Lesson 7.4: Life Insurance, POAs, and Wills, Oh My!

Lesson Author

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Standards and Benchmarks

See pages 8.

Lesson Description

In this lesson, students examine how life insurance and estate planning help protect individuals and families from financial risk. They explore the purpose of life insurance, determine when it is needed, and compare term and permanent policies using a Venn diagram and scenario-based application. Students also learn about wills and powers of attorney, analyzing how these documents function during life and after death. The lesson emphasizes decision-making and the importance of planning ahead to avoid financial and legal challenges. To obtain answer keys for the handouts and assessment in this lesson, create an account on FederalReserveEducation.org.

Concepts

Beneficiary
Cash Value
Estate Plan
Life Insurance
Permanent Life Insurance
Power of Attorney
Premium
Term Life Insurance
Will

Objectives

Students will be able to:

- identify the primary purpose of life insurance and situations when life insurance is important and not so important to have.
- identify the main features of term insurance and permanent insurance policies.
- explain how both wills and power of attorneys protect a person's assets and family and when each document is effective (during life vs. after death).
- explain the consequences of dying without a will or becoming incapacitated without a power of attorney, even as young adults.

Compelling Question

How can life insurance and estate planning work together to protect an individual or family financially?

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Time Required

90 minutes

Materials

- Life Insurance, POAs, and Wills, Oh My! Lesson 7.4 Slides
- Handout 7.4.1: Scenario Cards, print one-sided, one copy per group of 5 students
- Handout 7.4.2: Life Insurance Infographic, one copy for each student
- Handout 7.4.3: Choosing the Right Policy, one copy for each student
- Handout 7.4.4: Choice Cards, print one-sided, one set per pair of students
- Handout 7.4.5: Assessment, one copy for each student

Preparation

- You will need to cut apart Handout 7.4.4: Choice Cards.

Procedure

1. Display Slide 2 and read the statement: You just graduated high school. You're working part-time and heading to college. Someone tries to sell you a $100,000 life insurance policy for $30/month and tells you it's also a great way to build savings.

2. Ask students: Would you buy it? Why or why not? *(Answers will vary. Students may say they wouldn't buy it because they don't need it or would rather use the money elsewhere, while others may be unsure what life insurance is. Some may think it's a good idea if it protects family members or builds savings.)*

3. Display Slide 3 and read the definition of **life insurance**: A promise between a company that provides insurance and the individual. The individual promises to pay **premiums** to the company in exchange for the company paying a specific sum of money to the designated **beneficiary** (or beneficiaries) when the insured individual dies.

4. Display Slide 4 and read the definition of premium: the fee paid for insurance protection. Read the definition of beneficiary: the person designated to receive benefits.

5. Clarify that the premium is the payment made for the life insurance policy, and that the beneficiary - the person who receives the benefit, is not the insured individual, but his or her survivor.

6. Display Slide 5 and tell students to listen carefully to this one-minute YouTube video, "Life Insurance 101 - Life Happens." They should be prepared to answer two questions about why people buy life insurance and what types of expenses the beneficiary can pay for with the life insurance benefit.

   NOTE: You can click the slide to play the video, or you can open the linked URL in a new window: https://www.youtube.com/watch?v=GU4a8JsCNvc.

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7. After viewing the video, call on several students to share their answers.
    a. Why do people buy life insurance? *(If someone else depends on them financially and would struggle if they died, they might want to buy life insurance.)*
    b. What types of expenses can the beneficiary pay for with the life insurance benefit? *(Almost anything. They can pay for funeral costs, household expenses, long-term expenses like tuition or retirement.)*

8. Display Slide 6. Direct students to revisit the opening scenario from the start of the lesson. Ask them to answer the same questions - Would you buy it? Why or why not? - based on what they learned from the video. Allow students a minute to reflect and discuss with a partner, then invite a few volunteers to share how (or if) their thinking has changed. *(Answers will vary. Some students may decline life insurance due to having no dependents, while others may consider future needs or financial risks.)*

9. Divide students into groups of five and provide each group with Handout 7.4.1: Scenario Cards. Each student should take one scenario card from the set and represent that individual or family.

    NOTE: Depending on the size of your class, you may need to create a group of four or a group of six. In a group of four, assign one student two scenario cards to represent. In a group of six, assign two students the same scenario and have them work together to represent that individual or family.

10. Instruct groups to discuss and rank the individuals and families in order of their need for life insurance, from greatest to least. Students should then physically arrange themselves in order within their group.

11. Once groups are ready, direct them to stand in a designated area of the room in their chosen order. Invite students to observe similarities and differences across groups, then facilitate a brief discussion to justify rankings.

    (Suggested order from greatest need to the least:
    a. Rank 1: Single working parent with children - The parent is the sole source of support. If he or she dies, there is no support for the children.
    b. Rank 2: Working spouse married to a non-working spouse with children - The non-working spouse is left without the income of the working spouse if he or she dies. This family is ranked second because the nonworking spouse might be able to get a job, even though it might not pay as well as the working spouse's job did.
    c. Rank 3: Retired couple with independent adult children - There's no need to support children or compensate for a lost income from a working spouse. However, retirement benefits may decrease or end after the death of either spouse.
    d. Rank 4: New parents both working with a young child - The need for life insurance is great to care for the child. However, this family is ranked fourth because the nonworking spouse already has a job if the primary breadwinner dies.
    e. Rank 5: Single person with no children - No one else depends on the income of the single person. Thus, there is little need to purchase life insurance.)

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12. Provide each student with Handout 7.4.2: Life Insurance Infographic and Handout 7.4.3: Choosing the Right Policy. Tell students there are two main types of life insurance: term and permanent, and the infographic on Handout 7.4.2 will help them compare the main features, costs, and benefits of each.

13. Instruct students to apply what they have learned from the infographic to determine which type of life insurance, if any, best fits each scenario on Handout 7.4.3. Use the provided answer key to review student responses.

14. Display Slide 7 and have students work with a partner to answer the discussion questions. Encourage students to use the infographic and make reasonable inferences to explain their thinking. After a few minutes, bring the class back together and have a few pairs share their responses. Clarify key ideas as needed.

    a. Why do you think premiums for term life insurance tend to increase over time, while many permanent life insurance premiums stay the same? *(As people get older, the chance of death increases, so term insurance gets more expensive over time. Permanent insurance spreads out the cost by charging more upfront and investing part of the premium to help cover higher costs later.)*
    b. How can insurance companies earn a profit while still paying out large death benefits? *(Insurance companies collect premiums from many policyholders but only pay out benefits to some. They also invest the premiums they collect, earning returns that help cover payouts and generate profit.)*
    c. Why might someone consider the financial strength ratings of an insurance company before buying a policy? *(Because life insurance is a long-term product, you want a company that will still be around in the future and able to pay the money promised. Higher ratings mean the company is more financially stable.)*

End of Day 1/Class 1

15. Explain that life insurance helps protect loved ones financially after someone dies, but financial planning also involves preparing for situations that may happen while a person is still alive. Ask students: What if you were in a serious accident and couldn't make decisions for yourself? *(Answers will vary.)*

16. Continue the discussion by asking who would:
    a. Make medical decisions for you?
    b. Handle your money?
    c. Decide what happens to your belongings?

17. Tell students these decisions don't happen automatically; you have to plan for them. Display Slide 8 and read the definition of **estate planning**: making a plan for what happens to your money, belongings, and decisions if you can't make them yourself or after you die.

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18. Tell students planning ahead may seem daunting, but having an estate plan can provide peace of mind, financial security, and ease the burden on loved ones during your illness or after death. This will be the focus for the remainder of the lesson.

19. Tell students that two key documents play a big role in estate planning, then ask how familiar they are with a will and power of attorney. *(Answers will vary.)*

20. Display Slide 9 and provide the definition of a **will**: a legal document that provides instructions about how an individual's property and custody of minor children (if any) should be handled after death. The individual expresses their wishes and names an executor to manage the process. This document becomes effective after the individual's death.

    NOTE: Students may ask what happens if a person dies without having a will in place. Dying without a valid will, referred to as intestacy, means that state law dictates how your assets are distributed, which may potentially be contrary to your personal wishes.

21. Display Slide 10 and provide the definition of **power of attorney**: a legal document that lets you choose someone you trust to make decisions for you if you can't. This could include handling your money, legal matters, or medical decisions. It helps make sure your wishes are followed without needing a court to step in. This document is only effective while the individual is alive and incapacitated.

22. Display Slide 11 and tell students there are two main types of power of attorney. Provide the definition for financial POA: a legal document that gives the trusted person (agent) authority to manage your finances and other legal affairs for you if you cannot manage them yourself. This includes paying your bills, filing taxes, and managing investments.

23. Provide the definition for medical POA: a legal document that allows the agent you designate to make healthcare decisions on your behalf if you are unable to do so. These decisions might also include a plan for end-of-life care such as a living will that clearly states your wishes regarding artificial life support.

24. Display Slide 12 and tell students to listen carefully to this YouTube video, "Estate Planning: Why Everyone Needs a Will & Power of Attorney." They should be prepared to answer the three questions on the slide after the video ends:
    a. Why did the presenter, Dr. Yetunde Aird, argue that every adult should have an estate plan that includes the will and power of attorney? *(If someone is ever incapacitated or dies at any age without these documents, how their property will be distributed and the guardians for any children will be determined by state law.)*
    b. Why did Dr. Aird say that a power of attorney (POA) is "a love letter" to their loved ones? (*If you become incapacitated, the agent you appoint will understand your wishes, helping avoid confusion about decisions related to your property or children. A POA*

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makes it easier to manage your affairs during a difficult time. However, once you pass away, the POA is no longer valid. .)

c. Why should young adults over 18 also consider having an estate plan? *(Although 18 may feel young, it is a legal turning point. Once someone turns 18, their parents or guardians can no longer automatically make medical or financial decisions on their behalf without prior consent. Having basic estate planning documents allows young adults to clearly communicate their wishes and designate someone they trust to act on their behalf if needed.)*

NOTE: You can click the slide to play the video, or you can open the linked URL in a new window: https://www.youtube.com/watch?v=xYAkLoIPr0g (6:41).

25. Display Slide 13. Have students work with a partner and provide each pair with a set of Handout 7.4.4: Choice Cards. Explain that you will read several estate planning scenarios. For each scenario, partners should discuss which document best applies, then hold up the corresponding choice card.

26. Use Slide 14 to display each scenario (slide is animated). Give students time to discuss with their partner, then have them hold up the choice card that best matches the scenario.
    a. A parent wants to decide who will receive their home, savings, and personal belongings after they die. *(Will)*
    b. An adult is in a coma, and doctors need someone to make medical decisions on their behalf. *(Medical POA)*
    c. An individual wants to choose a guardian for their minor children if something happens to them. *(Will)*
    d. A person is recovering from surgery and needs someone to temporarily manage their bills and bank accounts. *(Financial POA)*
    e. A couple wants to name who will make healthcare decisions for them if they are unable to communicate *(Medical POA)*

Closure

27. Display Slide 15 and ask the closure questions.
    a. What is the primary purpose of life insurance? *(Individuals should buy insurance primarily to protect their families from the loss of income because of the death of a primary wage earner or provider.)*
    b. What are two key differences between term life insurance and permanent life insurance? (*Term insurance provides death benefit coverage only on the policy-holder's life for a predetermined amount of time (such as 10, 20, or 30 year), while permanent insurance provides death benefit coverage for the policyholder's life up to certain age (such as 85, 90, or 100) as long as they pay the premium. Permanent coverage may provide a cash value as well as a death benefit, while term policies only offer death benefit coverage.*

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c. Why is an estate plan important to think about even as young adults? *(Planning ahead ensures your wishes are carried out if you are unable to act. Wills and POAs help ensure your family and assets are protected during times of illness and death. This makes it possible for you to make these decisions for yourself rather than having a court make the decision for you.)*
d. Explain how a will protects a person's assets and family and when the document is effective (during life vs. after death). *(A will is a legal document that takes effect after your death. It outlines how a person's assets (money, property) will be distributed after their death and names an executor to be responsible for managing and settling their estate. It names the beneficiaries who will inherit their assets and who will be the guardian for your minor children.)*
e. Explain how a power of attorney protects a person's assets and family and when the document is effective (during life vs. after death). *(A POA takes effect during your lifetime, specifically when you are alive but unable to make your own decisions. A Financial POA authorizes a trusted agent to make financial decisions for you, such as paying bills and managing investments. A Medical or Healthcare POA allows your trusted agent to make healthcare decisions for you. A POA is no longer valid once you pass away, at which point the will takes over and the executor steps in.)*
f. Explain the consequences of dying without a will or becoming incapacitated without a POA, especially after turning 18. *(Dying without a will means the state decides how your money and belongings are distributed, which may not match your wishes and can create stress or conflict for your family. If you become incapacitated without a POA, no one automatically has the legal authority to make financial or medical decisions for you - even your parents once you turn 18.)*

Assessment

28. Provide each student with a copy of Handout 7.4.5: Assessment. Instruct students to choose two quotes from the selection provided. For each, they should explain the quote in their own words then connect the advice to life insurance and/or estate planning. See the answer key and assessment rubric for detailed grading guidance.

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Standards and Benchmarks

National Standards for Personal Financial Education

Standard 6: Managing Risk

People are exposed to personal risks that can result in lost income, assets, health, life, or identity. They can choose to manage those risks by accepting, reducing, or transferring them to others. When people transfer risk by buying insurance, they pay money now in return for the insurer covering some or all financial losses that may occur in the future. Common types of insurance include health insurance, life insurance, and homeowner's or renter's insurance. The cost of insurance is related to the size of the potential loss, the likelihood that the loss event will happen, and the risk characteristics of the asset or person being insured. Identity theft is a growing concern for consumers and businesses. Stolen personal information can result in financial losses and fraudulent credit charges. The risk of identity theft can be minimized by carefully guarding personal financial information.

Benchmarks Grade 12

8. Life insurance provides funds for beneficiaries in the event of an insured person's death. Policy proceeds are intended to replace the insured's lost wages and/or to fund their dependents' future financial needs.

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Handout 7.4.1: Scenario Cards (Page 1 of 5)

Single person with no children

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New parents both working with a young child

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Retired couple with independent children

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Working spouse married to a nonworking spouse with children

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Single working parent with children

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Handout 7.4.2: Life Insurance Infographic

LIFE INSURANCE: AT A GLANCE

Two main types. Different features. Same goal: Protect the people you love.

WHAT IS LIFE INSURANCE?

Life insurance is a contract with an insurance company. If the insured person dies, the company pays a ***death benefit*** to the beneficiary (the person or people you choose). The money can help cover expenses like housing, food, debts, or education.

You (Insured) → **Insurance Company** → **Beneficiary** (Loved Ones) → **Death Benefit Payment**

WHAT WE ARE COMPARING

- **Length of Coverage** How long the insurance lasts.
- **Cost** How much the premiums cost (and how they change).
- **Cash Value** Whether the policy builds savings over time.
- **Access to Money** If you can use any of the money while you are still alive.
- **Best For** The needs this type of insurance is designed to meet.
- **Shared Features** What both types of life insurance have in common.

TERM LIFE INSURANCE	WHAT WE ARE COMPARING	PERMANENT LIFE INSURANCE
Covers a set period of time (commonly 10, 20, or 30 years). The policy ends after the term—no payout if the person is still alive.	LENGTH OF COVERAGE	Covers the insured person's entire life, as long as premiums are paid.
Lower premiums, especially at first. Premiums may increase over time as you get older.	COST	Generally higher premiums. Premiums are often fixed and do not increase as you get older.
No cash value component. It only provides income protection.	CASH VALUE	A portion of premiums goes into savings or investments that grow over time (cash value).
No living benefits. You cannot access money while the policy is active.	ACCESS TO MONEY	You may be able to borrow from the policy, withdraw cash value, or use it to help pay premiums.
Best for temporary needs, such as raising children, paying off a mortgage, or replacing income during working years.	BEST FOR	Best for long-term needs, lifelong coverage, or people who want both insurance protection and a savings component.

SHARED FEATURES (BOTH TYPES)

- Provide a death benefit to beneficiaries.
- Require premiums.
- Help protect loved ones against financial loss.
- Cost and eligibility depend on factors like age, health, and lifestyle.
- Offered by insurance companies (choose a financially strong one).

KEY TAKEAWAY

There is no "one-size-fits-all" policy. Choose the type of life insurance that fits your needs, budget, and the people who depend on you.

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Handout 7.4.3: Choosing the Right Policy

Instructions: Read the scenarios below and determine which type of life insurance (if any) would be the best fit for each - term or permanent. Explain your reasoning in the space provided.

Scenario 1: Jordan is 30 years old and has two young children. Jordan is the main source of income for the family and wants to make sure the family is financially supported if something were to happen. Jordan is also trying to keep monthly expenses as low as possible.

Which type of life insurance would be best in this scenario? ______________________________

Explain why: ____

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Scenario 2: Maria is 65 years old, retired, and her children are financially independent. She wants to make sure money is available to cover final expenses and leave something behind for her family. She is comfortable paying more for a policy that lasts her entire life.

Which type of life insurance would be best in this scenario? ______________________________

Explain why: ____

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Scenario 3: Taylor is 17 years old, lives at home with their parents, and is still in high school. Taylor does not earn a steady income, and no one depends on Taylor financially. Taylor's parents are financially stable and able to cover household expenses without relying on Taylor's income.

Which type of life insurance would be best in this scenario? ______________________________

Explain why: ____

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Handout 7.4.4: Choice Cards (page 1 of 2)

Will

Financial POA

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Handout 7.4.4: Choice Cards (page 2 of 2)

Medical POA

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Handout 7.4.5: Assessment

Plan Now, Protect Later: Quote Analysis

Instructions: Choose TWO quotes below. For each quote you select, explain what the quote means in your own words and connect the advice to life insurance and/or estate planning.

Quote Options

"Plan for what is difficult while it is easy." - Lao Tzu

"Worry never robs tomorrow of its sorrow; it only saps today of its strength." - Corrie ten Boom

"By failing to prepare, you are preparing to fail." - Benjamin Franklin

"Hope is not a strategy." - unknown

"An ounce of prevention is worth a pound of cure." - Benjamin Franklin

Quote 1:

Explain in your own words:

Connection to life insurance and/or estate planning:

Quote 2:

Explain in your own words:

Connection to life insurance and/or estate planning:

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