

ADVICE

Buy insurance coverage you need, no more

There are hundreds of insurance products out there. Some are necessary. Some are not. You choose

By Andrew Hudick

When trying to purchase insurance you should remember the Golden Rule: Only buy insurance for a risk you cannot afford to take yourself.

Once you have decided what type of insurance you need, shop around. Each variety of insurance, like toothpaste, comes in many sizes and price ranges with different advertising budgets and claims.

There are types of insurance most people do not need. You have seen the advertisements for many of these different forms of coverage. The ad typically includes some or all of the following statements: "no one can be turned down," "no age limitations," "just pennies a day,"

"call now and be insured immediately."

The insurance being sold might be for one disease (it is not very efficient to buy your health insurance one disease or one illness at a time), for credit card coverage (to be used to pay off some of your credit card debt—which should be paid in full each month, anyway), car rental insurance (many credit cards now cover this liability) or for "credit insurance."

Credit insurance is often sold to a new home or new vehicle buyer. The purpose is to pay off the car loan or home loan in case you die or become disabled before completely paying off the balance owed. This form of insurance often represents a costly and incomplete solution to the family protection question.

While this form of coverage may be a good solution for someone with a serious health problem (since no health questions are generally asked), for most consumers this type of coverage represents an expensive system of acquiring financial coverage.

Five needed types

The simple truth about insurance is that most people only need five types of insurance coverage: life, disability, health, auto and home. If you think you need more coverage for a specific reason or time period in your life, increasing one of these major policies is more logical and efficient than buying an additional (and very limited) form of coverage.

Shop around for premiums on your five major policies. Costs can vary greatly and premium levels change. If you have an older life insurance contract and have remained close to the level of health you were when you originally purchased the policy, you may find that you will save money with a new contract. As medical technology has improved and your life expectancy has increased, rates for life insurance

has declined.

You may also find a difference of as much as 20-40 percent in the cost of your homeowners and automobile coverage. I recently read where one insurance expert suggested you spend at least one hour every year reviewing your various insurance policies and the costs associated with them. Shop at least one policy a year with a competitor and ask that sales agent to offer an idea to help you save money on the premium you are paying.

Spend a little time and consider raising deductibles or streamlining your protection limits. Cut out the coverage limits you do not need and use the premium savings you generate to buy the protection you need.

Become an informed consumer and understand the coverage you own.

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