

## When to Purchase Various Types of Insurance

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The purchase of automobile insurance and home insurance is one of those chores that we all dislike but we all do because it is either required (our autos) or because it would be crazy to not protect what is the largest investment for many people (our homes). What about other types of insurance that many of us *should* have to protect against financial risks?

Many people have life insurance and for good reason: if married, the passing of one spouse could put the surviving spouse and family at tremendous risk without life insurance. The younger the family, the more important it is to be insured. As you age and children move beyond their college years, then for most people the *need* for life insurance becomes reduced, though not necessarily eliminated. If one is single and does not have children then in most cases there is no need for life insurance.

What about long-term disability insurance? If you work, the younger you are the more important it is to have this insurance. I would argue that for a young family it is probably more important for the wage earner(s) to have disability insurance than life insurance (though you should have both of course.) If the primary wage earner becomes disabled and is unable to work, the family is now short that income and the family's expenses are still the same. Similar to life insurance, as the working person nears retirement, loss of income from disability becomes less of a concern. For the unmarried worker without children, disability is still important to replace that lost income.

Long-term care insurance receives quite a bit of attention in the mainstream financial press. I recently read a rather comprehensive article that says it is probably safe to wait until age 60 to consider this insurance. My response: dead wrong! Insurers are become very careful about their underwriting for this type of insurance and by waiting until age 60 you run the risk of being denied coverage. So when should one consider this type of insurance? One should consider this type of insurance as soon as possible if your circumstances warrant it. Let me explain: if you are married, have assets to protect, and are planning to pass on at least some of your wealth to heirs then you should be considering this type of insurance at any age. There are some that would say that purchasing this type of insurance before 50 is not warranted, but I disagree. All of us know someone or know of someone who became chronically ill before their 'senior' years. While it is highly unlikely that any of us would need this type of insurance prior to age 60 it is certainly not impossible.

There is one other type of insurance that often goes overlooked by many: extended liability protection also known as an umbrella policy. This type of insurance 'extends' the liability protection typically offered with an auto or home policy by an extra \$1M or \$2M. While some may think that is unnecessary, the cost of this type of insurance is usually very low (about \$200-

\$250 for that extra \$1M of liability coverage). Imagine being involved in an automobile accident and being sued for a 7-figure sum. This type of insurance is very inexpensive for the protection it offers.

For additional information on how to best mitigate risks that could cause financial strain please contact Ken Weingarten at (609) 620-1770.

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