

Seven Absolutely Necessary Insurance Policies

Insurance is one of those ugly but necessary things we all need. It's ugly because it can be such a pain to deal with. Co-pays, deductibles, staying in-network, comparing rates ... the list of insurance tasks seems to go on and on. However, if another driver hits your car or you have a medical emergency, insurance saves you from a lot of time and trouble. **The purpose of insurance is to transfer the risk.** None of us wants a disability or identity theft, but if it happens, we are more than happy we have insurance to cover us.

There are seven types of insurance that are absolutely necessary to have. Beyond these seven insurance categories, don't worry about anything else. All the other types of insurance you hear or read about are just scams to get your hard-earned cash.

1. Homeowner's/Renter's Insurance

In case something happens to your possessions, this insurance will cover your material belongings. If you have homeowner's insurance, be sure that you have guaranteed replacement cost.

2. Auto Insurance

Never drive around uninsured! The key to auto insurance is to make sure you are signed up for adequate liability coverage. If you drive an older vehicle, crunch the numbers to see if it makes sense to drop your collision.

3. Health Insurance

Never, ever go without health insurance—that's just asking for trouble! Check out the various options that are available to determine which one fits best for you and your family. Don't forget to check out options that offer a Health Savings Account (HSA).

4. Disability Insurance

Many companies offer great rates on disability insurance to their employees. Make sure 65% of your current income is covered and try to buy insurance that pays if you can't perform the job you are equipped to do.

5. Long-Term Care Insurance

It may not be a priority for you right now, but 69% of people over the age of 65 will need long-term care at some point in their lives. Maybe it's not time for you to get this insurance, but do your parents need it?

6. Identity Theft Protection

With identity theft on the rise, it's a smart move to protect yourself with the right insurance. Make sure your insurance includes restoration services that assign a qualified counselor to clean up the mess.

7. Life Insurance

You need life insurance. Don't do anything else until you and your family are covered! Never, ever get whole life insurance—that's just throwing your money down the drain. Always go with term life insurance. Dave recommends Zander Insurance for all of your term life insurance needs.

Car Insurance: What to Have and When to Have It

We spend a lot of time talking about insurance on your health and life, but **what about the car?**

You might drive a nice car or a beater. You might have enough money to buy a car if your current one is totaled. There are policies that cover you financially if your car is stolen, damaged by another driver, hit by a natural disaster, or if another driver isn't insured.

Two of the most important types of auto insurance are **liability and comprehensive coverage**.

Liability Coverage

When it comes to how much liability insurance you should have, that can be answered in one word: *lots*. Liability auto insurance is the cheapest and best buy in the entire insurance world. It really does pay to have a large amount—around \$500,000 or so. If you are in an accident that is “your fault,” the liability insurance **covers what is considered to be your fault**, like the costs to get a car fixed or someone's medical bills.

If you don't have liability insurance at that time, you would be responsible for paying that amount out of pocket, which would not be a good situation. Liability auto insurance is **a definite must-have**, no matter what kind of car you drive.

Comprehensive Coverage

You should have comprehensive auto insurance as well. Comprehensive insurance pays for **when your car is damaged or stolen**. If your car is expensive, you need it for obvious reasons. If you are driving a beater, it doesn't cost much to insure, so just keep the coverage. If you have no money, don't take the risk of having your vehicle totaled, leaving you with no way to get around. Since you wouldn't get money from the insurance company or your savings, you would be stuck. Don't put yourself in that situation. Just eliminate the potential stress by having comprehensive coverage.

If you have some money set aside and are driving a less-expensive car, **do a cost-benefit analysis**. If it only costs \$20 a month to insure a \$3,000 car, that's a good deal, since it will take you a longer time to pay more in insurance costs than it would to replace the car if you had no coverage.

Always make sure you are covered in case life decides to hit you ... or your car.