OPTAVISE
Efficient. Organized. Insurance.

10 Tips and Techniques to Master Your Insurance Planning in Retirement

Big Purchases Require Good Habits

Identifying the right consumer habits and then following them consistently throughout your insurance planning produce can produce substantial benefits for you, your family, and your overall financial picture.

Your insurance purchases are actually among the most large and impactful consumer purchases that you have to make. However, unlike many other large purchases we make, such as a new car or TV, the ultimate costs and benefits are not so apparent immediately after purchase.

When you do the math, though, and add up what the average household spends on all forms of insurance— home, auto, health, and life, just to cover the basics—the total can easily approach $10,000 just for decent coverage, and can be double or triple that amount for higher income households.

While you may never get too excited about the thought of insurance purchases (although it is possible!), the following tips and techniques put together by Optavise will help you ensure that you are equipped with the right knowledge, skills, and insights to get the most out of your time and money spent on insurance planning.

1. Insurers Use Their Own Unique Combination of Factors to Determine Price. All insurance companies have their own unique formulas for determining the price of the risk of each policy they approve. This risk factor is a substantial part of your premium, but it is just one portion of all of the costs that go into the price that insurance companies charge. Among these other parts are employee costs, underwriting and operational costs, and marketing costs- to name just a few. However, it is in the individual insurance companies risk pricing that present the best opportunities to save.

This is especially true when insuring risks involving individual people and their health—such as life insurance, health insurance, long term care insurance, or any type of policy that must take into account an individual human beings overall health situation. As a result, the very same benefits and coverage conditions—death benefit amounts for life insurance, payments to healthcare providers for health services, etc.—may calculate substantially different premiums from different insurers.

The trick is to understand where you, and your health, fit into the risk models that the companies use. Ultimately, you will be best served if you can identify the companies that care (emphasize in their pricing models) most about your good or positive health characteristics and care least (or don't ask) about your negative health characteristics.

2. Compare Multiple Top Companies That Offer the Policy You Are Interested In. Insurance consumers routinely underestimate the degree of variation in prices for identical coverage, even among the top 10 or so best priced and most well-known insurance companies for a particular product. Because price differences for the same benefits can be so substantial, it benefits you to start by receiving the prices from at least the top 10 insurance companies, and then determine how your individual risk profile fits into each of their approval processes.

3. Make sure you don't leave discounts on the table. Insurers like to provide a variety of discounts, especially for consumers who buy multiple policies from the same insurer, or who have multiple members of the same household buying the same type of policy from the same insurer. In addition, many companies are beginning to offer discounts if you're a paperless customer or if you're willing to make payments electronically, instead of by check.

4. Understand the Human Life Value of The Insurance Protection. Ultimately, insurance planning is about protecting yourself and your family from harm in the future, and reason for this protection is to maintain the best financial environment for you and your family to be happy, healthy, and have peace of mind. Unfortunately, sometimes the details and burden of the insurance buying process can cloud this ultimate value and the essence of your objective can be lost. This lack of clarity can then create inefficiency in the actual insurance plan you select and put in force. A simple technique is write out 1 or 2 sentences about your objective for purchasing the insurance and its actual root value for your life and the lives of your loved ones. Essentially, just thinking clearly and critically on why this particular insurance plan is important to you in actual real life terms- in terms of people and values and principles, not just the dollars and cents.

5. Always know your 'Critical 8'. Your 'Critical 8' are the fundamental pieces of your financial picture that put everything into perspective on a monthly basis. Having these pieces clearly laid out will allow your insurance purchase process to be centered within the right context. The 'Critical 8' centers on your monthly budget but also includes your long term savings and debts, potential short-term emergency cash needs, as well as the number needed to put you on the right path for your savings goal.

For Example:

Monthly Income	**Monthly Expenses**	**Savings-Liquid and Ready**	**Savings-Illiquid** (Including Home Net Equity)	**Debts-High Interest**	**Debt-Low Interest** (Including Mortgage)	**Potential Emergency Expense Range**	**Monthly Cash Flow Surplus**
$2675	$1544	$5600	$180,000	$3100	$90,000	$430-$1350	$950

6. Have a Thoughtful Deductible Strategy- Of course you should have a strategy for your entire insurance plan, but for some insurances the deductible can be a major element of the plan, so a particular thoughtful approach to your deductible can go a long way towards optimizing your plan. By self-insuring the first portion of an expense that in some cases could be covered by insurance, you can lower your ongoing premium costs as well as make your overall finances more economically efficient. The higher the amount of self-insurance you can afford, which is essentially the dollar amount of risk that you feel comfortable paying out of pocket if an event occurs, then the lower your premiums will be- not only because the insurance companies liability for your coverage is lower but also because they will not be responsible for your first dollar of coverage need. Insurance companies highly value not being responsible for your first dollar of coverage need since it often correlates with consumers being more careful about their risk and filing less claims, since the consumer would be paying out first before the insurance company has to step in.

7. Always Know Your Out of Pocket Risk - Insurance is designed to cover low percentage events that can have a large financial impact. While the fundamental purpose of insurance coverage is to lessen this financial impact, there will almost always still be some out of pocket liability involved if any of those low percentage events take place. This is why having the right deductible strategy is so important. Just as critical though, is at all times knowing what your 'Out of Pocket Risk Number' is. This is the number in dollars that, even with the coverage from your insurance, you may have to pay out of your own pocket after your insurance has covered their portion. The purpose for knowing this number, however, is not to just be a bystander, but to actively plan around it. For instance, if you know your car insurance policy has a deductible of $1000 then you need to have $1000 in your emergency savings; if you know your health insurance policy does not cover your first $1400 of hospitalization expenses then you need to account for that. Of course, we are fortunate to have the very useful financial innovation of credit card and other short team borrowing which can help spread out these costs over time once incurred, but charging these out of pocket costs of on a credit card of course comes with high interest charges.

8. Consider the investment implications of your insurance choice- If you opt to go with less comprehensive coverage, you will need to have a higher level of emergency savings ready and accessible to cover out of pocket costs. If you have more comprehensive coverage that does not leave you with substantial copays and deductibles, then you are able to be financially secure and prepared with less of an emergency savings cushion, which may allow you to invest more effectively for the long term. This is because if you don't have to worry about such short term emergency needs that require your savings to be very liquid and accessible, then you can invest your money more for the long term which, although may be more volatile in the short term, often produces higher returns.

9. Comparison shop when you renew. The previous eight points have laid out the top critical tips and techniques to optimize your insurance planning. But with some insurance types, you may have to renew, or at least review, this coverage periodically to make sure it is still the most suitable and most competitively priced. So, for these policy types, it is best not to automatically assume that this year's best deal will still be the best deal when it's time to renew your coverage. When you get your first renewal notice, check to see if the rate has changed and compare it against competing policies in the marketplace. The wealth of online quoting tools makes this an easy task, particularly with sites that store your profile and easily can generate updated premium comparisons. (This is one of the many features Optavise was built to help you do.)

10. Organize Your 'Must-Have' Documents. Most people have been in the dreaded situation of an insurance-related event occurring and not knowing what their protection was, or worse yet, where or how to even access this information. This scenario is even more difficult and troublesome when the insurance policy owner has passed away, is sick and unable to help, or at just an emotionally stressful time that distorts clear and rational thinking. Therefore, it is critical to have all of a family's important insurance (as well as other financial) information in one easily accessible spot. 'Must-have' legal documents include insurance policy manuals, property titles, banking and investment account information, a will for property distribution decisions, a living will for health care decisions, and a durable power of attorney to designate a personal representative in the event of incapacity, among others. These documents should be appropriately and clearly organized and immediately accessible. Fortunately, this is one of the primary benefits of Optavise's ongoing policyholder services and ongoing organization and management system.