

LifeSmarts Student Activity: Risky Business—Understanding Risk Management KEY

DIRECTIONS: Most experts recommend managing financial risk in one of four ways; assume, reduce, avoid or transfer the risk. The behavior choices listed below are examples of one of those four strategies. Evaluate the behavior and write the strategy it describes in the space provided. Be ready to justify your answers.

	Behavior Choice	Strategy	Sample Justification
Example	Diversifying investments	Reduce	A variety of investment vehicles can provide stability when the market is volatile.
1.	Maintaining a healthy weight	Avoid	Many diseases are related to obesity
2.	Purchasing health insurance	Transfer	Reduces out of pocket cost for major illness
3.	Riding in a car with a driver under the influence	Assume	Teenagers understand that drinking and driving is a dangerous combination
4.	Purchasing mutual funds	Reduce	Buying shares of many different stocks provides some protection when the market fluctuates
5.	Carrying only liability insurance on an older car	Assume	The car's value may be less than the price of comprehensive and collision coverage.
6.	Enrolling in employer's dental and vision insurance programs	Transfer	By paying a group premium, some of the costs for dental and vision are assumed by the insurance provider

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7.	Keeping fire extinguishers and smoke alarms in the home	Reduce	Smoke alarms and fire extinguishers can reduce the severity of house fires
8.	Not buying a motorcycle	Avoid	The motorcycle itself provides virtually no protection in a crash. Approximately 80 percent of reported motor- cycle crashes result in injury or death
9.	Making regular medical and dental checkups	Reduce	Prevention is always better than the cure
10.	Wearing a seatbelt	Reduce	Studies show that injuries can be minimized by wearing your seatbelt
11.	Paragliding on vacation	Assume	Sports such as paragliding have the participant sign a waiver agreeing not to hold the provider responsible for injury
12.	Holding a life insurance policy that covers the cost of student loans	Transfer	When a college student dies their responsibility to repay education loans may or may not be discharged. It depends on the type of loan.
13.	Never smoking	Avoid	Smoking is the primary cause of a number of diseases.
14.	Receiving Social Security disability benefits	Transfer	Through taxes income is provided to those unable to work

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15.	Being hit by a baseball at a major league game	Assume	The game of baseball includes foul balls that fly into the stands and can injure a fan
16.	Only buying automobiles with air bags	Reduce	Air bags reduce the potential for serious harm when involved in a car accident
17.	Buying EE Savings Bonds	Avoid	EE Bonds are a safe and stable investment vehicle
18.	“Surfing” the hood of a friend’s car	Assume	Participants in illegal and reckless acts are aware of the danger to themselves and others
19.	Wearing a helmet when bike riding	Avoid	Helmets can prevent or reduce head injuries
20.	Buying renter’s insurance with an electronics rider	Transfer	The property owner insures the building, while the tenant is responsible to insure their own belongings (and electronics often must be covered by a separate rider)