

# Unit 5 - Financial Risks & Insurance

## Objectives

In this lesson we will be learning about financial decision making.

- We will learn how to protect ourselves against fraud and financial scams.
- We will learn the importance of mitigating financial risks.
- We will be able to identify common types of risks and basic risk management methods.
- We will learn the basics of insurance.
- Complete the Stock Game and Budget Game, giving an in-class presentation in groups.

## [Slideshow](#)

Included in the Financial Risks and Insurance slideshow are all the challenge questions, key terminology and project prompts.

## Unit 5.1 - Insurance Basics

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>• Follow through the slides for Unit 5.1</li> </ul>	20 min.
Watch Video	In-Class	Intro to Insurance - It's a Money Thing <ul style="list-style-type: none"> <li>• <a href="#">View Video</a></li> </ul>	4 min.
Interactive Activity	In-Class	Play 1 month of the Budget Game	15 min.
Read Article	Home Work	Contracts <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	10 min.
Read Article	Home Work	Risk <ul style="list-style-type: none"> <li>• <a href="#">View Lesson</a></li> </ul>	10 min.

## Unit 5.2 - Liability Insurance

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>Follow through the slides for Unit 5.2</li> </ul>	10 min.
Read Article	In-Class	Homeowner's Insurance <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	9 min.
Read Article	In-Class	Rental Agreements and Homeowners Associations <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	8 min.
Interactive Activity	In-Class	Stock Game: Manage Portfolio	10 min.
Read Article	Home Work	Car Insurance <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> <li><a href="#">View Slides</a></li> </ul>	14 min.
Read Article	Home Work	Rental Insurance <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	6 min.

## Unit 5.3 - Health and Life Insurance

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>Follow through the slides for Unit 5.3</li> </ul>	20 min.
Group Work	In-Class	Finish stock portfolio and begin preparing final report <ul style="list-style-type: none"> <li><a href="#">See Teacher Packet</a></li> </ul>	20 min.
Read Article	Home Work	Life Insurance <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	14 min.
Read Article	Home Work	Health Insurance <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	11 min.
Group Work	Home Work	Play final month of the Budget Game - Begin preparing final report <ul style="list-style-type: none"> <li><a href="#">See Teacher Packet</a></li> </ul>	35 min.

## Unit 5.4 - Financial Decision Making

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>Follow through the slides for Unit 5.4</li> </ul>	15 min.
Read Article	In-Class	Tax Professional <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	8 min.
Watch Video	In-Class	What are the biggest myths about financial aid <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	1 min.
Interactive Activity	In-Class	Decision Making Process - Finance in the Classroom <ul style="list-style-type: none"> <li><a href="#">DecisionMakingWorksheet.pdf (financeintheclassroom.org)</a></li> </ul>	25 min.
Read Article	Home Work	Protection Against Fraud <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> <li><a href="#">View Slides</a></li> </ul>	10 min.

## Unit 5.5 - Managing Financial Records

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>Follow through the slides for Unit 5.5</li> </ul>	15 min.
Interactive Activity	In-Class	Budget Game and Stock: Final Presentation <ul style="list-style-type: none"> <li><a href="#">Refer to teacher packet</a></li> </ul>	60 min.
Read Article	Home Work	Comparing Loans <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	25 min.
Read Article	Home Work	What are Financial Records? <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	12 min.
Read Article	Home Work	Reconciling Accounts <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> <li><a href="#">View Slides</a></li> </ul>	8 min.
Read Article	Home Work	Audits <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	8 min.

## Unit 5.6 - Life After Graduation

Activity	Type	Summary	Time
Class Discussion	Lecture	<a href="#">Slideshow</a> <ul style="list-style-type: none"> <li>Follow through the slides for Unit 5.6</li> </ul>	20 min.
Read Article	In-Class	Work vs Study <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	11 min.
Read Article	In-Class	Starting a Business <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	13 min.
Class Discussion	Lecture	Post High School Presentation <ul style="list-style-type: none"> <li><a href="#">View Slides</a></li> </ul>	20 min.
Interactive Activity	In-Class	<a href="#">Understanding how much student debt you can afford   Consumer Financial Protection Bureau (consumerfinance.gov)</a> <ul style="list-style-type: none"> <li><a href="#">Teacher Guide</a></li> <li><a href="#">Student Worksheet</a></li> </ul>	20 min.
Post-Test	In-Class	To end the class, we recommend creating an assignment on PersonalFinanceLab with our financial literacy post-test as the last activity. This will be compared to a pre-test at the beginning of the course.	5 min.
Read Article	Home Work	Simple and Living Wills <ul style="list-style-type: none"> <li><a href="#">View Lesson</a></li> </ul>	7 min.

By the end of the lesson, students will:

- Understand the concept of opportunity cost when making financial decisions
  - Understand the financial risks of investing their money
  - Understand the importance of insurance to mitigate risk
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## Key Glossary Terms

The key terminology is covered in each of the sub-units, here is a complete list of all the terms introduced in the Financial Risks and Insurance Unit.

<b>Contract</b>	A contract is a legally binding agreement between two parties (people, companies, or both) in which something of value is exchanged. All the following elements are required for a contract to be binding, along with the contract itself must be for something legal.
<b>Risk Aversion</b>	The inclination to choose a more predictable option, with a possibly lower payoff, than a course of action that is less predictable and therefore higher risk.
<b>Insurance</b>	An arrangement where a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.
<b>Premium</b>	The amount of money paid to the insurance company for the insurance policy you are purchasing.
<b>Deductible</b>	The amount of money you will pay on an insurance claim before the coverage kicks in and pays the rest.
<b>Claim</b>	A formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event.
<b>Liability Insurance</b>	For the protection against third-party insurance claims. For instance, i.e. someone suffering a loss who is not a party to the insurance contract.
<b>Coverage Limits</b>	The maximum the insurance company will pay for a certain occurrence or claim.
<b>Replacement Cost Value</b>	Pays you the amount of money needed to cover the replacement of your possessions at current market prices.
<b>Actual Cost Value</b>	Your insurance company will estimate the current value of your items, not the price you paid when you purchased them.
<b>Tort State</b>	At-fault drivers in a crash are responsible for paying the other driver's medical expenses and damages. The at-fault driver must also pay for additional damages, such as loss of wages and "pain and suffering."

<b>No-Fault States</b>	Regardless of who caused the incident, everyone is required to file a claim with their own insurance.
<b>Life Insurance</b>	Pays out a sum of money either on the death of the insured person or after a set period.
<b>Policy Owner</b>	This is the person who is responsible for paying the premiums on the policy and is the legal owner of the policy.
<b>Insurer</b>	This is the insurance company, the entity the policy owner pays in exchange for life insurance coverage.
<b>Insured</b>	This is the individual whose life is actually being insured. If this person dies, the Insurer will pay out the death benefits.
<b>Beneficiary</b>	This is the person who receives the death benefits from the Insurer when the Insured dies. The policy owner can usually change the beneficiary at any time.
<b>IRS</b>	The Internal Revenue Service is a U.S. government agency responsible for the collection of taxes and enforcement of tax laws. Headquartered in Washington, D.C. The IRS services the taxation of all American individuals and companies.
<b>Identity Theft</b>	Identity theft is the crime of obtaining the personal or financial information of another person to use their identity to commit fraud, such as making unauthorized transactions or purchases. Identity theft is committed in many different ways and its victims are typically left with damage to their credit, finances, and reputation.
<b>Accountant</b>	A professional who performs accounting functions such as account analysis, auditing, or financial statement analysis. Many accountants choose to become Certified Public Accountants because the CPA designation is considered the gold standard in the accounting profession.
<b>Financial Advisor</b>	Provides many different services, such as investment management, tax planning, and estate planning. Increasingly, financial advisors are acting as a "one-stop-shop" by providing everything from portfolio management to insurance products. Unlike stockbrokers who simply execute orders in the market, financial advisors provide guidance and make informed decisions on behalf of their clients.
<b>Last Will and Testament</b>	A legal document that communicates a person's final wishes pertaining to assets and dependents. It outlines what to do with possessions,

whether the deceased will leave them to another person, a group or donate them to charity, and what happens to other things that they are responsible for, such as custody of dependents and management of accounts and financial interests.