



Financial Literacy Course

East High School
Module 8

What will you learn about?

- Insurance
- Taxes

Insurance



- **Insurance** – Allows you to transfer financial risk onto someone else. Insurance is a way of protecting yourself against huge bills
- **Coverage** – The protection you're eligible to receive from an insurance plan. Insurance plans can have different coverage even if they're the same type of insurance.
 - Coverage includes things such as:
 - What (surgery versus checkups, for example, or damage to a car caused by you or another driver)
 - Where (will it only cover work done by certain doctors or body shops?)
 - How much (is there a dollar amount or any other limit to the coverage?)

Insurance

- **Premium** – The amount you pay to have insurance for a specific amount of time.
 - Covers a set amount of time – for example a year – and payment may be due all at once or divided and paid on a regular bases, such as monthly
- **Claim** – A request you make to your insurance company for payment of benefits allowed by your coverage.
 - If you receive a bill for repairs made to your car, you might submit a claim to your auto insurance company to request they pay the bill for you.

Insurance

- **Deductible** – Amount you are required to pay toward each claim you make before your insurance kicks in. This is in addition to the regular price of your premium.
- For instance, if your auto insurance had a deductible of \$250 and you had \$800 worth of repairs done to your car, you would owe \$250 for your deductible and your insurance would cover the remaining amount.

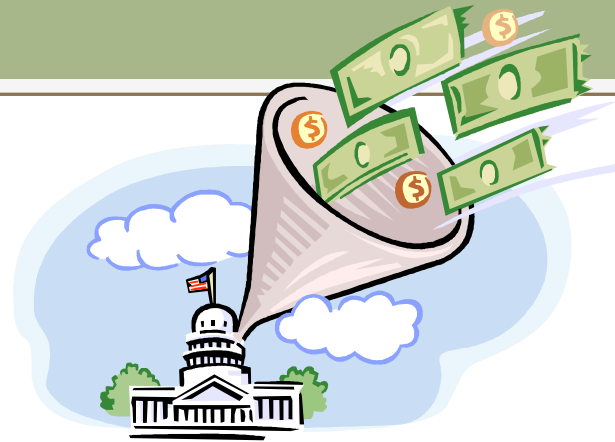
Insurance

Common types of Insurance

- Auto Insurance
- Renters and Homeowners insurance
- Health Insurance
- Disability Insurance
- Life Insurance

Insurance can often be provided through employers. If not, you can choose an insurance company.

Taxes



- **Federal Income Tax** – The federal government charges income tax on all its residents. In this tax system, you are taxed on the money you earn each year. Federal taxes are charged in addition to state taxes
- **State Income Tax** – The state you live in charges income tax on the money you earn each year.
- **Property Tax** – Owners pay on the value of any owned property, including land, buildings, or houses.

Taxes



- **Sales Tax** – Many states charge sales tax. This means when you pay for something, the sales tax is added to the total before you pay.
 - Sales tax is usually a percentage of the price of what you purchase.
- **Capital Gains Tax** – Tax charged on the profits made on the sale of something that was purchased at a lower price. People usually make capital gains from the sale of stocks, bonds, and property – for instance, a home.

Where your taxes go

- Public services
 - Police and Fire Department
- Water
- Roads
- Airports
- Schools
- Etc.....

Tax Forms

- **W4** - Fill out when you begin a new job. You are telling the IRS how much money to take out of each paycheck
- **W2** – Employer sends to you telling you how much money you made during the last year and how much you already paid in taxes
- **1040** – Use your W2 to fill out your 1040. This is sent into the IRS to determine if you receive a tax refund or if you still owe more taxes.