

What You Need to Know About Insurance

Life Insurance

If you die with no life insurance, your family will most likely be stuck in a dire situation and have to make drastic changes, all the while grieving you. You should have **eight to 10 times your yearly income** set aside in a term life policy. That way, if you pass on, your family can invest the money and, at a 10% return, replace your income.

This is something that **shifts more often than you think**. Every time you get a raise, have a child, buy a house or have some other significant life event happen, you need to make sure that you have enough insurance to cover it. Don't take this lightly; one-third of adults in the United States carry no life insurance, and more than half a million in the prime of their lives die prematurely each year.

68 million Americans have no life insurance at all. That's the equivalent of every man, woman, and child in the green-colored states.



Life insurance is to replace income lost in the event of death. It comes in two general types:

- Permanent (whole, variable, universal, etc.)
 - Horrible expensive option for the consumer
 - High commissions for the agent
 - Bad investment (low rate of return)
 - Insufficient coverage
 - Cash value lost upon death
- Term (annual renewable, level, decreasing)
 - Annual renewable/decreasing – expensive
 - Best option: level 20-year term, 10 times annual income

Avoid one-purpose policies, such as accident insurance, double-indemnity, Gerber (baby) life, and burial insurance. These gimmicks are always too expensive.

Long-Term Disability Insurance

If you die, your life insurance will take care of your family. But if you are permanently disabled, you will be unable to produce an income and yet still need to be cared for. In that case, you need long-term disability insurance that will provide about 70% of your income for an extended time period, usually until death or age 65.

You can usually get it the cheapest through your workplace. And you need to. About 49 Americans become disabled every minute and three in 10 in the workforce today will become disabled before they retire. With the average monthly benefit from Social Security disability being \$1,004 a month, you can't afford to not have this type of insurance.

In the past hour, almost 3,000 Americans became disabled. That's 49 every 60 seconds.

Long-Term Care Insurance

This isn't necessary until you hit age 60. After that it becomes vital. A nursing home can cost about \$50,000 a year per person. If you and your spouse go into an assisted living facility with \$300,000 in life savings, you'll have it used up so fast you won't believe it.

If you are approaching 60, start looking at long-term care insurance. Don't buy it before then (it's not necessary enough at that point), or after (it can get too expensive).

Homeowner's/Renter's Insurance

You should never own or rent property without having yourself covered in the case of a fire, flood, burglary or some other disaster. Renter's insurance is relatively cheap to get, so make sure to have some.

When buying homeowner's insurance, get one that has guaranteed replacement costs. If something happens to your home and you have a policy without guaranteed replacement costs, you will only be covered for the value of your home at the time you took out the policy. That's bad news if your house has increased in value. Make sure to have your full emergency fund in place so you can take the lower premium and higher deductible on it.

Find out more about life insurance and disability coverage from [Zander Insurance](#).