Risk Management & Insurance

Pre-Education Case Study:
Level – Financial Challenges & Recovery

A case study is essentially a story – it provides an illustration of how financial lessons can be put into action by real people in real-world situations. Case studies are engaging and relatable, and offer solid evidence of the practical value financial education has to help people solve problems and make sound life decisions.

National Financial Educators Council

Financial Challenges & Recovery

Pre-education Case Study

When Sam graduated from law school, his father, who is also a lawyer, asked to meet with him at their legal office. As they sat together, his father told him the story of his most difficult legal case.

Their office is currently handling the troubles with the Chin family's estate. Mr. Chin was a shipping magnate who owned a business empire and various properties. His family was part of his business and he ruled them absolutely. He had the final say on all major decisions, and chose the roles of each of his children.

Eleven years ago, Mr. Chin died of a heart attack at the age of 58. When he passed, he left his entire business and all his properties to his children. However, the will did not explain how the properties were to be divided. Therefore, all his adult children got an equal share in each of the properties.

Because of this arrangement, fighting broke out among the family members. None of the siblings could agree on what to do with their late father's assets. Since no one had a majority share, none of them could move forward with a decision.

To resolve the deadlock, the two eldest children decided to buy the others out from the properties. Since this required a large sum of cash, which they did not have, they decided to check their father's files for a life insurance policy. Sure enough, he had a policy with his children as beneficiaries, but it had not been updated for many years. Its current amount of $20,000 was far too low to be of any real use – it was not even enough to pay their attorney fees.

As a result, many of the assets were left idle for years, unable to move due to the escalating sibling war. Lawsuit after lawsuit was filed as each member of the Chin family fought for their share of the crumbling empire. Given this deadlock, very little money was being made on any side.

After his father finished his story, Sam asked him why he told it. His father replied, "Because this case, which has been going on for more than 11 years, is how I paid your way through law school."

1. How could Mr. Chin have avoided creating these financial problems for his family?

2. Discuss the importance of updating your life insurance as your net worth grows.

3. How can life insurance be used as a tool to balance one's inheritance?