

MoneyWise Week 5 :

Module 8: Life Events

Overview:

Introduction:

Life happens when you aren't looking. Marriages, mortgages, funerals...there is a lot of planning that goes into navigating the game of LIFE. In this module, we'll give you plenty to think about.

Objectives:

- Understand Wills – the terminology and the reasons to have one.
- Understand Mortgages – the terminology and the differences between a 15 and 30 year mortgage.
- Understand Life Insurance and the uses of term and whole life.
- Demonstrate proficiency with material from modules 5, 6, 7, and 8 by taking Quiz #2.

Content:

VIEW:

Lecture 7: Life Events (20:39 minutes)

Notes:

Importance of Creating a Will:

- Protects your family and assets, especially if you're married or have children.
- Dying without a will (intestate) can create legal burdens and high costs for your family.

Reasons to Have a Will:

- **Decides Estate Division:** Ensures your wishes are followed regarding asset distribution.
- **Appoints Guardians for Minor Children:** Courts decide guardianship in the absence of a will.
- **Avoids Lengthy Probate Process:** Speeds up probate and guides the court on asset division.
- **Minimizes Estate Taxes:** Reduces tax liability by specifying asset allocations..

Mortgage Terminology

1. Loan Terms:

- Loans are typically financed for 15 to 30 years.
- **Principal and Interest:** Main components of a monthly payment.

- **PITI:** Principal, Interest, Taxes, and Insurance.
 - 2. **Conventional Loan:**
 - Requires a 20% down payment.
 - Putting less than 20% down may require **Private Mortgage Insurance (PMI)**, adding extra costs.
 - A small or no down payment can lead to being "upside-down," owing more than the house's value.
 - 3. **Key Terms:**
 - **Principal:** Amount borrowed.
 - **Interest:** Percentage charged by the bank to use their money.
 - 4. **Amortization Schedule:**
 - Displays monthly payments split between interest and principal.
 - Initially, most of the payment goes to interest; later, it shifts toward the principal.
-

Life Insurance

1. **Importance:**
 - Essential part of financial planning.
 - Two types:
 - **Whole Life Insurance:** Sold as an investment, includes a cash value.
 - **Term Life Insurance:** Covers a specific period (e.g., 10, 20, or 30 years) and is much cheaper.
2. **Recommendations:**
 - Prefer **Term Life Insurance** over Whole Life.
 - Lock in a low premium while young.
 - Coverage should be at least **12 times your annual income**.
3. **Beneficiaries:**
 - Decide who receives the payout (e.g., spouse, parents).
 - Many underestimate the importance of life insurance.

Video: Insurance (2:59 minutes):

COMPLETE & SUBMIT:

Mortgage Calculator Assignment

Submit by 11:59 pm on Saturday, November 23

QUIZ #2

Covers material from Modules 5, 6, 7, and 8

Opens at 12:01 am on Wednesday, November 20 and closes at 11:59pm on Saturday, November 23.