



BASIC TYPES OF INSURANCE

Individuals should have the following forms of insurance.

LIFE INSURANCE

Life insurance is designed to replace income lost in the event of a death. The two basic forms of life insurance are term and cash value, but it's recommended that individuals purchase a term policy that guarantees coverage for 10 to 12 times their current income. Everyone with dependents needs a policy—even stay-at-home parents.

HOMEOWNER'S AND/OR RENTER'S INSURANCE

Homeowner's insurance repairs or replaces a home and its contents when a covered accident occurs. It's required with every mortgage and protects the homeowner and the lender. If possible, a policy should guarantee replacement costs. Renter's insurance covers a renter's possessions inside the structure they're renting, but not the structure itself. All renters should have a policy in place.

AUTOMOBILE INSURANCE

It's the law that all licensed drivers carry an auto insurance policy that covers liability, though collision may be dropped (especially on older cars). A common breakdown for liability coverage is 100/300/100: \$100,000 for bodily injury per person, \$300,000 for bodily injury per accident, and \$100,000 for property damage.

HEALTH INSURANCE

Medical bills from catastrophic injuries or illnesses bankrupt people all the time, so health insurance is essential to a well-rounded financial plan. Common insurance options include a PPO (Preferred Provider Organization) or an HMO (Health Maintenance Organization). Another option is the HSA (Health Savings Account). The type of health insurance you choose is largely

dependent on your life and financial circumstances. For individuals who don't have access to an employee-sponsored health plan, health sharing plans might also be an option.

DISABILITY INSURANCE

Disability insurance is designed to replace income lost because of a long-term or permanent disability. If individuals can buy long-term disability insurance alongside their company's health care plan, they should do it. This will always be cheaper than buying it on the open market. Either way, they should purchase a policy with a pre-tax dollars so the benefits are tax-free. A policy should cover about 65% of a person's income.

LONG-TERM CARE INSURANCE

Long-term care insurance is designed to cover the costs of a nursing home, an assisted living facility, and in-home care. It's a must for people age 60 and older. Individuals must have it in place *before* they need care and pay the scheduled premiums until they actually need care (so the policy isn't invalidated). It's expensive insurance, but it isn't nearly as expensive as the cost of long-term care, which can easily drain an individual's savings and wipe out their estate.

IDENTITY THEFT INSURANCE

This is not technically insurance, but it does protect individuals from becoming victims of identity theft. The consequences of identity theft could involve the victim spending hundreds of hours cleaning up the mess on their own. This protection includes not only credit monitoring, but also restoration services.