Dear Student,

You’ve been learning about how different types of insurance work and how managing risk through insurance is a part of financial planning. Now discuss these topics at home with your family. Ask your parents to share some of their experiences dealing with financial matters, and come up with a response together to the insurance scenarios outlined below.

**Scenario 1**

Avery recently finished college and just landed a job with a web start-up company. The company doesn’t offer health insurance, but Avery has shopped around and found a policy that covers all hospital costs and 80% of other health care costs for $450 per month. Avery is in good health and would rather use the money to lease a very nice car. Avery’s parents advise that this is a risky decision. What would you recommend to Avery?

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**Scenario 2**

While looking through the mail, Dakota notices an advertisement for accidental injury health insurance. For only $100 per month, all emergency room costs are covered. Dakota already has health insurance that covers all types of illnesses and injuries, but figures a little more coverage couldn’t hurt. What would you advise Dakota to do?

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**Answers**

Scenario 1: Although Avery perceives the premium to be high ($450 per month), the costs arising from a major illness could be significant. The policy seems like a prudent choice.

Scenario 2: Although additional insurance is an important part of anyone’s financial plan, if Dakota’s plan already covers emergency room costs, it may not add significant benefit. The additional cost could be reconsidered.