mcrel.org/compendium/browse.asp>
- Common Core State Standards Initiative: www.corestandards.org/read-the-standards

Helpful Links

The list of helpful links found online includes resources that may be useful to you as reference when teaching students about insurance and financial planning.

How to Use the Program

You may choose to:

- Use the materials for all five modules over the course of a semester or over a predetermined time.
- Use selected segments that are relevant to your curriculum or to your students.
- Customize the program to suit your needs by using selected lessons/activities from several segments.

Lesson Structure

Each lesson has the same structure for ease of use and includes the following:

- *Lesson Title*: Name of activity/exercise
- *Estimated Time*
- *Type*: The kind of exercises and activities that are part of the lesson; for example, discussion and share, research project, report, take-home activity, or calculation
- *Description*: Brief description of the lesson's focus and intent
- *Learning Standards*: Alignment with Common Core and National Education Standards
- *Learning Objective(s)*: What will be learned

- *Educator Resources/Materials Needed:* Educator answer sheets, relevant websites, organizations, people (an insurance agent or banker, for example), glossary, etc.
- *Related Activities/Student Worksheets:* A list of activities/worksheets that go with the lesson
- *Subject/Skill Focus:* Skills that will be sharpened and subjects that tie into the lessons such as critical thinking, analysis of written material, math, etc.
- *Lesson Script/Teaching Steps:* How to conduct the lesson
- *Assessment:* Method for assessing student learning

About Life Happens

Life Happens is a nonprofit organization dedicated to inspire the public to take personal financial responsibility through the ownership of life insurance and related products. To educate the public, Life Happens employs a wide range of communication methods, including advertising, consumer-media outreach, educational programs in high schools and colleges, public-service announcements, informational flyers and videos, and a wide range of online and social-media communications. Learn more about Life Happens at www.lifehappens.org.

Next Generation, which was first introduced in 1997, has been one of Life Happens' most successful programs. The program is entirely web-based and free of charge at www.lifehappens.org/nextgeneration.



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Next Generation Videos

The **Next Generation** videos are presented as subject-specific segments to provide flexibility to educators. Each video runs approximately 2 to 3 minutes in length. Three of the five videos describe real-life scenarios as told from the perspectives of young people who experienced them. The other two videos are in an interview-style format in which high school students answered questions about risk and financial planning.

- Risk and Insurance—*Talking About Risk*
- Life Insurance—*Hattie: Life Goes On*
- Health Insurance—*Hattie: Overcoming Obstacles*
- Disability Insurance—*Kylie: Planning for the Unexpected*
- Financial Planning—*Talking About Money*

The real-life stories of young people presented in these videos illustrate the relevance of insurance protection, and will help your students understand how insurance could impact their own lives.

Additional videos have also been added to the **Next Generation** website for you to review and use to supplement the lessons.

Before You Start

Take the time to review the videos to help you determine the most effective way to present them to your class (e.g., use them as conversation starters before you delve into a lesson plan, show them after you've introduced a particular topic, use the video to help students understand real-world applications of insurance, etc.). Make a few notes on the key points in each of the video segments that you think will stimulate a good class discussion.

Showing the Segments

Use each segment to introduce a specific module or to reinforce the lessons students are learning. For example, if you want to conduct lessons on life insurance, then show *Hattie: Life Goes On* to discuss Hattie's story using the knowledge they now have about life insurance. Or show only the segment that ties in with your subject area.

Question Keys and Discussion Points by Segment

Risk and Insurance—*Talking About Risk*

Almost everything you do in life involves a certain amount of risk—from walking across a busy intersection to learning to drive. And there are often precautions you can take to lessen the risk of something bad happening, such as looking both ways before crossing or wearing a seatbelt. While you can't protect against all risks, you have the ability to protect against the financial consequences of certain risks by purchasing insurance, such as auto, health, disability or life, which then transfers some of the financial burden of risk to an insurance company.

Before showing:

Ask the following questions and write them for your students to see before the video is shown. You want students to have these questions in their minds as they watch the video to get them looking for and thinking about the answers.

- *What does risk mean to you?*
- *How can you plan for risk?*
- *What precautions could you take to mitigate or lessen a certain risk? (Wearing a helmet when skateboarding, biking or skiing for example)*
- *What happens if you don't prepare for risk?*
- *How does risk relate to insurance?*

After showing:

- *What are some common risks people take?*
- *How has your concept of risk changed after seeing this video?*
- *What types of insurance do you think can help transfer the financial risk of getting sick, injured, or perhaps even dying? (Health insurance, disability insurance, life insurance)*
- *Which kinds of insurance might be useful to you right now? (Auto insurance if they are driving; health insurance)*
- *Which types of insurance do you think might be useful to you in the future? (Disability insurance when they start earning an income they depend on; life insurance when they have someone that depends on them financially)*

Life Insurance—Hattie: Life Goes On

Hattie's father died from a brain tumor when she was only 3. The life insurance benefit he left provided stability for Hattie's family. It allowed her mother the flexibility to be at home, and they were able to stay in their house and the neighborhood they loved. Life insurance can cover a lot more than just the cost of a funeral and other final expenses. It can provide an ongoing stream of income for a family, as well as help fund future needs like college or retirement.

Before showing:

Ask the following questions and write them for your students to see before the video is shown. You want students to have these questions in their minds as they watch the video to get them looking for and thinking about the answers.

- *Do you know anyone whose parent has died?*
- *How did it impact the person emotionally?*
- *How did it impact the family financially?*
- *Were they able to continue to live as they did before, or were they forced to make drastic lifestyle changes?*
- *Do you know how life insurance works and what it pays for?*

After showing:

- *How do you think Hattie's life would be different today if her father hadn't had life insurance?*
- *Life insurance clearly provided financial support, but what else did it give Hattie and her family? (Peace of mind, stability)*
- *Ideally, when do you think life insurance should be purchased? (As soon as someone depends on you financially. That could include a spouse, child, sibling, parent, domestic partner.)*
- *How is life insurance different from health or disability insurance? (Health insurance pays medical expenses; disability provides replacement income if you're unable to work; life insurance provides your surviving family members with money to live on after you die.)*

Health Insurance—Hattie: Overcoming Obstacles

As a child, Hattie was diagnosed with a hereditary muscular disorder, which required leg braces and ongoing medical care. Then as a teenager, she was diagnosed with the digestive disorder Crohn's Disease. The health insurance that her parents had in place ensured that Hattie got the care she needed, when she needed it. It also meant that their family wasn't steeped in debt to pay for her care. With the rising cost of health

care, it can be very difficult for families to pay medical bills if they do not have health insurance.

Before showing:

Ask the following questions and write them for your students to see before the video is shown. You want students to have these questions in their minds as they watch the video to get them looking for and thinking about the answers.

- *Has anyone in your immediate family or circle of friends ever been faced with serious health challenges?*
- *How do you think someone with an ongoing health issue who does not have health insurance deals with it? What do you think his or her life is like emotionally and personally?*
- *Have you used health insurance?*
- *Do you know how it works?*

After showing:

- *How do you think Hattie's life would be different if her family hadn't had health insurance?*
- *Have you ever gone to the emergency room or been in the hospital for a serious injury/illness? (Or do you know someone who has?)*
- *What kinds of costs do you think are involved? (The doctor, the room charges, medications or other supplies, any therapy or X-rays, etc., plus doctor visits once you are out of the hospital)*
- *How much could that cost?*

Disability Insurance—Kylie: Planning for the Unexpected

Both of Kylie's parents were active and working, until each suffered a debilitating illness that prevented them from working. Fortunately they had disability insurance, which replaces a portion of someone's income if they are too sick or injured to work. This made it possible for her family to continue on financially as they were when both parents were working and earning paychecks.

Before showing:

Ask the following questions and write them for your students to see before the video is shown. You want students to have these questions in their minds as they watch the video to get them looking for and thinking about the answers.

- *What happens if you are working and get injured in, say, a car accident or even playing sports, and you can't work for several weeks or even months?*
- *How would you pay your bills?*

- *Are there other sources of income you might be able to rely on? If so, for how long?*
- *Do you think the government would provide assistance? (Workers' compensation only covers accidents or illness that happen at the workplace.)*
- *Have you heard of disability insurance?*
- *How is it different from health insurance?*

After showing:

- *What do you think would have happened to Kylie's family if her parents hadn't had disability insurance?*
- *Who should have disability insurance? (Anyone who works and relies on his or her paycheck.)*
- *How could it be useful to you when you are working and living on your own?*
- *How is disability insurance different from health insurance? (Health insurance pays medical expenses; disability insurance provides replacement income.)*

Financial Planning—Talking About Money

To have a solid financial future, it's important to understand the cycle of money. It's not simply about balancing what you earn with what you spend. Understanding the basics of financial planning early on is key to having a sound financial life now and into the future. These financial basics include the importance of budgeting for expenses, protecting your money, and growing your money over time.

Before showing:

Ask the following questions and write them for your students to see before the video is shown. You want students to have these questions in their minds as they watch the video to get them looking for and thinking about the answers.

- *What are some common expenses?*
- *What happens when you don't have enough money to meet your expenses?*
- *What is a budget and why is it important?*
- *How can people protect their money?*
- *How can people grow their money, and is there any risk involved in that?*
- *What is a financial plan?*

After showing:

- *What kinds of things do you currently budget for? (Car payment, credit card payments, cell phone, food, clothing)*

- *What do you do if you want or need something but don't have the money for it? (Create a budget)*
- *What kinds of financial instruments can you use to grow your money over time so that you have enough for events like for buying a home or being OK financially in retirement? (Investment products like stocks, bonds, and mutual funds can help grow money over time; some retirement products are IRA, Roth IRA, 401(k))*
- *Is there any risk involved in growing your money? (Investments carry various degrees of risk that may depend on the amount invested and other factors. Higher rate of return increases the risk that you may lose money on an investment)*

Key Message of All Reality Segments

Life is unpredictable. People need to recognize that and plan accordingly. Having a smart insurance program won't guarantee you'll never face a tragic situation. But it will provide you and your family with financial protection for whatever twists and turns life throws your way.

Students should identify the type of challenges and problems the main character and his or her family faced and how they solved or addressed those problems.

It's best to pause between each segment to ask and answer questions, if you can:

- *What's the key message you heard?*
- *What type of insurance was featured?*
- *What is the main reason for having insurance (or that type of insurance)?*
- *Can you explain how it works or what it protects? Who could benefit from this type of coverage?*
- *What might have happened to the main character or his or her family if he or she did not have the right kind of insurance protection?*
- *Are you familiar with this type of insurance? (Encourage students to talk to their families about their insurance coverage. If students have had personal experiences with insurance, they may want to share their stories. Invite students to share only if they are comfortable and if you deem it appropriate for your group.)*

When you complete a module of the program, you can return to the video segment as a review. At this point, students should have a better understanding of how insurance protection works in different situations. You can ask them how the program modules have increased their understanding of the situations depicted in the video.

Life Happens' YouTube Site

YouTube is a phenomenon that educators can use to their advantage in the classroom. It contains a wealth of interviews, new stories, and other videos on insurance that can provide the basis for important life lessons and classroom discussions.

In fact, Life Happens developed its own YouTube site with videos and materials that you can incorporate into your classroom lessons. To access the site, go to www.youtube.com/lifefoundation.

Life Happens' YouTube site contains a number of real-life stories and interviews that you can use to supplement the videos and lessons on life and disability insurance. Many of the interviews demonstrate the life-changing impact on families of those who had life insurance and families of those who didn't.

These videos can help your students see the bigger picture. They may already know or have heard the reasons for having life insurance through classroom lessons. But there is no substitute for hearing someone's true story.

After previewing the videos, have your students watch several of them and discuss the ultimate outcome of the decision to purchase life insurance or not.

For instance, Coleen Stokes' story is a true story of a young mom, Summer, who protected her son's future with life insurance. At 22 years old, Summer was juggling

what many young adults do—school and a job. When she found out she was going to be a mom for the first time, she bought life insurance, even though her budget was tight and her mom, Coleen, originally advised against it. That ended up being the most responsible decision she could have made for her son, Nathan, and his future.

Other Options

You may want to allow your students to do some YouTube exploration on insurance through the "Related Videos" and "Search" functions on the site. There are a number of domestic and foreign insurance commercials that use a wide variety of styles to deliver their message.

If you go to YouTube (www.youtube.com) and search "insurance commercials," you will find commercials from Asia, Europe, and the United States that use sentiment and humor to promote the role of insurance in a sound financial plan.

For example, <http://lifehap.pn/UPc6pP> shows a very touching, sentimental, and quite long ad for life insurance from Asia.

One way to turn this exploration into a class discussion is to assign individual students or groups of students to explore the life insurance ads on YouTube and select the one they feel has the greatest impact or makes its point about the importance of insurance most effectively. While many commercials are in other languages, most don't require translation; the visuals speak for themselves. Have students present their commercial, the key messages they feel it delivers, and their reasons for selecting it. Once all commercials and supporting logic have been presented, guide a class discussion about the videos. Ask students how the commercials may have changed their perspective on insurance. Could they relate personally to any of what they saw? Have students vote on their favorite or favorites.



> risk

Introduction to Risk and Insurance

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Pre-/Post-Quiz:

Before launching this unit, print the “Risk” quiz from the “Lessons & Worksheets” section of the site, or send students to www.scholastic.com/NextGeneration/Students to take an interactive version of the quiz and print their answers. Explain to your class that the quiz is meant to be a benchmark to assess their prior knowledge of the topic and will help you organize class discussions. The quiz can also be used as a post-assessment tool after students have completed the unit lessons.

QUIZ ANSWERS

1 Which statement(s) describe the relationship between risk and insurance?

- A. Insurance can help protect a policyholder from losses that can come from risk
- B. Risk levels can impact a person’s insurability
- C. Only people who take risks need insurance
- D. Both A and B
- E. Both B and C

2 Which of the following factors do insurance companies use to determine the potential risk of an applicant?

- A. Age, gender, and health
- B. Gender, health, and income
- C. Age, health, and income
- D. Age, health, and geographic location

3 Which insurance professional calculates risk based on loss percentage and determines insurance rates and premiums?

- A. Accountant
- B. Actuary
- C. Insurance agent
- D. Underwriter

4 The most effective way for insurers to employ risk pooling is to:

- A. Keep the risk pool as small as possible
- B. Separate the riskiest people into their own risk pool
- C. Group as many people as possible into the same risk pool
- D. Keep every risk pool the same size

5 In general, an insurance company will charge more for “high-risk” cases than “low-risk” cases.

- A. True
- B. False

6 Who would you expect to pay more for a new term life insurance policy?

- A. A 25-year-old who smokes
- B. A healthy 25-year-old who earns a lot of money
- C. A 25-year-old who owns a house
- D. They would all pay the same amount

7 Twins, age 18, apply for car insurance. The insurance company could charge them different rates based on gender.

- A. True
- B. False

8 A 45-year-old warehouse worker injures his back cleaning his gutters and can’t work for eight weeks. Which of his insurance policies will help him make ends meet by paying him a percentage of his income while he is out of work recovering?

- A. Life insurance
- B. Health insurance
- C. Disability insurance
- D. Homeowners insurance

9 A couple with a young baby purchases a life insurance policy. What is the payment that they will make monthly or annually to the insurance company for coverage called?

- A. Premium
- B. Co-payment
- C. Principle
- D. Dividend

10 Why might the couple be investing in life insurance?

- A. To have income to travel and enjoy life when they retire
- B. To earn interest in the short term
- C. To save on taxes
- D. To help cover their family’s financial needs and obligations if one of them dies

Lesson 1:**The 411 on Insurance—
Introduction to Insurance and Risk****Estimated Time:** 45 minutes**Type:** Discussion and share, research project, report, take-home activity, calculation**Learning Standards:***Financial Literacy: Risk Management and Insurance*

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1—Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1—Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Learning Objective: Students learn the basics of insurance and begin to understand the role insurance can play in the various stages of their lives.**Educator Resources/Materials Needed:**Optional: An insurance professional, actuary, underwriter, or agent, to help students understand and appreciate how familiar math concepts are used in insurance. (Look within the school community: a parent or relative of one of your students or a parent of a student in another class.) *Talking About Risk* video.**Related Activities/Student Worksheets:**

- *The 411 on Insurance*

Subject/Skill Focus: Math, problem-solving**Lesson Script/Teaching Steps:**Before you begin the lesson, you may want to show your students *Talking About Risk*, the video segment that introduces the concept of risk and insurance. (See Video Guide, page 6.)Then use *The 411 on Insurance* to begin a discussion on how insurance works.

Talk about the importance of a safety net or a plan B in life. It is great to have a plan, but sometimes things don't go exactly as you thought they would. That's when you need to make sure you have a safety net or a backup plan. For example:

- You plan to go to a concert with a friend who has volunteered to drive. Your friend's notoriously unreliable car breaks down. Backup plan(s): Have bus or train schedules in case the car ends up in the shop; ask a parent or another friend to drive. Have students share backup plans they use or have used in the past.

Explain that insurance is the safety-net part of a financial plan. For example:

- You may assume you will have a good job someday with a salary that will be enough to provide for your family. But that plan would change if you were to die prematurely. Having life insurance offers a financial safety net to support your family when you're gone.
- You may plan to work as a nurse. But that plan would change, and fast, if you hurt your back or legs, and could no longer be on your feet for 12-hour shifts. Having disability insurance provides a safety net to replace lost income if you are unable to work for a period of time.

Assessment:

Have student teams quiz one another on the 411 sheet basics, posing questions or problems such as demonstrating the concept of probability or explaining the law of large numbers.

Lesson 2: Risk Review

Estimated Time: 45 minutes

Type: Discussion and share, research project, report, take-home activity, calculation

Learning Standards:

Financial Literacy: Financial Responsibility and Decision Making

Overall Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 1: Take responsibility for personal financial decisions.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Financial Literacy: Risk Management and Insurance

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1—Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1—Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Learning Objective: To understand the concept of risk, how it relates to your life, and how you can protect yourself from the losses that can come with risk.

Educator Resources/Materials Needed:

Familiarity with concepts of *What's Risk Got to Do With It?* activity sheet for discussion purposes

Related Activities/Student Worksheets:

- *What's Risk Got to Do With It?*

Subject/Skill Focus: Critical thinking, analysis of written material, oral and written communication skills

Lesson Script/Teaching Steps:

Risk is a fundamental part of life and an underlying principle of insurance. Risk is something students deal with every day, although they probably don't think about it or even realize it.

> What's Risk Got to Do With It? Activity:

Distribute the *What's Risk Got to Do With It?* activity sheet and discuss the concept of risk to help students recognize how they protect themselves from the losses that can come from risk.

Discuss the following:

- *How can you alter your actions to reduce or eliminate risks?* People have to analyze potentially risky situations and then take necessary precautions. For example, skateboarders and bikers wear helmets, which help reduce the risk of a head injury.
- *Can risks or hazards be anticipated?* Sometimes it can be difficult to predict whether you are putting yourself in a potentially harmful situation—especially when it comes to athletics.
- *From the time you woke up this morning until you arrived at class, did any of your actions reduce your risk of something unexpected happening?* If yes, provide an example or two. Students might say they wore seat belts in the car or they crossed the street at the crosswalk. It could even be something as simple as chewing their breakfast instead of rushing out of the house while jamming it down their throats, which could increase the risk of choking.
- *Did any of your actions increase your risk?* If yes, provide an example or two. Students might say they decided to go biking without a helmet or drove through a stop sign (and risked getting in an accident or getting a ticket).

Assessment:

Use a post-activity discussion to determine student comprehension. Ask: *Are there any factors in your life—your hobbies, your job, your lifestyle, your health habits—that might make you a higher risk for an insurance company?* Some students might answer that they have had traffic violations, like to scuba dive, or work in a high-risk job, such as construction or as a bike courier. All of these factors expose students to a higher level of risk.

Lesson 3: Risk Pooling

Estimated Time: 45 minutes

Type: Discussion and activity involving math calculation

Description: Insurance is nothing new. In ancient Rome, they understood the concept of shared risk when the soldiers in the Roman Legion went to war. In those days, soldiers pledged to take care of the families of their fellow warriors who died in battle.

If each soldier put in a little bit of money, there would be enough to help a family that suffered a loss. These soldiers were practicing risk pooling.

Learning Standards:

Financial Literacy: Risk Management and Insurance

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods.

Social Studies

Theme I. Culture. The study of culture prepares students to ask and answer questions such as: What are the common characteristics of different cultures? How do belief systems, such as religion or political ideals of the culture, influence the other parts of the culture? How does the culture change to accommodate different ideas and beliefs?

Math Learning Standards for Grades 9–12 (National Council of Teachers of Mathematics)

Problem Solving: Instructional programs should enable all students to: build new mathematical knowledge through problem solving; solve problems that arise in mathematics and in other contexts; apply and adapt a variety of appropriate strategies to solve problems; monitor and reflect on the process of mathematical problem solving.

Connections: Instructional programs should enable all students to: recognize and use connections among mathematical ideas; understand how mathematical ideas interconnect and build on one another to produce a coherent whole; recognize and apply mathematics in contexts outside of mathematics.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1–Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1–Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others’ ideas and expressing their own clearly and persuasively.

Common Core State Standards for Mathematics

Number and Quantity: CCSS.Math.Content.HSN-Q.A.1: Use units as a way to understand problems and to guide the solution of multi-step problems; choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays.

Learning Objective: Understand the concept of risk pooling—or shared risk—a process whereby many individuals contribute to a “pool” of money so funds will be available to cover large losses that some members of the group may incur.

Educator Resources/Materials Needed:

Risk Pooling in Ancient Rome activity sheet answers

Related Activities/Student Worksheets:

- *Risk Pooling in Ancient Rome*

Subject/Skill Focus: Critical thinking, application of concepts learned to real situations, math and history

Lesson Script/Teaching Steps:

Use this activity after you have discussed risk pooling and other basic insurance principles. Explain to students:

- *We have talked about the insurance principle of risk pooling. Did you know that it has been around for thousands of years? In ancient Rome, soldiers used this concept to help families of soldiers killed in battle. They may not have called it risk pooling, but that is exactly what it was.*

> Risk Pooling in Ancient Rome Activity:

Hand out the activity sheet. Have students work individually or in small groups to complete the page. Tell students to read the brief description of risk pooling in Rome on the activity sheet, and do the math calculations to determine how much each soldier contributed.

Ask students or student groups to give the answers and briefly discuss what they've learned. Make sure everyone writes in the correct answers and understands how to do the math.

Educator Answers:

How many men does the group lose per year in this scenario? How many of those men are covered under the requirement? (Only 2% are eligible; the fund only covers soldiers who die from battle-related causes. The other 3% died from illness not related to battle.)

$(10 \times 10 \text{ men}) \times .05 = 5 \text{ men die per year}$

$(10 \times 10 \text{ men}) \times .02 = 2 \text{ men die per year who are covered under the requirement}$

In any given year, how much money do the men have to place in the fund to cover the burials and two years of lost income for their fellow warriors who will die in battle?
 $2 \times ((225 \times 2) + 50) = 1,000 \text{ denarii}$

How much does each soldier have to put into the fund each year?

$1,000 \text{ denarii}/100 \text{ men} = 10\text{-denarii premium per soldier per year}$

What do you think would happen to these numbers if the Legion was called to the front line? What does this do to the risk pool?

More casualties; higher risk of death; more money would have to be contributed per soldier.

What kind of insurance were the soldiers providing for one another?

Life insurance

Assessment:

Use a post-activity discussion and share to determine how well students have learned the lesson.

Ask the following questions:

- *Do you see how risk pooling works?*
- *Could any of the families afford 1,000 denarii by themselves?*
- *Could they afford 10 denarii per year if they knew they would be protected when they needed it? (The Romans figured out that families could be protected if everyone shared the risk.)*

Lesson 4:**What's the Risk?****Estimated Time:** 45 minutes**Type:** In-class activity, brainstorming, group discussion, analysis**Description:** Students will examine profiles of a group of people and explore the potential risks an insurance company may associate with each person based on the criteria described. Students will also debate the concept of risk.**Learning Standards:***Financial Literacy: Risk Management and Insurance*

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Life Skills: Thinking and Reasoning

Standard 6: Applies decision-making techniques.

Benchmark 6: Analyzes the impact of decisions on self and others and takes responsibility for consequences and outcomes of decisions.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.R.1.9-12.1–Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1–Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Learning Objective: To understand how risk affects daily life and the role risk plays in the insurance application process.**Subject/Skill Focus:** Communication skills, critical thinking, reasoning**Educator Resources/Materials Needed:**Copies of *The 411 on Insurance* for reference**Related Activities/Student Worksheets:**

- *What's the Risk?*

Lesson Script/Teaching Steps:

To begin, explain the role of age, gender, and health in assessing risk for insurance purposes. These three criteria are primary factors used by the insurance industry to evaluate policy applicants and classify risk. This assessment is made by an *underwriter*—a professional at an insurance company who evaluates various risk factors in order to determine the rate or premium an applicant should be charged for a particular type of insurance.

Ask why students think age, gender, and health are key criteria for judging risk. To help students understand the role these factors play in the realm of insurance, provide the following examples:

- *Age:* Younger people are usually charged less than older people for life insurance because they are statistically less likely to die.
- *Gender:* Life insurance premiums for males are usually higher than for females because women live an average of six years longer than men. Young men pay more for automobile insurance than young women because they are statistically more likely to have an accident.
- *Health:* A person with a preexisting medical condition may be charged higher premiums if the insurance company feels the condition poses a risk. A person may not qualify for a policy because of a serious or incurable health condition, and an insurance company may not want to assume the risk.

> What's the Risk? Activity:

Distribute the student worksheet *What's the Risk?* Instruct students to work in small groups to complete Part A. Students brainstorm and assess potential risks for five people based on the basic information provided, and then rate each person's risk level using a score of 1 (low) to 5 (high).

When students are done, gather as a class and ask students to compare their evaluations and discuss how they think the ratings might impact each person if they apply for life insurance. For example, ask students which applicants they expect to be charged higher premiums than the others. (The retired teacher, salesclerk, and baseball player would likely be charged higher premiums than the computer programmer and lawyer.)

For Part B, students assess why some people purchase insurance and others do not. Once they're done, have students share their responses. In their discussions, students should consider pros and cons and what role insurance plays in risk management.

> life

Life Insurance

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Pre-/Post-Quiz:

Before launching this unit, print the “Life” quiz from the “Lessons & Worksheets” section of the site, or send students to www.scholastic.com/NextGeneration/Students to take an interactive version of the quiz and print their answers. Explain to your class that the quiz is meant to be a benchmark to assess their prior knowledge of the topic and will help you organize class discussions. The quiz can also be used as a post-assessment tool after students have completed the unit lessons.

QUIZ ANSWERS

1 Why do most people invest in life insurance policies?

- A. To provide them with a way of protecting their assets, like savings and investments
- B. To replace the lost income to their families or dependents after they die
- C. To pay for final expenses, like funerals, burial costs, and medical bills
- D. All of the above
- E. None of the above

2 A young married dad is applying for life insurance. Which of the following factors is not used to determine how much he'll pay for the insurance?

- A. His level of physical fitness
- B. His age
- C. Where he lives
- D. His hobbies
- E. His job

3 Can life insurance companies charge smokers more money for life insurance than nonsmokers?

- A. Yes
- B. No

4 Who *usually* pays more for life insurance?

- A. Men
- B. Women

5 Which of the following people do you think would need life insurance the most?

- A. A single working mom with two kids
- B. A single college grad without dependents starting his first job
- C. A single wealthy businesswoman without dependents
- D. An elderly retired man with a wife who is also retired

6 An insurance policy can provide more than a death benefit.

- A. True
- B. False

7 A life insurance policyholder suddenly becomes ill and her health begins to decline. Her insurance company can't cancel the policy while it is in force, but it can increase her rates.

- A. True
- B. False

8 If an adult is on a limited budget and has a significant need for life insurance coverage, her best option will probably be:

- A. Permanent life insurance
- B. Cash value life insurance
- C. Term life insurance
- D. Whole life insurance

9 A young couple decides to purchase a 10-year term life insurance policy. What should they expect?

- A. The annual premium payments will stay the same for 10 years
- B. The annual premium payments will increase each year as long as they have the policy
- C. The annual premium payments will decrease after 10 years
- D. The annual premium payments will decrease each year as long as they have the policy

10 A 45-year-old man with a full-time job, a wife who works part-time, and three children under 12 is considering life insurance. Which of the factors below should have the *most* influence on his decision?

- A. His age
- B. His financial status
- C. His family
- D. His employer

Lesson 1:**Whose Life (Insurance) Is It Anyway?****Estimated Time:** 90 minutes**Type:** Discussion and share, research projects, and reports**Description:** Introduction to life insurance as it relates to students' lives and futures**Learning Standards:***Financial Literacy: Risk Management and Insurance*

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Life Skills: Life Work

Standard 5: Makes general preparations for entering the workforce. Benchmark 14: Makes an accurate appraisal of basic insurance needs.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1–Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Reading: Informational Text: CCSS.ELA-Literacy.RI.11-12.7–Integration of Knowledge and Ideas: Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1–Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Learning Objective: Students will understand the concept of life insurance and the role it serves in helping families to meet financial obligations (funeral expenses, ongoing living expenses, college, etc.) following the death of a loved one.**Educator Resources/Materials Needed:**Insurance expert to provide real-world perspective on the need for and uses of life insurance; *Hattie: Life Goes On* video.**Related Activities/Student Worksheets:**

- *Coming to Terms With...Life Insurance Glossary*
- *Charting My Course*

Subject/Skill Focus: Critical thinking, analysis of written material, math calculation, communication skills**Lesson Script/Teaching Steps:**

Unless they have had a death in their immediate family, your students may not know much about life insurance. This module introduces them to the concepts and the practical reasons a person should have life insurance.

Before conducting the lesson, you may want to view/review the following videos and links and then share them with your students. (See the Video Guide, pages 7.)

- The Life Insurance video segment *Hattie: Life Goes On*
- The Life Insurance section from the Life Happens website (go to www.lifehappens.org/lifeinsurance)

Once your students have watched the life insurance video, distribute the *Coming to Terms With...Life Insurance Glossary* to review the terms and begin a dialogue.**What is life insurance?**

Very simply, life insurance provides financial support (cash) to your family or other dependents after your death. This cash, known as the death benefit, helps those who are left behind to meet important financial needs like funeral costs, ongoing living expenses, and college funding. What's more, there is no federal income tax on life insurance benefits.

What is a dependent?

A child, husband or wife, possibly a parent, sister or brother, or even a business partner—anyone who depends on you financially.

How much life insurance does a person need?

The answer isn't really how much life insurance you need, it's how much money your family will need after you're gone. People should ask themselves these two important questions:

- *How much money will my family need after my death to meet immediate expenses, like funeral costs and debts?*
- *How much money will my family need to maintain their standard of living over the long run?*

Life insurance proceeds can help pay immediate expenses including:

- uncovered medical costs;
- funeral expenses;
- final estate settlement costs;
- taxes; and
- other lump-sum obligations such as outstanding debts and mortgage balances.

They can also help your family cover future financial obligations such as:

- everyday living expenses;
- money for college; and
- your spouse's retirement.

But how do you know if you need \$100,000, \$500,000, \$1 million, or more? The most common way to determine your life insurance needs is by conducting a "financial needs analysis."

Here's how it works:

- Start by evaluating your family's needs.
- Gather all of your personal financial information and estimate what each family member would need to meet current and future financial obligations.
- Then tally up all resources that your surviving family members could draw upon to support themselves.

The difference between your family's needs and the resources in place to meet them is your need for additional life insurance.

This may seem simple enough. But doing the actual mathematical calculation can get pretty complicated. The easiest way for students to gain a better understanding of what's involved is to go to the Life Happens Life Insurance Needs Calculator at www.lifehappens.org/howmuch.

What are the different types of life insurance?

Discuss the two major types of life insurance, their key features, how they differ, and who might benefit from each type. Students may want to review the Life Insurance section of the Life Happens website at www.lifehappens.org/lifeinsurance.

Term:

- Term insurance provides protection for a specific period of time and generally pays a benefit only if you die during the "term."
- Term periods typically range from one year to 30 years, with 20 years being the most common term.
- One of the biggest advantages of term insurance is its lower initial cost in comparison to permanent insurance. Why is it cheaper when initially purchased? Because with term insurance, you're generally just paying for the death benefit, the lump-sum payment your beneficiaries will receive if you die during the term of the policy. Term insurance is often a good choice for people in their family-formation years, especially if they're on a tight

budget, because it allows them to buy high levels of coverage when the need for protection is often the greatest. Term insurance is also a good option for covering needs that will disappear over time, like a mortgage or college tuition.

Permanent:

- As the name suggests, permanent insurance provides permanent lifelong protection. As long as you pay your required premiums, you'll have the coverage for life regardless of whether your health deteriorates.
- Another key characteristic of permanent insurance is a feature known as cash value or cash-surrender value. In fact, permanent insurance is often referred to as cash-value insurance because these types of policies can build cash value over time, as well as provide a death benefit to beneficiaries. Cash values, which accumulate on a tax-deferred basis just like assets in most retirement and tuition savings plans, can be used in the future for any purpose.

Students may want to use the Life Insurance Product Selector at www.lifehappens.org/productselector to help them better understand the factors that go into deciding which type of insurance is right for a particular individual—term, permanent, or maybe a combination of the two.

Think Again Activity Extension

People understand the relevance of life insurance for couples with young children. If one of the parents died prematurely, it would be a major challenge for the surviving spouse to pay all the bills and maintain the family's standard of living on his or her own. Life insurance provides cash to the surviving spouse to help cover all of the costs associated with raising a family with young children. But life insurance isn't just an important financial tool for young families. People in many different life stages and circumstances can benefit from the financial security that life insurance offers.

Ask your students why the following categories of people might need life insurance:

Single person

Some single people help support aging parents, siblings, or other family members. Life insurance can guarantee that support doesn't end if they die prematurely. Life insurance also helps ensure that a single person's debts won't get passed on to surviving family members.

Stay-at-home parent

While stay-at-home parents don't earn a salary, the contributions they make to a family in terms of child care, transportation, cleaning, cooking, and other household activities are significant. It would take a lot of money to

pay for these important tasks if a stay-at-home parent were to die prematurely. In fact, it is estimated that these functions have an economic value of more than \$45,000 per year (more than \$130,000 if you consider all the “overtime” that stay-at-home parents work). Could the surviving spouse afford to pay someone to perform these services?

Single parent

Single parents are the sole caregivers, breadwinners, cooks, chauffeurs, and so much more. With so much responsibility resting on their shoulders, single parents need to make doubly sure that they have enough life insurance to help safeguard their children’s financial futures.

Parents with grown children

If one spouse died, the other would still have daily living expenses for the rest of his or her life, which could be 10, 20, or even 30 years these days. Would the couple’s financial plan, without life insurance, enable the surviving spouse to maintain his or her standard of living for an extended period of time?

> Charting My Course Activity:

Distribute copies of the *Charting My Course* activity sheet. Reinforce earlier lessons and discussions on different types of life insurance as you study the charts,

answer the questions, and graph premiums. Talk about how or why the two charts are set up differently.

- The term insurance chart shows that premiums will remain level for a period of time, but then increase with age.
- The permanent insurance chart shows premiums and the death benefit remaining level over time, but the cash values grow the longer a person keeps the policy in force.

Use the educator answer sheet for *Charting My Course* to help students answer the activity questions.

Educator Answer Sheet:
Charting My Course

Use the information from the charts below and what you've learned about term and permanent insurance to chart the premiums for the \$250,000 life insurance policies using the blank graphs provided. For the term insurance chart, assume that our hypothetical 25-year-old male described below remains healthy throughout his life and is always able to qualify for a new 20-year term policy at preferred rates when his prior policy expires.¹

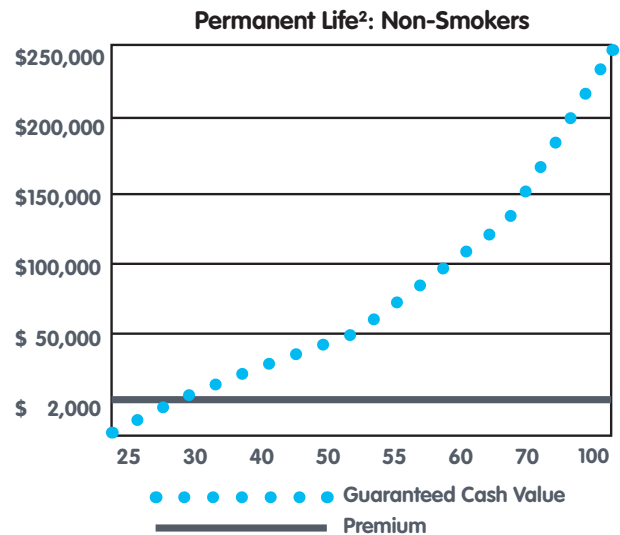
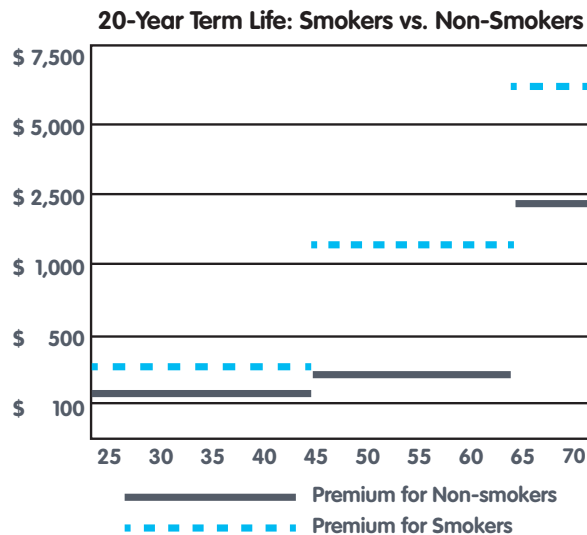
Once you've finished filling out the charts, answer the questions that pertain to the charts.

\$250,000 Life Insurance Policies for 25-Year-Old Males

These two tables illustrate the basic difference between term and permanent life insurance policies for a 25-year-old male. The term chart shows the annual premium payments at different ages for both smokers and non-smokers for a 20-year term insurance policy. As the chart indicates, term insurance premiums increase with age. The permanent life insurance chart shows what a 25-year-old non-smoking male would pay for a \$250,000 whole life policy that he buys at age 25 and holds on to forever. As long as he continues to pay his premiums, the policy will remain in effect up to age 100, and the premium will remain level. Additionally, cash values will increase steadily over time.

Term Insurance	Age 25	Age 30	Age 35	Age 40	Age 45	Age 50	Age 55	Age 60	Age 65	Age 70
Non-smoker	\$145	\$150	\$150	\$200	\$335	\$500	\$765	\$1,285	\$2,200	\$4,500
Smoker	\$360	\$420	\$455	\$750	\$1,050	\$1,550	\$2,350	\$3,915	\$6,050	N/A

Permanent Insurance	Age 25	Age 30	Age 40	Age 50	Age 60	Age 70	Age 100
Premium	\$1,853	\$1,853	\$1,853	\$1,853	\$1,853	\$1,853	\$1,853
Guaranteed Cash Value	\$0	\$3,500	\$25,750	\$56,750	\$96,000	\$139,750	\$250,000



1 Note that if the health of our hypothetical 25-year-old male was not so good when he needed to reapply for coverage, his rates would likely be much higher than what you see in the charts above.

2 The permanent policy used in this illustration is a whole life insurance policy, one of the most common forms of permanent life insurance. Whole life policies provide a guaranteed death benefit and have level premiums that are guaranteed to never increase.

Educator Answer Sheet (continued):

What happens to the premium on the permanent policy?

It stays the same.

On the term policies?

The premiums go up over time. So if you buy a 20-year term policy at age 25, and decide at age 45 you need coverage for a longer period of time, you can expect to pay considerably more because you'll be much closer to your projected life expectancy.

What differences do you notice between the term life chart and the permanent life chart?

The term premiums increase with age, while the permanent premiums remain stable. The permanent policy has a cash value that increases over time.

What differences do you notice between the two premiums shown on the term chart? Why do you think there is a difference in the rates of the two different groups (smokers and non-smokers)?

The smoker's premium is higher. The life expectancy of a smoker is considerably shorter than that of a non-smoker, so life insurance rates are set higher.

Which policy is least expensive at age 25? Which will cost the most (in premiums) at age 50? At age 70?

Least expensive: non-smoker, term. Most expensive at age 50: smoker, term. Most expensive at age 70: non-smoker, term.

How much money will the term policy pay if the policyholder dies during the term?

\$250,000

What happens if the policyholder dies more than 20 years after purchasing the term policy?

The policy terminates after 20 years, so there is no death benefit and no payout.

What will the permanent policy pay if the policyholder dies?

The policy will pay at least the guaranteed death benefit (\$250,000). Note to educators: Some permanent policies pay dividends, and give policyholders the opportunity to receive an enhanced death benefit and cash value growth. You may want to have your students do some additional research on permanent life policies to understand the difference between the guaranteed value and the projected value of a permanent policy.

What will the permanent policy pay if the owner is still alive when the policy ends (typically around age 100)?

At least \$250,000.

What cash value can the permanent policyholder take away if he/she cancels the policy at around age 70?

At least the guaranteed value of \$139,750.

Based on the information provided in the two charts, what conclusions can you reach about the main differences between term and permanent insurance?

Term insurance has a lower initial cost in comparison to permanent insurance. Term insurance is often a good choice for people if they're on a tight budget, because it allows them to buy high levels of coverage when the need for protection is often greatest. Permanent insurance gives you coverage for life regardless of whether your health deteriorates.

Lesson 2: Better Safe

Estimated Time: 90 minutes

Type: Real-life scenarios and “what if” examples from students’ own lives

Description: Students focus on what financial obligations they may have in the future and how they will meet them. The role of insurance and the importance of planning become clear.

Learning Standards:

Financial Literacy: Financial Responsibility and Decision Making

Overall Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 1: Take responsibility for personal financial decisions.

Standard 2: Find and evaluate financial information from a variety of sources.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Financial Literacy: Risk Management and Insurance

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Math Learning Standards for Grades 9–12 (National Council of Teachers of Mathematics)

Problem Solving: Instructional programs should enable all students to: build new mathematical knowledge through problem solving; solve problems that arise in mathematics and in other contexts; apply and adapt a variety of appropriate strategies to solve problems; monitor and reflect on the process of mathematical problem solving.

Life Skills: Life Work

Standard 3: Manages money effectively. Benchmark 1. Prepares and follows a budget (e.g., develops spending plan, saving plan, record keeping system, investment plan, tracks budget performance).

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9–12.1–Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Reading: Informational Text: CCSS.ELA-Literacy.RI.11–12.7–Integration of Knowledge and Ideas: Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.

Common Core State Standards for Mathematics

Number and Quantity: CCSS.Math.Content.HSN-Q.A.1: Use units as a way to understand problems and to guide the solution of multi-step problems; choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays.

Learning Objective: Students begin to understand (if not embrace) the important role that life insurance planning will play in their future financial lives.

Educator Resources/Materials Needed:

Insurance agent or industry expert to work through the *Better Safe* activity and help explain the calculations, if desired

Related Activities/Student Worksheets:

- *Better Safe*

Subject/Skill Focus: Critical thinking and reasoning, math calculations, and organizational skills

Lesson Script/Teaching Steps:

Do students understand all the costs that must be covered when someone dies?

Conduct a brainstorming session and share ideas (all-class or small groups) to come up with different categories of expenses and resources: immediate costs (e.g., funeral), ongoing expenses (e.g., everyday bills), and future needs (e.g., college).

What existing resources can the family draw upon? Answers include: savings and investment accounts, Social Security survivor benefits, existing life insurance coverage, and income from the surviving spouse and/or other family members.

Unless a person owns a significant amount of life insurance coverage, existing resources are rarely sufficient to meet a family’s immediate, ongoing, and future financial needs. The sad reality is that for every American who dies with adequate life insurance coverage, there are probably several more people who die with no life insurance or not enough coverage. According to a research report from LIMRA International, 95 million adult Americans have no life insurance. When someone dies prematurely, whether that person owns life insurance often determines if surviving family members will enjoy a future of financial security or face a lifetime of financial hardship.

Students may have personal stories to share about their experience with the death of a loved one or friend of the family. If they are comfortable addressing the subject, ask them if they know how it affected the finances of that particular family.

- *What were the financial consequences?*
- *Was the family able to maintain their quality of life or did they have to scale back?*
- *Were they able to stay in the same home? The same schools?*
- *What else?*

Assign groups of students to research and bring in information about costs of immediate, ongoing, and future expenses: a funeral, a cemetery plot, a week's worth of groceries for a family of four, rent on a two- or three-bedroom apartment, cell phone bill, tuition at a four-year or junior college. Each group will present their findings. Before they do, you can ask the rest of the class if they know what the items cost. They may be very surprised at how much money they will need—now and later—when a family member dies.

Refer to the Helpful Links section of the site for information on potential costs for current and future expenses.

> **Better Safe Activity:**

This activity is further reinforcement of the importance of planning your financial future before tragedy strikes. Tom Harris, the father of 8-year-old twins, bought life insurance when his girls were born but isn't sure if his coverage has kept up with changes in his financial needs and goals.

Distribute the *Better Safe* activity sheet and talk about the immediate, ongoing, and future expenses and income needs. Help students work through the calculations to determine if Brandy Harris and her twins would be financially secure if Tom, the primary wage earner, were to die without purchasing additional life insurance.

Students will discover that the Harrises would *not* have enough insurance to help cover future expenses if Tom died prematurely without updating his coverage. This helps illustrate the role of life insurance and the importance of keeping one's life insurance program up-to-date.

If the math is a bit complex for your students, be sure to explain it as simply as you can. After they have had time to work out the problems, distribute and discuss the answers.

There are several important lessons to be learned from this exercise:

- It's important to plan ahead for the big "what ifs" in life, like what would happen to your family if you were to die prematurely.
- People's life insurance needs change over time as circumstances in their lives change. It's important to reassess one's needs periodically.

Go to the Life Happens website at www.lifehappens.org/howmuch to view the Life Insurance Needs Calculator in a dynamic form.

Educator Answer Sheet:

Better Safe

The Harrises are the proud parents of 8-year-old twins. They have decided to review their life insurance needs. Tom, age 41, is the primary breadwinner, earning \$45,000 a year as an electrician. Brandy earns \$15,000 a year working at a part-time job, which allows her to be home most of the time with the girls.

Both Tom and Brandy had purchased \$135,000 life insurance policies when the twins were born. But eight years later, a lot has changed in their lives, and they aren't sure if their original policies are still sufficient to meet their financial needs. Using the information provided below, figure out whether Tom has enough coverage or needs to purchase more life insurance.

Instructions. To determine if someone needs more life insurance, you need to assume that the person is suddenly out of the picture—in this case, we assume that Tom dies now, at age 41. Here's the process the Harrises go through to evaluate Tom's life insurance needs.

They begin by determining how much income Brandy and the kids would need to maintain their standard of living. After doing the math, they determine \$45,000 a year would suffice. Here is the complete list of items that Brandy wants in place if she suddenly is raising the twins on her own:

- an annual income of \$45,000 for a period of 10 years
- the twins' college educations fully funded right now
- the mortgage and all other debts paid off in full

Using the financial information outlined below, determine if the life insurance Tom owns is enough to accomplish Brandy's financial goals.

Money coming in (without Tom's earnings)

Brandy's annual earnings \$ 15,000

Current debts

Mortgage balance \$ 150,000

Credit card debt \$ 3,000

Car loan balance \$ 10,000

Savings, investments, insurance

Savings/mutual funds \$ 50,000

Retirement savings \$ 35,000

Current life insurance coverage \$ 135,000

Future income needs

Brandy and the kids would need \$ 45,000 annually

With Brandy's income, how much extra is needed for a single year? **\$ 30,000**

(A) For 10 years? (Multiply the single-year amount by the correct factor in Table A) **\$ 264,000**

Educator Answer Sheet (continued):

Expenses

(B) Funeral and other final expenses \$ 6,500 (based on average cost of a funeral)

If Tom died, the family would have immediate additional costs on top of their ongoing debts.

(C) Current debts (total them up) \$ 163,000

(D) College costs in 10 years \$ 287,691 (this is for two)
(Note: the twins will attend college in 10 years)

Important Note:

Tom found that the current cost of tuition, fees, and room and board at a four-year private college was \$158,072. To determine college costs 10 years from now, multiply the current cost by the correct factor listed in Table B below.

Do they have enough?

(1) Total up the family's income and cash needs \$ 721,191 (A to D)

(2) Total up the income-producing assets (including insurance) \$ 220,000

(3) Which line is greater, (1) or (2)? **1) expenses are greater than income**

(4) If (1) is larger, how much more life insurance would Tom need to accomplish Brandy's financial goals for the future? \$ 501,191

(5) As a multiple of his annual income, how much life insurance does Tom currently have (e.g., 1 times income, 2 times income, etc.)? **3 times his annual income**

(6) After he buys the additional coverage, how much life insurance does Tom now own as a multiple of his annual income? **Almost 11.4 times his annual income**

Because questions ask for the amount in 10 years, students should use the highlighted factors.

Table A

Years Income Needed	Factor ¹
10	8.8
15	12.4
20	15.4
25	18.1

Table B

Years Before College	Factor ¹
5	.95
10	.91
15	.86
20	.82

¹Note: These tables help you determine Net Present Value (NPV), the amount of capital required today to satisfy future income or college cost needs, given an assumed investment return of 6%, inflation of 3% for living costs, and 5% for college costs.

Lesson 3:**Who Needs Life Insurance?****Estimated Time:** 60 minutes**Type:** Group discussion, analytical thinking**Description:** Students explore the purpose of life insurance by assessing the financial obligations and needs of their favorite fictional characters.**Learning Standards:***Financial Literacy: Risk Management and Insurance*

Overall Competency: Use appropriate and cost-effective risk-management strategies.

Standard 1: Identify common types of risks and basic risk-management methods.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Life Skills: Thinking and Reasoning

Standard 6: Applies decision-making techniques.

Benchmark 6: Analyzes the impact of decisions on self and others and takes responsibility for consequences and outcomes of decisions.

Life Skills: Life Work

Standard 5: Makes general preparations for entering the workforce. Benchmark 14: Makes an accurate appraisal of basic insurance needs.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1–Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1–Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Learning Objective: To identify traits and characteristics of adults who may benefit from life insurance, and to understand the different kinds of life insurance.**Educator Resources/Materials Needed:***Karim Abouelnaga—The American Dream Put on Hold* video and/or the *Austin Haner—Life Lessons* video**Related Activities/Student Worksheets:**

- *Who Needs Life Insurance?*

Subject/Skill Focus: Problem-solving skills, critical thinking, drawing conclusions**Lesson Script/Teaching Steps:**

Before starting this lesson, you might want to have students watch the *Karim Abouelnaga—The American Dream Put on Hold* video or the *Austin Haner—Life Lessons* video and discuss the personal stories of these two young people and how their lack of life insurance impacted them.

Explain to students that while it's not a pleasant thought, one question lots of adults ask themselves when thinking about financial planning is: *How will my family pay for my funeral costs, my outstanding debts, their ongoing living expenses, and future expenses like college if I am no longer here?*

Since money does not grow on trees, one way adults plan for these expenses and obligations is with life insurance.

Once adults decide to invest in life insurance in order to provide income for their families when they're gone, the next step is to determine how much life insurance coverage they need. There are two questions they can ask themselves to help them decide: (1) *How much money will my family need after my death to meet immediate expenses, such as funeral costs and debts?* and (2) *How much money will my family need to maintain its standard of living over the long run?*

> Who Needs Life Insurance? Activity:

To help them consider how adults evaluate these questions, students will consider the following: *Who among your favorite fictional characters needs life insurance?* By thinking about these characters and their varied life situations, students will gain insight into the purpose of life insurance and some of the key factors that contribute to an adult's need for life insurance.

Hand out the student activity worksheet *Who Needs Life Insurance?* Instruct students to work in small groups. First students will describe some of their favorite fictional characters from books, TV, or movies. Next they will assess the financial needs and obligations of each character and then make a recommendation as to which characters might benefit from life insurance. When students are done, have them gather as a class to discuss the characters they've brainstormed and to draw conclusions about insurance needs for each one.

Educator Answers:

1. **Answers should include the fact that the mother has three dependents, while there's no indication that anyone relies on the superhero for financial support.**
2. **Answers will vary.**
3. **Answers should include the idea that a greater number of dependents may correlate with higher financial responsibility and obligations.**

Remind students of the two main types of life insurance: term and permanent. Term life insurance provides protection for a specific period of time and generally only pays benefits if the policyholder dies during the “term.” Permanent life insurance is lifelong protection and will pay benefits as long as the policyholder pays the required premiums. Term life insurance tends to be cheaper than permanent life insurance when first purchased because it is for a temporary period; however, term insurance premiums can increase over time. Ask students which of the characters that they listed would benefit most from term life insurance, and which would benefit from permanent life insurance.

Conclude the activity with a discussion of this question: *Why is the biggest factor in evaluating who needs life insurance the number of dependents a person has?* Explain that life insurance can replace income but also is meant to support those who still depend on the policyholder after he or she is gone. This could include a policyholder’s children, aging parents, or a disabled sibling he or she supports financially. If the policyholder is a small-business owner, life insurance can also help support the employees and business after the policyholder passes away.

> health

Health Insurance

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Pre-/Post-Quiz:

Before launching this unit, print the “Health” quiz from the “Lessons & Worksheets” section of the site, or send students to www.scholastic.com/NextGeneration/Students to take an interactive version of the quiz and print their answers. Explain to your class that the quiz is meant to be a benchmark to assess their prior knowledge of the topic and will help you organize class discussions. The quiz can also be used as a post-assessment tool after students have completed the unit lessons.

QUIZ ANSWERS

- 1** In the United States, on average, approximately how much money is spent per person on health care each year?
 - A. \$4,000
 - B. \$6,000
 - C. \$8,000
 - D. \$10,000
- 2** Co-insurance and co-payment refer to the same thing.
 - A. True
 - B. False
- 3** Which of the following is *not* a type of health insurance plan?
 - A. Health Maintenance Organization (HMO)
 - B. Preferred Provider Organization (PPO)
 - C. Health Provider Organization (HPO)
 - D. Point of Service (POS)
- 4** Students who have health care coverage through their parents typically have the option of staying on the plan until age 26.
 - A. True
 - B. False
- 5** If a person with a preexisting medical condition such as diabetes or cancer starts a new job, his or her employer’s health insurance company must provide him or her with coverage, but isn’t obligated to cover costs associated with the preexisting condition.
 - A. True
 - B. False
- 6** The only way to get health insurance coverage is through an employer.
 - A. True
 - B. False
- 7** What is a health savings account (HSA)?
 - A. A type of policy in which employers let you save up sick days
 - B. A type of medical savings account for individuals without insurance
 - C. A type of medical savings account that allows individuals to save money to pay for future medical expenses with a reduced tax rate
 - D. A type of health care plan that combines a qualified high-deductible health plan with a nontaxable account where funds can be deposited to pay for qualified medical expenses not covered by the plan
- 8** A 30-year-old woman broke her arm and went to the emergency room for treatment. Her health insurance plan has a \$1,500 deductible. What does this mean?
 - A. She can deduct \$1,500 from the hospital bill, but must pay the rest
 - B. The hospital will only charge her \$1,500
 - C. She is responsible for paying \$1,500 of her medical expenses before her insurance policy starts to pay
 - D. Her insurance company is responsible for paying \$1,500 and she must pay the rest
- 9** A store clerk has an individual health insurance plan with a \$20 co-payment for in-network doctor visits. She goes to her doctor, who is in-network, twice during the year. What can she expect to pay for health care for the year?
 - A. \$40 in co-payments only
 - B. Her premiums plus \$40 in co-payments plus any extra costs for prescriptions or non-covered services
 - C. Her premiums plus \$40 in co-payments plus an extra office fee and any extra costs for non-covered services
 - D. None of the above
- 10** Costs for medical tests are universally the same throughout the country.
 - A. True
 - B. False

Lesson 1:**Here's to Your Health—
Introducing Health Insurance****Estimated Time:** 60 minutes**Type:** Discussion, analysis of written materials, research, written and oral communication**Description:** Help students understand how health insurance plans work, how the plans differ, and how they can make informed choices.**Learning Standards:***Financial Literacy: Financial Responsibility and Decision Making*

Overall Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 2: Find and evaluate financial information from a variety of sources.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Financial Literacy: Risk Management and Insurance

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Math Learning Standards for Grades 9–12 (National Council of Teachers of Mathematics)

Problem Solving: Instructional programs should enable all students to: build new mathematical knowledge through problem solving; solve problems that arise in mathematics and in other contexts; apply and adapt a variety of appropriate strategies to solve problems; monitor and reflect on the process of mathematical problem solving.

Connections: Instructional programs should enable all students to: recognize and use connections among mathematical ideas; understand how mathematical ideas interconnect and build on one another to produce a coherent whole; recognize and apply mathematics in contexts outside of mathematics.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1—Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Reading: Informational Text: CCSS.ELA-Literacy.RI.11-12.7—Integration of Knowledge and Ideas: Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1—Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Common Core State Standards for Mathematics

Number and Quantity: CCSS.Math.Content.HSN-Q.A.1: Use units as a way to understand problems and to guide the solution of multi-step problems; choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays.

Learning Objective: Students will understand the basics of health insurance, how it has evolved and will continue to change, and most important, how they can make good decisions in choosing and using health insurance to protect and improve their health and the health of their families.**Educator Resources/Materials Needed:**Sample health insurance plan provisions;* *Hattie: Overcoming Obstacles* video

**Note: Numerous sample health care plan provisions can be found online. A good source for comparing the health plan provisions of major companies is <http://lifehap.pn/XVWuqQ>. You may want to do the research yourself, or guide your students to the site to select plans. They will use these plans for several activities.*

Related Activities/Student Worksheets:

- *Coming to Terms With...Health Insurance Glossary*
- *Two Sisters, Two Plans*

Subject/Skill Focus: Reasoning, critical thinking, decision making, math skills, and life skills (practical application of lessons learned)**Lesson Script/Teaching Steps:**

Health insurance is an essential form of protection. Americans spend about \$2.5 trillion on health care (about \$8,000 per person), yet the average person probably would have a difficult time explaining exactly how his or her health plan works. Many adults could not define deductibles, co-pays, or coinsurance if asked.

Using the glossary of health insurance terms, the sample health plans, activities, and insurance videos, you can help your students grasp the basic concepts of health insurance. This knowledge will help them make better decisions about what kinds of insurance plans will work for them at different stages of their lives. Becoming more aware of the way we use, and sometimes misuse, health care services can help students become more responsible when it comes to managing their own health and more aware of the need to have a life plan for building and protecting their futures.

Start a discussion about health insurance. You may want to view the introductory and health insurance video segments—*Hattie: Overcoming Obstacles*—with your students first. (See pre- and post-video questions, Video Guide page 7.)

You may also want to have your students research information on the Affordable Care Act at www.healthcare.gov or at www.hhs.gov/healthcare.

- How do your students define health insurance? What is their understanding of how it works? Their families may have very different kinds of coverage, so answers will vary.
- Ask students to find out more about their families' health insurance plan and make notes so they can bring information to the next class discussion. At the very least, have them ask what kind of health plan it is—HMO, PPO, HSA, or some other type of coverage.

Note: If you think this will be a sensitive issue for some students, you can cover the various types of insurance and have students discuss it with their parents, but have students talk about their health plan information voluntarily. You also can have students present what they've learned to their parents, hold a family discussion, and have students come back to class with their recommendation of what kind of insurance might work best for their families and why.

- *Have they used the health plan in the past year that they know of? For what general purpose, such as office visit or test (Don't ask details of health conditions)?*
- *Do they understand that while health insurance coverage will pay for things that aren't too costly like routine doctor's visits or lab tests, the main reason to have coverage is for protection against the potentially catastrophic expenses of serious illness or injury?*
- Tell students that while there are different kinds of health insurance plans, the key thing they need to understand is the basic process for a particular health plan: what costs are involved, what services are covered, and how to access care.

The three key questions students should keep in mind as you review different types of plans and complete the activities are:

- *What do I pay?*
- *What benefits am I getting?*
- *What can I do to be smarter about managing my own health care and using my health plan more effectively?*

Understanding Health Plans:

Copy and distribute the *Coming to Terms With...Health Insurance Glossary* and sample health plans you have downloaded from the web after watching and discussing the health-insurance-related videos you feel are most appropriate for your class.

If your schedule allows, take time to make sure students are grasping the basic concepts of costs and coverage.

Optional: This may be a good time to bring in a health insurance professional to provide a real-world perspective on trends in health insurance today (e.g., what types of plans are most popular today, how changes in coverage and cost are affecting consumers, what the latest trends and developments are, etc.). Contact regional or local offices of major health insurance providers to see if they would send someone to explain concepts to your students or contact the education coordinator for one of these companies. Alternatively, you can seek out a local health insurance broker by using the "Find an Agent" search engine at the website of the National Association of Health Underwriters, www.nahu.org, or find an insurance agent at the Life Happens website at www.lifehappens.org/findcoverage.

Guide the discussion using the following points:

Premiums—The amount paid by you or your employer, in addition to co-payments, coinsurance, and deductibles, in exchange for insurance coverage. Every plan will have a monthly premium. When you have group insurance through work, your employer typically will pay a portion of the premium. The portion you pay is taken out of your paycheck each pay period.

Deductible—This is the amount you must pay each year to cover your medical expenses before your insurance plan starts paying. Deductibles are a part of many, but not all, health insurance plans. If you want a low deductible—say \$500—your monthly premium is going to be higher. Alternatively, if your deductible is high—say, \$2,000 or more—your premiums will be lower.

Co-pay—This is a way of sharing medical costs. You pay a flat fee every time you receive a medical service (e.g., \$20 for every visit to the doctor). Co-pay amounts vary depending on the particular plan and type of service, but generally range from \$20 to \$50. The insurance company pays the rest.

Coinsurance—This is the amount you are required to pay for medical care in certain types of health plans after your deductible has been met. For example, 80/20 plan means insurance pays 80% and you are responsible for 20% when you use a doctor or hospital associated with your health plan. If you use a doctor or hospital that is not in your network, the portion of the bill you have to pay will

be higher—perhaps 30%–40% of the cost. This is one way health insurance companies manage costs. They will pay a higher percentage of the total cost for doctors who have agreements with them; you are free to choose any doctor, but you will pay more.

Covered expenses and exclusions—It is important to determine if services and procedures you want are covered when you are choosing a health plan because covered services vary from plan to plan.

Brief Overview of Types of Plans:

Before you begin your review of the plans, you may want to briefly discuss the major types of health insurance plans and the differences among them. In doing so, you may want to point out that the distinctions among plans grow increasingly blurred every day. The most important thing to keep in mind is that there are more health insurance options available today than ever before, which is good news for consumers.

HMO (Health Maintenance Organization)

- Typically there is no deductible, but there is a co-payment for certain services such as a doctor's office visit.
- HMOs contain costs by negotiating discounts from doctors, hospitals, labs, and other providers, and you are usually limited to seeking care from within your plan's network of providers. You choose a primary-care physician affiliated with the HMO to coordinate your care. Generally, you must receive a referral from your primary-care physician before visiting a specialist in your provider network.
- HMOs are generally the most affordable type of health insurance plan because of the limitations they place on where you can seek care.

PPO (Preferred Provider Organization)

- A PPO negotiates discounts with doctors, hospitals, and other providers, who then become part of the PPO network, but you can see providers outside the network and still receive partial coverage.
- A physician in the network typically requires a co-payment.
- A physician outside the network requires a coinsurance (you pay part of the bill, usually 10% to 30%).
- PPO deductibles vary with the premium. Generally, the higher the deductible, the lower the premiums.

HSA (Health Savings Accounts)

- HSAs are savings accounts that allow you to save money to pay for current and future medical expenses on a tax-free basis.
- In order to be eligible for an HSA, you must be covered by a qualifying high-deductible health plan and not have any other health insurance. High-deductible health plans typically have lower premiums than HMO or PPO plans, but they come with the potential for higher out-of-pocket costs. To offset that risk, you (or your employer) can contribute to a tax-advantaged HSA account.
- HSAs are a good option for individuals who want to protect themselves from catastrophic health care costs.
- HSAs can pay for expenses that your regular health plan ordinarily doesn't cover, such as eyeglasses and hearing aids.
- While the money is in the account, it can be invested, and the investment gains are tax-free as long as they are used for qualified medical expenses.

A good source for additional information on HSAs is the U.S. Department of the Treasury website at <http://lifehap.pn/10fK9N4>.

As students compare the costs and covered services of different types of plans, ask whether certain plans are better suited for certain types of individuals (e.g., what type of plan might be best for a healthy single person, a married couple with young children, an older couple, etc.).

> Two Sisters, Two Plans Activity:

Copy and distribute the *Two Sisters, Two Plans* activity sheet, and have students calculate how much each spent on care following the same type of accident. One had an HMO and one had a PPO. What advantages can each offer? Any downsides?

Special Project Topics:

Extend the lessons with thought-provoking, timely topics that involve students in key issues of the day. Here are some suggestions for group or individual research assignments, reports, and debates. These topics lend themselves especially well to point/counterpoint type debates or presentations.

Mandated Wellness

An employer rewards employees' healthy behaviors, aimed at helping its workforce become healthier and more productive. The advantage is that employer and employee will save money on health care costs and everybody gets healthier. The disadvantage: Can you force people to be well? Some employers give employees cash and/or prizes for losing weight or completing a fitness challenge—and becoming healthier people. What are companies and insurers doing to make wellness a bigger part of the health care picture? What are the challenges they face? What are the upsides and possible downsides?

Rx Ads and Commercials Directed to the Consumer

Pharmaceutical companies advertise a wide variety of Rx drugs directly and even nonprescription (over-the-counter) medications to cure/alleviate serious diseases and chronic conditions. This is quite a change from the days when patients received almost all of their information from their doctors and rarely questioned a doctor's treatment recommendation. It seems to put the consumer in control, but does it really? What is the impact of these ads? Students may want to run their own focus groups about commercials to see firsthand how viewers react to such ads.

Affordable Care Act

Health care is a real hot-button issue today, especially when it comes to politics. Some people agree with the health care reform laws that have passed, while others believe the government has become too involved in our health care.

What are the positions of your U.S. senators or the U.S. representative from your district? Do you agree or disagree with them about health care reform?

It's All Relative: Going Global

Despite the criticisms of our health care system (e.g., high costs, sizable number of Americans with no coverage), many people believe that the United States has one of the best systems in the world. Does it? Canada has a universal health care system with greater government involvement. What are the pros and cons of different health care systems in developed countries around the world? Research health care systems in other countries and compare them to our system. Be sure to include important factors such as cost, choice, and timeliness of care.

Educator Answer Sheet:

Two Sisters, Two Plans

Twins Joan and Jill love outdoor sports. On a recent ski trip, they fell off a ski lift. Each one had to have knee surgery.

Both sisters were rushed from the ski resort to an emergency room and then transferred to hospitals in their hometown, where they were admitted for two-day hospital stays. Because they chose different types of health insurance plans at their jobs, their coverage was different.

Joan had a Health Maintenance Organization (HMO) plan. She was directed to a hospital within her HMO’s network and was limited in her selection of a knee surgeon.

Jill had a PPO plan (Preferred Provider Organization). She wanted more choice of doctors and hospitals when she signed up for her plan. After her accident, she was able to pick any doctor and any hospital listed in her plan’s directory.

Notice the difference in what and how the plans pay for medical care. The HMO has no deductible or coinsurance, which means that most of the cost of care is prepaid through insurance premiums. The PPO has a doctor office co-payment, but no co-payment for other services. It also has a deductible that must be paid each year before her insurance pays any costs. The PPO also has coinsurance: a percentage of cost that the insured pays after the deductible has been met.

Plan Fees	Joan’s HMO	Jill’s PPO
Monthly Premium	\$200	\$100
Annual Premium	\$2,400	\$1,200
Annual Deductible—must be paid before insurance pays any costs	No deductible	\$1,000
Coinsurance is the percent the insured pays of the total cost	None	80/20—insurance pays 80% of costs after deductible has been met; the insured (Jill) pays 20%
Co-payment for hospital stay—portion of the bill insured pays	\$100	None
Co-payment for emergency room	\$50 (waived if admitted)	\$100 (waived if admitted)
Co-payment for doctor visit	\$20	\$35

Using the information in the plan chart and the costs of medical care before insurance, students need to calculate each twin’s cost and fill in a blank version of the chart below.

Ski Accident Costs	Joan’s Cost (with HMO)	Jill’s Cost (PPO)
Emergency Room \$ 250	\$ 0 (admitted, so waived)	\$ 0 (admitted, so waived)
2-Day Hospital Stay \$ 4,775	\$100	\$1,755
Follow-up Doctor Visit \$ 160	\$ 20	\$ 35
Total Cost \$5,185	\$120	\$1,790

What would this medical care have cost without insurance? **\$5,185**

How much did Jill pay for medical care related to the accident? **\$1,790 (\$1,000 deductible + \$755 (20% x \$3,775 cost of hospital stay after deductible) = \$1,755. \$1,755 + \$35 follow-up visit = \$1,790)**

How much did Joan pay? **\$120**

What does Jill pay each year in premiums? **\$1,200** What does Joan pay? **\$2,400**

Which plan provides more choice? **Jill’s PPO**

Lesson 2:**The Price Is Right****Estimated Time:** 2 hours**Type:** Internet and in-person research; analysis and discussion**Description:** Students estimate and then research the costs of various medical procedures.**Learning Standards:***Financial Literacy: Financial Responsibility and Decision Making*

Overall Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 2: Find and evaluate financial information from a variety of sources.

Math Learning Standards for Grades 9–12 (National Council of Teachers of Mathematics)

Connections: Instructional programs from pre-Kindergarten through grade 12 should enable all students to recognize and apply mathematics in contexts outside of mathematics.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1—Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1—Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Common Core State Standards for Mathematics

Number and Quantity: CCSS.Math.Content.HSN-Q.A.1: Use units as a way to understand problems and to guide the solution of multi-step problems; choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays.

Learning Objective: Help students find out what health care services really cost and understand why it is important to know how costs are set.

Most people don't know the real costs of health care. If they have insurance, they think a doctor visit costs \$20, prescription drugs cost from \$10 to \$30, and a hospital stay may be a couple hundred dollars. Patients often do not find out until they receive the bills and are astonished to see costs in the thousands. Our own ignorance and

indifference ("insurance will pay") have contributed to some of the problems we have today in our health care system—skyrocketing costs and lack of accountability on the part of the health care community and patients.

Educator Resources/Materials Needed:

- Sample health insurance plans*
- An expert speaker on the costs of local health care services and medical procedures (optional)
- *The Price Is Right—What It Costs to Get Well* answer sheet

*Note: Numerous sample health care plan provisions can be found online. A good source for comparing the health plan provisions of major companies is <http://lifehap.pn/XVWuqQ>. You may want to do the research yourself, or guide your students to the site to select plans. They will use these plans for several activities.

Related Activities/Student Worksheets:

- *The Price Is Right—What It Costs to Get Well*

Subject/Skill Focus: Research, gathering accurate information on the Internet and through other sources; critical thinking, decision making, and ability to analyze and draw conclusions from information and data; life skills

Lesson Script/Teaching Steps:

To start the lesson, ask students how they make buying decisions in their daily lives. Ask them what determines purchases they make, such as food, clothing, entertainment, and electronic products.

Possible answers may be: I buy what is popular. It has to be cool. I need it. I look for price and quality. I find the best deal. I buy what I can afford.

How do they know what the best deal is, or what something costs? The answer seems obvious: Companies advertise product prices, prices are marked on the products in a store, or prices are provided on an Internet shopping site.

Ask students:

- *Would you buy something that didn't have a price listed? What if the store charged different prices for the exact same product?*
- *What about medical care? How much does a doctor visit cost? What will it cost if you break a leg and need X-rays, a cast, or even an operation?*

Many of us don't know the real cost of health care. We read that costs are skyrocketing. Employers and employees both will tell you that health insurance keeps increasing in price.

Have students try this experiment.

- Ask three people you know how much they pay for a gallon of gas or a video game.
- Then ask them how much a doctor visit, a tetanus shot, or a broken bone (X-ray, cast, doctor visits) would cost. Can they go to a doctor's office or a hospital and see a price list?

Write "transparency" on the board.

Ask students what transparency means. (They know what transparent is—something you can see through or that is obvious.) In health care, transparency refers to having access to pricing information. People are talking about the need for it and some hospitals and health care providers are beginning to offer pricing information that consumers can easily obtain and understand.

> The Price Is Right—What It Costs to Get Well Activity:

Copy and distribute *The Price Is Right* worksheet, and ask students to try to match the medical procedures with their average cost by drawing a line from the procedure to the cost. Go over the correct answers with your students. What procedure costs surprised them the most?

Adding to potential cost confusion is the fact that different information providers and websites offer different information. For example, one site may offer both the doctor and the facility (hospital) costs, while another site may offer only the facility cost. Tell them to make sure they are comparing apples to apples.

Discuss what students find. This can also be a homework assignment with follow-up discussion.

What Would I Pay? Follow-up Activity:

Ask students to refer to the procedures on their *Price Is Right* sheets (after they have determined actual costs) for this activity.

There are numerous websites that provide health insurance plan provisions for consumers, for example, at <http://lifehap.pn/XVWuqQ>. Consumers can select a company and see basic provisions for plans by state and/or type. Some companies even provide PDF downloadable brochures with more detailed plan information. Either research and print out plan information in advance, or ask students to do the research. Have students use these real plan provisions to calculate costs of the procedures on their *Price Is Right* sheets two different ways:

1. Assume the deductible has not been met.
2. Assume the deductible has been met.

Note: You may want to have each student select a different plan, print out or copy down the provisions, and provide the plan information to another student to use to calculate costs.

Once again, make sure you and your students understand what costs the sites are providing. Is it what the insurer pays? Is it what the patient pays? What does that mean in terms of your cost as the insured?

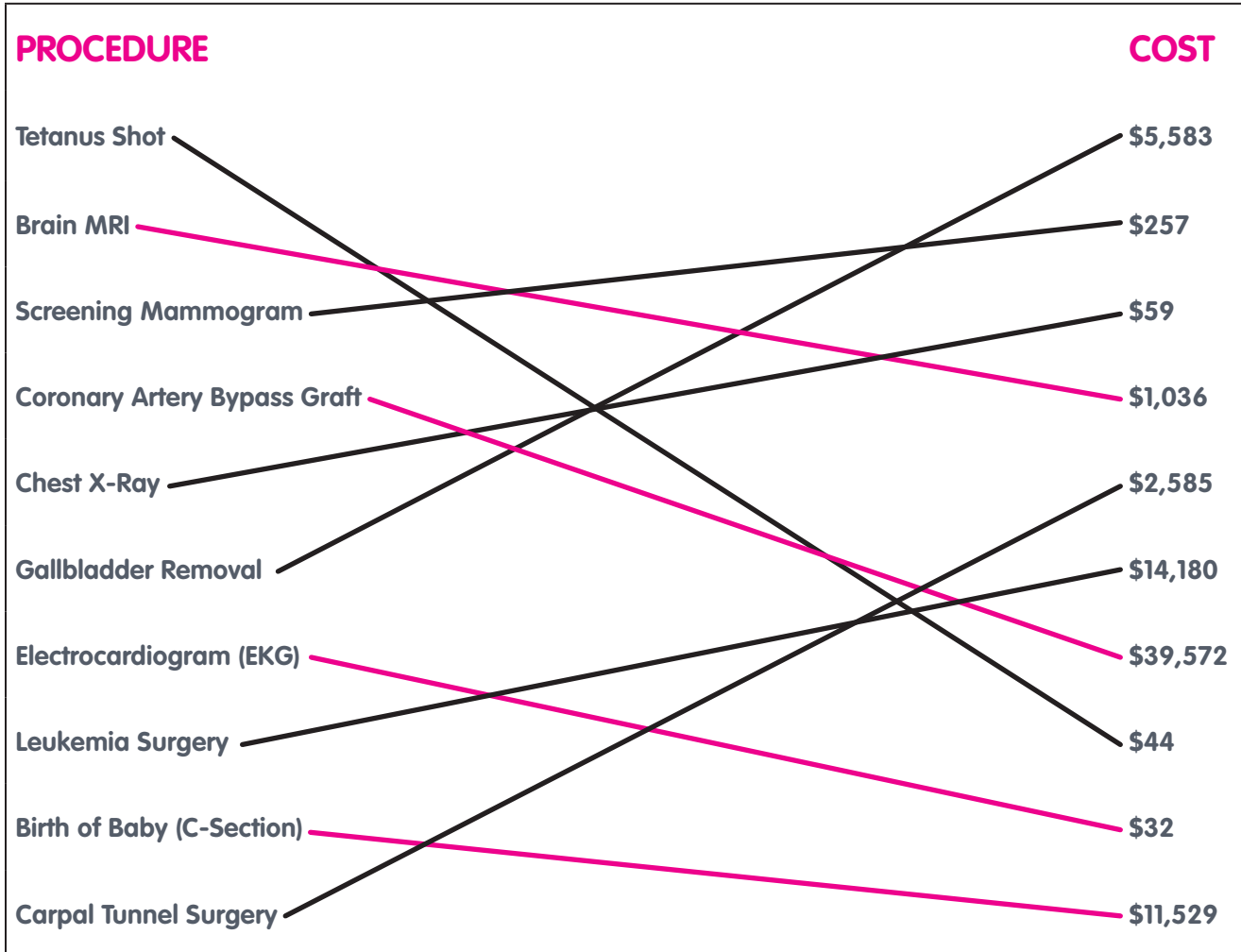
Discuss what students have learned about actual health care costs and how they would be covered under different types of plans.

Optional: Contact a local hospital to line up a speaker who can talk with students about the costs of care: what they should know and do as responsible consumers of health care services.

Educator Answer Sheet:

The Price Is Right—What It Costs to Get Well

Do you know how much medical treatments and procedures cost? Match these common medical procedures with their costs by drawing a line from the procedure to the dollar amount you think represents its cost.



Source: Healthcare Bluebook, November 2014

> disability

Disability Insurance

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Pre-/Post-Quiz

Before launching this unit, print the “Disability” quiz from the “Lessons & Worksheets” section of the site, or send students to www.scholastic.com/NextGeneration/Students to take an interactive version of the quiz and print their answers. Explain to your class that the quiz is meant to be a benchmark to assess their prior knowledge of the topic and will help you organize class discussions. The quiz can also be used as a post-assessment tool after students have completed the unit lessons.

QUIZ ANSWERS

1 What is the main purpose of disability insurance?

- A. To provide replacement income if you have an accident or illness and can't work**
- B. To cover your medical expenses if you have an accident or illness and can't work
- C. To provide replacement income and cover all your medical expenses if you have an accident or illness and can't work
- D. To provide your family with income when you retire

2 When should people consider disability insurance?

- A. When they get married
- B. When they graduate from college
- C. When they start a full-time job**
- D. When they retire

3 Employers must provide all employees with disability insurance free of charge.

- A. True
- B. False**

4 Most disability insurance policies will replace:

- A. 80%–100% of your income
- B. 60%–80% of your income
- C. 40%–60% of your income**
- D. 20%–40% of your income

5 Which of the following are types of disability insurance?

- A. Short-term, long-term, and indemnity
- B. Short-term, indemnity, and workers' compensation
- C. Long-term, indemnity, and workers' compensation
- D. Short-term, long-term, and workers' compensation**

6 A computer technician is in an accident on his way home from work and breaks both wrists. Which of his insurance plans will provide him with income while he is out of work recovering for six weeks?

- A. Short-term disability insurance**
- B. Long-term disability insurance
- C. Workers' compensation
- D. Health insurance

7 Which of the following could require long-term disability insurance to help cover costs?

- A. A broken leg
- B. A degenerative disease**
- C. The flu
- D. None of the above

8 A young woman falls on the ice, hurts her back, needs surgery, and will be out of work for three months. What does she need to do in order to claim the disability insurance she has through her employer?

- A. Inform her employer only
- B. Call her doctor and ask him to send her employer a note
- C. Contact her health insurance company
- D. Inform her employer and see her doctor to have the doctor confirm that she is not able to work**

9 Social Security administers a disability insurance program that covers most workers and has strict eligibility requirements.

- A. True**
- B. False

10 Disability insurance can only be provided through an employer or the government.

- A. True
- B. False**

Lesson 1**What Do You Know About Disability Insurance?****Estimated Time:** 90 Minutes**Type:** Class discussion and share. Activity encompasses math skills and critical thinking/reasoning.**Description:** Introduction to disability insurance. This is a type of insurance students may be unfamiliar with, but it is one that can be very important to their families and to them when they start working.**Learning Standards:***Financial Literacy: Risk Management and Insurance*

Overall competency: Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods.

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Financial Literacy: Financial Responsibility and Decision Making

Overall Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Math Learning Standards for Grades 9–12 (National Council of Teachers of Mathematics)

Problem Solving: Instructional programs should enable all students to: build new mathematical knowledge through problem solving; solve problems that arise in mathematics and in other contexts; apply and adapt a variety of appropriate strategies to solve problems; monitor and reflect on the process of mathematical problem solving.

Connections: Instructional programs should enable all students to: recognize and use connections among mathematical ideas; understand how mathematical ideas interconnect and build on one another to produce a coherent whole; recognize and apply mathematics in contexts outside of mathematics.

Life Skills: Life Works

Standard 5: Makes general preparations for entering the workforce. Benchmark 12: Understands the nature and function of worker's compensation, disability insurance, and unemployment insurance.

Benchmark 14: Makes an accurate appraisal of basic insurance needs.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1–Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1–Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Common Core State Standards for Mathematics

Number and Quantity: CCSS.Math.Content.HSN-Q.A.1: Use units as a way to understand problems and to guide the solution of multi-step problems; choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays.

Learning Objective: Help students understand the role of disability insurance in protecting income once they're in the workforce full-time. At the same time, students will learn the importance of owning other types of insurance (e.g., health) and accumulating assets.**Educator Resources/Materials Needed:***What Do You Know?* knowledge assessment quiz questions (see Lesson Script/Teaching Steps in this lesson) and the *What Do You Know?* answer key to present on cards, flip chart, or as a PowerPoint. Sheets can be printed and distributed to put in students' lesson folders. You may also want to find a sample disability policy or plan. You may also want to view the video *Kylie: Planning for the Unexpected*.**Related Activities/Student Worksheets:**

- *Coming to Terms With...Disability Insurance Glossary*
- *Taking Care of Business*
- *Johnny's Lucky Break*

Subject/Skill Focus: Critical thinking, analysis of written material, practical math skills**Lesson Script/Teaching Steps:**

Many of your students may not know about disability insurance, but it's a type of insurance that could be very important to their families and to them once they start working full-time. In fact, young adults are much more likely to become disabled than to die prematurely.

- Just over one in four of today's 20-year-olds will become disabled before they retire.¹
- Fifty percent of working Americans couldn't make it a month before financial difficulties set in, and more than one in four would have problems immediately.²
- Illness causes 9 out of 10 disabilities, all workers need disability insurance regardless of job.³

For a real-time disability counter visit Council for Disability Awareness at www.disabilitycounter.org.

Before conducting the lesson, you may want to view the Disability Insurance video *Kylie: Planning for the Unexpected* with your students. (See the Video Guide, page 7.)

Next, review the *Coming to Terms With...Disability Insurance Glossary* and the *What Do You Know?* knowledge assessment questions in preparation for your discussion. Following your initial discussion, you can hand out the sheets and glossary.

Prepare a short *What Do You Know?* knowledge assessment quiz with the following questions:

1. *Can you name the most common disabilities for which claims are filed?*
2. *Who is likely to become disabled?*
3. *What does disability insurance do?*
4. *Who pays for disability insurance?*

Choose a style and format that will be interesting and relevant to your class. For example:

- Put questions and answers on cards you or your students can read.
- Plan to read questions and have answers written on flip-chart pages that you can reveal after each question.
- Create an interactive PowerPoint Q&A that you can use in pre- and post-discussion and post-lesson skills assessment.

See answers on the next page.

After you have conducted the quiz and presented the answers, hand out the *Coming to Terms With...Disability Insurance Glossary*, or have your students go to the Life Happens website to learn more about disability insurance (www.lifehappens.org/disabilityinsurance). Briefly discuss how disability policies work, and ask students to share any experiences they may have had with disability insurance through friends or family.

Review with students the differences between short-term disability insurance (STD) and long-term disability insurance (LTD). Begin by asking your students to explain the term "short-term disability insurance." Then ask them to explain the term "long-term disability insurance." (Or have them read the definitions aloud from the Disability Insurance Glossary and explain how they interpret the definitions.)

> Taking Care of Business and Johnny's Lucky Break Activities:

There are two activity sheets that help illustrate the value of disability insurance: *Taking Care of Business* and *Johnny's Lucky Break*. Both can be used as individual activities or group activities that include role-play and point/counterpoint discussion.

Assessment:

After the disability insurance segment is complete, conduct the *What Do You Know?* knowledge assessment again and compare results. If you want to let students participate in creating a more detailed post-assessment vehicle, you may have them add questions to the quiz related to material covered in the lessons.

¹ Social Security Administration, Basic Facts, Feb. 7, 2013.

² The Disability Survey conducted by Kelton Research on behalf of Life Happens, April 2009.

³ Council for Disability Awareness, Long-Term Disability Claims Review, 2010.

Educator Answer Sheet:**What Do You Know? Knowledge Assessment Quiz****Can you name the most common disabilities for which claims are filed?**

According to CDA's 2011 Long-Term Disability Claims Review¹, the following were the leading causes of new disability claims in 2010:

- Musculoskeletal/connective tissue disorders caused 27.5% of new claims²
- Cancer was the second leading cause of new disability claims at 14.6%
- Injuries and poisoning caused 10.3% of new claims
- Cardiovascular/circulatory disorders caused 9.1% of new claims
- Mental disorders caused 9.1% of new claims

Also, approximately 90% of disabilities are caused by illnesses rather than accidents.

¹ Council for Disability Awareness, Long-Term Disability Claims Review, 2011 www.disabilitycanhappen.org/research.

² This category includes claims caused by neck and back pain; joint, muscle, and tendon disorders; foot, ankle, and hand disorders, etc.

Who is likely to become disabled?

The answer is anyone: An office worker or construction worker, race car driver or mom who works in a card store.

- Just over one in four of today's 20-year-olds will become disabled before they retire.¹
- Fifty percent of working Americans couldn't make it a month before financial difficulties set in, and more than one in four would have problems immediately.²
- Illness causes 9 out of 10 disabilities, all workers need disability insurance regardless of job.³

For a real-time disability counter, visit the Council for Disability Awareness at www.disabilitycounter.org to view America's Disability Counter.

¹ Social Security Administration, Basic Facts, Feb. 7, 2013.

² The Disability Survey conducted by Kelton Research on behalf of Life Happens, April 2009.

³ Council for Disability Awareness, Long-Term Disability Claims Review, 2010.

What does disability insurance do?

Disability insurance replaces part of your salary. Remember, this is *not* health insurance. It does not pay medical or doctor bills directly. It provides you with a percentage (generally between 40% and two-thirds) of your gross income while you are unable to work.

Who pays for disability insurance?

- Some companies, especially larger ones, provide workers with a disability insurance benefit at no extra cost to the employee. This is called group coverage and the two types are: short-term disability (STD) and long-term disability (LTD).
- When a group benefit is provided, employees often can add to their coverage if they wish to.

Educator Answer Sheet:
Taking Care of Business

Janice Brown Davidson, single mother of two in her late 20s, manages an in-store boutique at Lacy’s Department Store.

- She earns \$60,000 a year before taxes (that’s her gross income).
- She pays 20% in taxes \$12,000
- Her net annual income (after taxes) \$48,000
- Her net monthly income is \$ 4,000
- Her monthly living expenses are \$ 2,400
- Her discretionary monthly living expenses are \$ 1,600
- Her current emergency savings are \$13,000

She has an employer-paid disability benefit through the department store where she works. Lacy’s provides a long-term disability insurance benefit that pays 60% of an employee’s gross salary up to a maximum of \$5,000 a month.

1. Would a policy that pays 40% of her gross salary provide enough income to cover Janice’s fixed monthly expenses if she became disabled and couldn’t work? **No. Forty percent of \$60,000 is \$24,000. Since benefits through an employer-sponsored plan are taxed, her annual after-tax benefits would be \$19,200, or \$1,600 per month.**
2. If yes, how much could she set aside each month after fixed expenses are paid? If no, how much of a shortfall would she have, and how would she cover it? **She would have an \$800-per-month shortfall, and she would have to tap into her emergency savings to make up the difference.**
3. Now assume that Lacy’s offers employees an option to increase their disability coverage through the company’s group insurance plan. Janice would have to pay \$10 per month to increase her disability benefit to 60% of her gross monthly income. If she were to suffer a long-term disability, how much monthly income would Janice receive through this program? **\$2,400 per month. Sixty percent of \$60,000 is \$36,000. Once you account for taxes, her annual benefit would be \$28,800 or \$2,400 per month.**
4. Would the new total cover her monthly expenses? **Yes.** Would she be able to put anything into savings and other discretionary spending? **No.**

Discussion Points

This scenario illustrates that disability insurance is designed to help people make ends meet when they are unable to work due to a disability. Typically, it does not replace 100% of a person’s pre-disability income. Why do you think this is the case? **If disability insurance replaced 100% of a person’s pre-disability income, there would be a disincentive to work and cases of insurance fraud would probably increase (i.e., some people would feign disabilities in the hopes of receiving their full paycheck without having to work). Disability insurance is designed to help people “make ends meet” until they are able to return to work. By drawing a respectable but lesser income than they did when they were working, people have an incentive to get better and return to work.**

If Janice became disabled and her employer did not offer any disability insurance coverage, how long could she have paid her fixed expenses before her emergency savings would have run out? What does that tell you about the role of disability insurance? **Her emergency savings would have run out after 5.4 months. If Janice’s disability was a long-term disability lasting several years or longer, she would have faced a severe financial crisis at that time. If she had disability insurance, she would have had replacement income to live on for many years, maybe even until retirement age.**

Educator Answer Sheet:

Johnny's Lucky Break

Johnny Sanchez started a job as a web designer for a small company about a year ago after graduating from college.

- Gross earnings are \$2,100 a month before taxes.
- Net earnings (what he takes home) are \$1,800 a month.

Do the math to fill in the blanks, using the information you have.

Johnny's Monthly Expenses

Taxes—automatically taken out of paycheck	\$ 300
Rent (he shares a place with two friends)	\$ 550
Food, clothes, and other expenses	\$ 750
Discretionary funds (all the money that is left)	\$ 500

His company provides health insurance, but does not offer a disability insurance benefit.

Here is the long-term disability policy Johnny could buy on his own:

Long-Term Policy Option

Cost	\$40 per month
Coverage*	Sixty-five percent of his salary would be replaced until age 65
Elimination period	Ninety days. The coverage would start 90 days or three months after a disabling accident or illness occurs.

*Note that he gets the full amount. He would not pay tax on disability payments because he paid for his policy with after-tax dollars.

How much would Johnny receive each month in disability payments? **\$1,365**

Would that cover his expenses? **Yes**

What would he have left in discretionary funds? **\$65**

His fiancée, Jill, thinks he should purchase an individual disability insurance policy. Why might she think that?

1) Anyone who is working should have disability insurance to make sure he or she would be able to make ends meet in the event of a disabling illness or injury. 2) A young person's chance of becoming disabled during his or her employment career is much higher than the chances of dying prematurely. 3) Men who file disability claims tend to have longer periods of disability than women. 4) Young people generally do not have the financial resources or savings to cover being out of work for an extended period.

Johnny isn't sure he wants to buy the insurance. He thinks he will be okay without it for now. Why would he think that? **Johnny may be assuming that since he is young, his chances of needing disability insurance are small. He probably has never done an assessment to determine what is at stake. He may not understand the risk and wants to use the \$40 policy cost for other things.**

Educator Answer Sheet:**Johnny's Lucky Break—Part 2*****An Accident!***

Over the weekend, Johnny was in a serious auto accident. He won't be able to return to work for nine months while his broken bones heal.

His health insurance will help pay for his hospital stay, doctor visits, and physical therapy sessions.

He has \$6,000 in savings.

Scenario A**No Disability Insurance**

How long can Johnny pay his monthly expenses before he runs out of money? **4.6 months**

Scenario B**With Disability Insurance**

How much will Johnny receive each month? (Refer back to the worksheet.) **\$1,365**

Remember, the payments do not start right away. Since Johnny must pay his expenses without a salary until disability begins, how much will he have left in savings when the payments start? **\$2,100**

Can he cover monthly expenses with disability payments? **Yes**

How much could he save each month? **\$65**

When he goes back to work, how much savings will he have (assuming he saves all he can each month, and returns to work after nine months)? **\$2,490 (\$2,100 left in savings when insurance kicks in + (\$65 x 6 months))**

> financial

Financial Planning

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Pre-/Post-Quiz

Before launching this unit, print the “Financial Planning” quiz from the “Lessons & Worksheets” section of the site, or send students to www.scholastic.com/NextGeneration/Students to take an interactive version of the quiz and print their answers. Explain to your class that the quiz is meant to be a benchmark to assess their prior knowledge of the topic and will help you organize class discussions. The quiz can also be used as a post-assessment tool after students have completed the unit lessons.

QUIZ ANSWERS

1 A savings account that offers compound interest will grow more quickly than one that pays simple interest.

- A. True
- B. False

2 If you pay \$100 a month on a \$2,500 credit card debt with a 19% interest rate, about how much money do you think you'll pay in interest by the time you pay off the debt?

- A. \$19
- B. \$190
- C. \$475
- D. \$700

3 If you want to earn interest rather than pay interest, which of these financial products should you own?

- A. Line of credit
- B. Credit card
- C. Certificate of deposit
- D. Mortgage

4 You're out shopping and come across a great combination deal on a smartphone and tablet, but you don't have the money to buy them. What's the best financial plan for getting the items?

- A. Use your credit card to buy them
- B. Save money to buy them
- C. Take out a quick loan to buy them
- D. Write a check to buy them

5 What is a financial pyramid?

- A. A financial strategy designed to earn interest quickly
- B. A financial strategy that includes long-term capital investments only
- C. A financial strategy that includes asset protection and accumulation
- D. None of the above

6 Which of the following is not an asset?

- A. Mutual fund
- B. Savings account
- C. Real estate
- D. Credit card
- E. Insurance policy

7 In a financial plan, which of the tools below helps with asset accumulation?

- A. Credit cards
- B. Homeownership
- C. Insurance claims
- D. Savings and investments

8 What role does insurance play in the financial pyramid?

- A. It guarantees that assets and income are protected
- B. It helps build and maintain one's reputation
- C. It helps cover day-to-day expenses
- D. It grows in value, like a house

9 What is a bond?

- A. A type of savings account that pays investors scheduled interest
- B. An investment that provides the investor with shares of ownership in the government or a company
- C. A type of long-term loan an investor makes to the government or a company and earns interest in return
- D. An agreement to make scheduled investments in a company

10 A 401(k) is a retirement savings plan that is set up by an employer.

- A. True
- B. False

Lesson 1:**Building the Future—
Introduction to Financial Planning****Estimated Time:** 2 hours**Type:** Discussion and share, math calculations, presentations (by financial experts), in-class activities, take-home**Description:** Students see the “whole picture” and learn how insurance will fit into their overall financial plans. Activities provide information and tools they will need to make informed decisions about protecting and growing their incomes in the future.**Learning Standards:***Financial Literacy: Planning and Money Management*

Overall Competency: Organize personal finances and use a budget to manage cash flow.

Standard 1: Develop a plan for spending and saving.

Standard 6: Develop a personal financial plan.

Financial Literacy: Financial Responsibility and Decision Making

Overall Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 2: Find and evaluate financial information from a variety of sources.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

*Math Learning Standards for Grades 9–12 (National Council of Teachers of Mathematics)***Problem Solving:** Instructional programs should enable all students to: build new mathematical knowledge through problem solving; solve problems that arise in mathematics and in other contexts; apply and adapt a variety of appropriate strategies to solve problems; monitor and reflect on the process of mathematical problem solving.**Connections:** Instructional programs should enable all students to: recognize and use connections among mathematical ideas; understand how mathematical ideas interconnect and build on one another to produce a coherent whole; recognize and apply mathematics in contexts outside of mathematics.*Life Skills: Life Work*

Standard 3: Manages money effectively. Benchmark 1. Prepares and follows a budget (e.g., develops spending plan, saving plan, record keeping system, investment plan, tracks budget performance).

*Common Core State Standards for English Language Arts***Reading: Informational Text:** CCSS.ELA-Literacy.RI.9–12.1—Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.**Speaking and Listening:** CCSS.ELA-Literacy.SL.9–12.1—Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others’ ideas and expressing their own clearly and persuasively.*Common Core State Standards for Mathematics***Number and Quantity:** CCSS.Math.Content.HSN-Q.A.1: Use units as a way to understand problems and to guide the solution of multi-step problems; choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays.**Learning Objective:** Students learn what financial planning entails and why it is important and relevant.**Educator Resources/Materials Needed:**

- *Talking About Money* video
- Online financial calculators, local financial experts to teach basics of checking and savings accounts (On-site or in class)
- *One Two Punch* educator answer sheet
- *You’ve Got the Power—of Compounding* educator answer sheet

Related Activities/Student Worksheets:

- *Coming to Terms With...Financial Planning Glossary*
- *One Two Punch*
- *You’ve Got the Power—of Compounding*
- *At the Speed of Life*

Subject/Skill Focus: Critical thinking, math skills, communication skills**Lesson Script/Teaching Steps:**Before conducting the lesson, you may want to view the *Talking About Money* video with your students. (See the Video Guide, page 8.) You may also want to briefly review the relevant resources, activities, and activity sheets. Reinforce that various types of insurance provide protection for your assets and income—if you can’t work, if you are injured or require medical care, or when you die.

Where do those assets come from? Where do you get the money you are protecting? Through income as well as savings and investments. This is called asset accumulation.

Earning Money, Saving Money

What are some savings/investment instruments? Ask students for ways they would accumulate money/assets, such as:

- savings accounts;
- investments;
- home ownership/property;
- college savings such as 529 plans; and
- retirement plans such as IRAs and 401(k)s.

Can students define or explain any of these methods? Students who work may have various forms of savings and investment accounts.

Use the *Coming to Terms With...Financial Planning Glossary* sheet to further discuss the various types of protection and accumulation products.

Talk about the fact that savings and investment needs change with life stages, just as insurance needs do. If possible, bring in experts to supplement your discussion or have students find articles on the Internet and in magazines that talk about how and why to save.

You might want to review one or more of the websites from the Helpful Links section of the site for information on saving and investing.

Research Project

Assign student teams one financial instrument listed on the *Coming to Terms With...Financial Planning Glossary* resource sheet to research and report on. They should be able to explain what it is, how it works, and how it fits into their financial pyramid. Ask them to bring in examples of that financial product (a check, information on savings rates, ads, flyers from banks, stock charts, a mutual fund prospectus or brochure, etc.) to use in a brief presentation. Suggest that they talk with a local banker or stockbroker as part of their research.

Materials students bring in can be set up as a display in the classroom, and turned into a mini traveling exhibit that your class can take to other classrooms to explain financial planning and the importance of financial literacy. You can also create a display for parent-teacher nights to highlight what your students have been learning.

In-Class Activities

Use the following activities to reinforce students' understanding of all the facets of financial planning, how needs change with life stages, and how protection (e.g., insurance) and accumulation (e.g., savings, investments) products are necessary partners in financial health.

> One Two Punch Activity:

Distribute *One Two Punch* and complete as an all-class activity, discussing it as you go. Students will draw on what they have learned about insurance and savings and use math skills to better understand that different planning approaches result in different financial outcomes. We used the following online compound interest calculator, <http://lifehap.pn/UCPHfd>, and assumed an initial balance of \$0 and monthly compounding. Note: There are a myriad of online compound interest calculators. Your students may get slightly different outcomes depending on whether a calculator assumes interest is paid at the beginning of the month versus the end of the month. This calculator assumes end-of-month interest.

> You've Got the Power—of Compounding Activity:

Compounding is a very important concept for students to learn. Knowing how savings can grow exponentially with compound interest (versus simple interest) and how the interest on debts can add up quickly will help them effectively manage their finances now, and later as they become more complex.

Distribute the *You've Got the Power—of Compounding* sheet and go through the challenges, making sure students are grasping the concepts and using math skills to understand how compounding works. The key here is that as interest is added to the principal, the principal amount grows, which means that interest is being paid on an increasingly larger amount. Therefore, the amount of interest grows, too.

Compounding Project:

Student groups can be assigned different methods for "growing" savings. Each group starts with \$200. One hundred dollars goes into each of two "accounts" that they select, or that you assign. These might be checking with no interest, checking with interest, money market, savings, CD, stocks, bonds, mutual funds, or even "under the mattress." For interest-bearing accounts, choose current offerings that are being advertised by a local bank or an online institution or brokerage firm. Students calculate and report on the status of their savings after specified amounts of time have passed: one year, five years, 20 years. A corollary activity would be to select one method and regularly add to the account: \$5 per week.

Ask an Expert

Pair this activity with a “financial field trip” to a bank or other local financial institution. Or invite a banking professional or one of your consumer education/economics teachers to the classroom for a presentation/discussion of basic savings instruments and strategies. Visit a financial institution for a lesson/demo on opening a checking/savings/money market account. Or check for a bank in your area that will send an expert to class for an educational session.

Take It On Home

Students have had an opportunity to apply what they’ve learned to realistic scenarios using the activities. Distribute blank copies of the *At the Speed of Life* sheet. Ask students to work with their parents to assess their family insurance products and financial products (to the extent that the parents are comfortable with that) using the activity sheet.

Reinforce the concept that different families have different needs and choose different solutions.

Educator Answer Sheet:

One Two Punch

Jimmy Hernandez and Bill Brown have been neighbors for a long time. They even work at the same company and make approximately the same salary. They both believe it is important to build financial security, but they have different approaches to planning.

Jimmy's Financial Plan—All Investments. Jimmy thinks the best idea is to put as much money as possible into savings and investments. He decided not to buy any life insurance.

Instead, he puts \$200 a month into an investment fund that earns an average annual return rate of 8%. Jimmy believes that if he dies during the next 20 years, his savings will grow fast enough to provide his family with a sufficient financial safety net.

Bill's Financial Plan—Investments Plus Insurance. Bill is investing in the same fund as Jimmy and also is earning average interest of 8% annually. However, Bill feels strongly that he needs life insurance in his financial plan because his current savings wouldn't be enough for his family to live on if something happened to him in the near future.

Like Jimmy, Bill puts \$200 per month toward his financial plan. The difference is he purchased a 20-year, \$200,000 term life insurance policy with a monthly premium of \$20. The remaining \$180 goes into his investment account each month.

Whose plan will provide better protection in the long run?

Compare Savings. Look at Jimmy's and Bill's savings (Columns A and B). Using a compound interest calculator, calculate how much each man will save in five, 10, 15, and 20 years if they keep putting the same amount away each month. Assume an 8% annual return. The first row has been filled in for you using the calculations from the following online compound interest calculator, <http://lifehap.pn/UCPHfd>, and assuming an initial balance of \$0.

Complete the calculations for Columns A and B. Who saved more in 20 years? **Jimmy.**

Savings Period	COLUMN A Jimmy's Investment Fund: \$200/month	COLUMN B Bill's Investment Fund: \$180/month	COLUMN C Bill's Savings + Value of Life Insurance Death Benefit
Year 1	\$ 2,490	\$ 2,241	\$ 202,241
Year 5	\$ 14,695	\$ 13,226	\$ 213,226
Year 10	\$36,589	\$ 32,930	\$232,930
Year 15	\$69,208	\$ 62,287	\$262,287
Year 20	\$117,804	\$106,024	\$306,024

Now complete the calculations for Column C. Whose family will have more money if the wage earner dies at year five, 10, 15, or 20? **Bill.**

Graph It. Both men's savings will grow significantly because of compound interest. They will earn 8% on the money they deposit each month and on the interest they have previously earned. Have students create a graph that plots the growth of their savings.

Make It Real. Jimmy's and Bill's plans are based on an average 8% rate of return on investments. But the long-term returns on stocks, bonds, and cash accounts are very different. Have students take a look at annual returns on stocks and different types of government bonds going back to 1928 at this link: <http://lifehap.pn/XVVI2L>.

What happens if Jimmy and Bill put their monthly savings into different types of investment vehicles or a combination of vehicles? Have students create their own chart and use the link to the online compound interest calculator on the previous page to calculate what Jimmy and Bill will have in five, 10, 15, and 20 years under different return scenarios.

Educator Answer Sheet:

You've Got the Power—of Compounding

The power of compounding is this: Each day you earn interest on the interest as well as the principal (the initial money you put in). The interest you pay is added to the principal, so your principal grows. That means that interest will be paid on an increasing amount of principal.

Compound vs. Simple Interest:

Try this: You put \$10 into savings and earn 5% that is compounded monthly. How has your money grown in two years? In three years?

Two years: **\$11.05** Three years: **\$11.61**

If you had simple interest, you would only earn money on the original \$10. So after two years, your total would be **\$11.00**. And after three years your total would be **\$11.50**.

While the benefits of compound interest are not as obvious in the two-year example, students will begin to see how compounding makes a difference in the third year.

Time *is* on your side: Saving/investing money beginning at age 18, 19, or 20 will earn you thousands more dollars by age 40 or 50 than if you get started later in life. However, it is never too late to start putting money into savings. Remember, too, that continuous savings counts. Don't wait until you have a big chunk of change. Saving \$5 or \$10 a week every week will add up.

Find calculators to calculate interest on all types of savings and a variety of loans at www.choosetosave.org.

Challenge #1:

Three friends start with \$100 at age 18:

1. James puts his money in a drawer at home, and forgets about it. He discovers it on his 26th birthday. He quickly invests it in a mutual fund account that earns these rates over the next four years: 11%, 8%, -2%, and 15%. **\$135.10**
2. Joelle puts it into a savings account that earns 3% per year. **\$142.58**
3. Andre immediately spends \$50 on a new pair of sneakers. He puts the rest in a fixed money market account that earns 5% per year. **\$89.79**

Now the friends are 30. Who has more money? Who had the best return on investment? Why? **Joelle will have more money because she put it into an account earlier than the others, and she invested the entire amount. However, James has the best return on investment with an average 8% return per year, even though he was only investing for four years.**

Challenge #2:

On June 1 (or the first of any 30-day month), you are offered one penny that will double every day. Alternatively, you can receive \$10,000 a day for 30 days. You choose _____. Why?

This is one of those amazing but true phenomena. It is a geometric series (rather than an arithmetic series). The amount doubles each day, growing: 1 + 2 + 4 + 8 + 16...and so on for 30 days.

This is a common accounting/math trick question. Students are asked if they want a set amount, such as \$10,000, every day for a month, or a penny doubled every day. Most pick what seems like the larger amount, and lose a lot of money.

Time frame	\$10,000 per day	1 cent doubled each day
1st week (7 days)	\$70,000	\$1.28
2nd week (14 days)	\$140,000	\$164
3rd week (21 days)	\$210,000	\$21,000
4th week (28 days)	\$280,000	\$2.7 million
29th Day	\$290,000	\$5.3 million
30th Day	\$300,000	\$10.5 million

Lesson 2:**The Financial Pyramid****Estimated Time:** 45 minutes**Type:** In-class activity, analysis, group discussion**Description:** Students explore personal finance and the concept of the financial pyramid, which consists of developing a firm foundation and accumulating wealth.**Learning Standards:***Financial Literacy: Risk Management and Insurance*

Overall Competency: Use appropriate and cost-effective risk management strategies.

Standard 1: Identify common types of risks and basic risk management methods

Standard 3: Explain the purpose and importance of health, disability, and life insurance protection.

Financial Literacy: Planning and Money Management

Overall Competency: Organize personal finances and use a budget to manage cash flow.

Standard 1: Develop a plan for spending and saving.

Standard 2: Develop a system for keeping and using financial records.

Standard 6: Develop a personal financial plan.

Financial Literacy: Financial Responsibility and Decision Making

Overall Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 2: Find and evaluate financial information from a variety of sources.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Life Skills: Thinking and Reasoning

Standard 6: Applies decision-making techniques.

Benchmark 6. Analyzes the impact of decisions on self and others and takes responsibility for consequences and outcomes of decisions.

Common Core State Standards for English Language Arts

Reading: Informational Text: CCSS.ELA-Literacy.RI.9-12.1–Key Ideas and Details: Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

Reading: Informational Text: CCSS.ELA-Literacy.RI.11-12.7–Integration of Knowledge and Ideas: Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively)

as well as in words in order to address a question or solve a problem.

Speaking and Listening: CCSS.ELA-Literacy.SL.9-12.1–Comprehension and Collaboration: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

Learning Objective: Students learn basic principles of financial planning.**Educator Resources/Materials Needed:**

- Copies of the *Financial Planning Glossary* for reference

Related Activities/Student Worksheets:

- *The Financial Pyramid*

Subject/Skill Focus: Critical thinking, communication skills, math skills, visualization skills**Lesson Script/Teaching Steps:**

Before starting this lesson, discuss the importance of financial planning, or of protecting your income in the event that you can't work.

Students might be familiar with the concept of budgeting and the important role it plays in financial responsibility. In this activity, they will explore the concept of financial planning, which includes budgeting for everyday expenses, protecting income and assets, and growing wealth.

In addition, they will be introduced to the financial pyramid, which represents an approach to financial planning.

Discuss with students the following questions:

- *What are some common expenses that lots of people have? (Answers may include rent or mortgage, car, credit card, loan payments, cell phone, electric, gas, or medical bills, etc.)*
- *If you were 25 years old, working, and receiving a paycheck, what would you do with the money you earned?*
- *Would you have a plan for what you would do with your income?*
- *Would you save or invest any of your paycheck? If so, why?*
- *How do people accumulate money and assets? (Answers may include: steady paycheck, budgeting, savings accounts, investments, retirement plans, etc.)*

> The Financial Pyramid Activity:

Hand out the student activity *The Financial Pyramid*. You may want to review the content with students and then instruct them to work independently for five minutes to complete Part A. In this section, students will match financial tools and assets with one of the parts of the financial pyramid. Students may need the financial planning glossary page as a reference.

Once students are done, lead a discussion about each financial element's place on the pyramid. Ask for volunteers to share why they categorized each element the way they did. Point out that stocks, bonds, mutual funds, retirement accounts, and house/condominium ownership are all ways to accumulate wealth because they earn interest or dividends, or in the case of real estate, can appreciate in value. These assets have the potential to grow over time and provide a source of income later in life. Review the differences among these various assets using the glossary.

The "Protection & Security" section of the pyramid is designed to protect these assets and an individual's financial well-being, and includes savings and insurance, such as health, life, disability, homeowners, and car insurance.

After the discussion, have students answer the questions in Part B of *The Financial Pyramid* worksheet.

Educator Answers:**Part A:**

Protection & Security: **checking account, insurance, bank savings account**

Accumulation: **stocks, bonds, mutual funds, 401(k)s, IRAs, certificates of deposit (CDs), house/condominium ownership**

Part B:

1. Answers will vary but should point out that the purpose of the "Accumulation" elements is to store and grow money, while the purpose of the elements in the "Protection & Security" category is to provide a safeguard against loss and uncertainty, including things like disability and health insurance which ensure income if a person is unable to work. Remind students that the items in the "Accumulation" portion of the pyramid are not all the same—some are riskier than others, meaning that while investors stand the chance of earning a greater return on their investment, they also run the risk of larger losses.
2. Answers should include the importance of budgeting income, paying expenses in a timely fashion, managing credit card use, guarding against excessive debt, etc.
3. For this answer, students should express ways people can reduce their expenses and financial obligations, which could include shopping around for lower credit card interest rates or less expensive cell phone plans; carpooling; having roommates; going out less often; buying a used car instead of a new car, etc.
4. Over time, people often shift from growing wealth to protecting it. For example, a 30-year-old might invest most of the \$20,000 in riskier assets like stocks and mutual funds that have a high return on investment. A person in her sixties who is closer to retirement might invest in less risky or more stable assets. Both people might invest in insurance to help protect their income and assets. Yet as people get older, they might shift higher-risk investments in the "Accumulation" portion of the pyramid to less risky and more accessible funds in the "Protection & Security" section of the pyramid.