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To help people of all income levels achieve financial freedom by teaching them to create and implement individualized plans to get out of debt and to build and protect wealth.

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Dave Ramsey



# Pax Pecuniaria

ECI Agency, Inc.

This week I'm continuing my discussion with Scott Cornelius of Earnie Cornelius Agency, Inc., Dave Ramsey's ELP for home and auto insurance in the Oklahoma City area (they sell other types of insurance as well). You can contact ECI at (405) 373-2977, or get a quote from their website at www.eciagency.com.

**Michael:** Let's talk briefly about life insurance. You sell all types of life insurance from various companies. What are some misconceptions you commonly hear from people regarding life insurance? Reasons people don't have life insurance, or don't think they need it?

**Scott:** Well, the two types of life insurance are "permanent" insurance and "term" insurance. Term insurance is the equivalent of renting a house. You

pay your money, you get the policy for a period of time, then when the policy term ends your coverage ends. Permanent insurance is like buying a house. You pay on it, and you know that no matter when you die, you'll have a death benefit. There are several kinds of permanent insurance, and in some cases those permanent insurance policies will build up a small cash value, so if you decide at some point you don't want the death benefit any longer, you can cash it out. It's not a replacement for saving for retirement, but it's a way to build up some value in lieu of taking the death benefit.

**Michael:** That's a great analogy! Do you mind if I steal it?

**Scott:** Go ahead!

**Michael:** What's the cost difference between permanent insurance and

term insurance?

**Scott:** At least 5 to 10 times more for permanent insurance versus term insurance. Term insurance is really inexpensive!

**Michael:** There's really no reason for someone not to have it.

**Scott:** Right. I just wrote a policy for a lady who is my age for \$300,000, and the premium was about \$186 per year. For \$300,000 in coverage!

Michael: Wow!

**Scott:** Yes, if you go to our website and just punch in numbers, you'll be shocked at how inexpensive term insurance is! There is no reason not to have coverage for your family.

Michael: Why do you think so many people avoid getting it?

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## Dave Says...

### Are Unemployment Benefits Immoral?

Dear Dave,

I recently lost my job due to layoffs. I'm luckier than most, because I'm debt-free except for my house, and I have three months of expenses saved.

I'll also receive a severance package from my former employer, and my wife still has her job. I'm struggling with whether or not to file for unemployment compensation. Do you think it's morally okay to do this?

- Brent

Dear Brent,

I don't have a problem, morally or otherwise, with accepting something I've already paid for. The Social Security system in this

country is a complete and abysmal mathematical failure. It's proof that socialism doesn't work. But that doesn't mean I'm not going to take my money out. The government took it from me in the first place!

Now, if accepting unemployment benefits causes you to get the idea you can sit on your butt at home and not do anything, then I'd question your character. I'm not hearing that kind of mentality from you, though. You sound

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**ECI**

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**Scott:** I think people don't like to talk about death. I don't think they want to think about it.

**Michael:** The same reason people don't get wills.

Scott: Right.

**Michael:** Let's talk about disability insurance.

**Scott:** We sell both individual and group disability insurance. The average person is about eight times more likely to become disabled than to die, yet it's probably the least-recognized form of insurance there is, because not

only can you not work, you have to survive, so it's relatively inexpensive. There are basically three types of coverage you can get. You can get coverage for a specified period of time, you can get coverage until your retirement age, or you can get coverage until the day you die. Most people get coverage until they turn 65 and they can draw Social Security. The premium is based on the occupation you are in.

**Michael:** Does age factor in to that as well?

**Scott:** Age does factor into it too. The other major factor is how much of your income you want to recoup if you are disabled. You won't pay taxes on the

benefits, so you won't need 100% to replace your take-home pay, but if you want 60% or 70% it will be a higher rate than if you only want 30% or 40%.

**Michael:** We often think of high-risk occupations as those that would pay higher insurance rates. Is that accurate?

**Scott:** People that work with their hands and make a lot of money pay some of the highest rates. Doctors for example—their skills are more valuable than the average worker. If a surgeon simply gets arthritis, he becomes disabled because he can no longer practice his occupation!

**Dave Says. . .**

*(Continued from page 1)*

like a hardworking guy, and you two have obviously been pretty smart and responsible with your finances.

Make sure you look at your severance package as "survival money." You'll know exactly how much you'll get, so make a budget and make it stick. Cut all excess spending, and that means no more eating out, vacations, and all that stuff until you're working again and everything's back on solid ground. Then, you can ease back into saving and resuming a normal lifestyle.

Right now really is the time for you guys to live like no one else!

- Dave

**How About Pet Insurance?**

Dear Dave,

What's your take on having pet insurance while building wealth in order to avoid being sidetracked by

pet-related emergencies?

- Anonymous

Dear Anonymous,

We have three dogs in the Ramsey household, and my wife and I love those guys a lot. They're almost like little hairy children to us both. However, we do not have pet insurance on any of them. You might be thinking that we've got plenty of money and don't have to worry about that kind of thing. But even if we weren't financially blessed it's just not something we would do. Instead, we'd figure a reasonable amount for pet care into our budget.

Now, don't misunderstand what I'm saying. Reasonable expenditures to fix a sick or injured pet are absolutely fine. It's the kind of thing anyone with a heart should want to do for a pet. But ridiculous amounts of money spent on an animal—many times spent selfishly on the part of the human because they're so emotionally attached to the animal—can be cruel, inhumane, and financially disastrous.

I'm not going to be mad at you if you have \$2 million sitting in the bank and you decide to spend \$10,000 to keep your dog alive. But pet insurance? Really? I don't think so.

- Dave

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