Six Types of

Insurance You Should Consider

DIVERSIFIED TRUST

The twenties and thirties are an ideal time for getting established for future financial success. However, the various and competing financial goals and responsibilities such as student loans, home purchases, raising children, and saving for retirement can be daunting and overwhelming. Diversified Trust has compiled a series to help guide young people toward a brighter financial future.

“Adulting” is expensive. Bills, rent, car payments, student loan repayments – it’s enough to put a damper on the initial excitement of landing your first job. Car insurance is mandatory, so you might as well add that to the list, but you’re young, so why bother with any other insurance premiums? Because now is an ideal time to make sure you are sufficiently covered in the unlikely event of a catastrophic claim. Here are the top six types of insurance we recommend you consider.

Based on a 2014 study conducted by PWC, only 24% of Millennials demonstrate basic financial knowledge. Among the overall population, Millennials are the age group with the lowest level of financial literacy, and only 27% are seeking professional financial advice on saving and investment.

1 ▶ HEALTH INSURANCE

Whether through your employer, the marketplace or an individual plan, we at Diversified Trust strongly recommend you have health insurance. With so many young people starting their own businesses, it can be hard to know how to approach healthcare without access to a traditional employer-sponsored plan. We have relationships with consultants who work specifically to match an individual with a plan that best suits their needs.

2 ▶ DISABILITY INSURANCE

The single biggest tool a person has for building wealth is his or her ability to earn income. Protecting that income can be a huge part of providing for an overall financial plan. According to the Social Security Administration, one in four 20-year-olds will become disabled at some point before reaching retirement age. Disability insurance can help replace any lost income in the event you become disabled and can no longer work. This will also help ensure that any savings or retirement assets you may have accrued can be saved for the future, rather than being depleted prematurely.

Disability insurance can be short-term or long-term depending on the specifics of the policy. Policies also vary in how they define disability, whether you are disabled from a specific occupation or from working entirely. Make sure you understand the specifics about how and when the policy will kick in.

3 ▶ LIFE INSURANCE

One of the most critical components of protecting your family’s financial future is life insurance. Life insurance is appropriate at many stages of life. However, when you become married, acquire assets, and have children, the need for life insurance increases. If an unforeseen circumstance arises, having insurance helps minimize financial stress, sustain your current lifestyle, and is also pertinent if you are planning on funding your children’s education. Making sure that your family and loved ones are provided for in the event of your premature death can be a huge blessing at an already emotionally trying time.

There are numerous different types of life insurance policies available to consumers. One of the most common types of life insurance is term insurance, which provides a set amount of life insurance death benefit for a specified term. Although some term policies have a convertible feature within them, most term policies expire at the end of the term. Additionally, there are permanent insurance policy options available to clients such as whole life, variable life, and universal life. These permanent life insurance policies do not have a specified time frame expiration like that of term policies, and they accumulate some value (known as cash surrender value) within the policy. Each of these types of policies (whether term or permanent) has unique characteristics according to the terms of the policy and has a specific use for clients. For young persons in good health, term life insurance may be the most appropriate type of life insurance to protect against the risk of premature death.

4 ▶ HOMEOWNER'S/RENTER'S INSURANCE

Unlike car insurance, homeowner's insurance is not required to own a home, but if you have a mortgage, most lenders will require adequate homeowner's insurance.

Renter's insurance, however, often gets overlooked. While a homeowner's insurance policy protects against the total or partial loss of a home and your personal belongings, a rental unit is not exempt from the same risks that a single-family home may have. Rental properties are just as susceptible to fire, flood or other casualty losses. While a complex likely has coverage for the building itself, it will likely not have coverage for your personal belongings. As such, as a renter, you should have supplemental coverage to insure these items.

Whether you have homeowner's or renter's insurance, coverage on specific household items may be limited or excluded, so you will want to specifically insure these items either through a rider or through an additional policy. These additional policies allow you to add coverage for a small annual premium. Most people don't think about this additional coverage until purchasing an engagement ring, but the same theory should apply to art, antiques and other jewelry. You will likely need an appraisal, so have one on hand or schedule one with a qualified appraiser.

5 ▶ PERSONAL LIABILITY "UMBRELLA" INSURANCE

Umbrella insurance policies can serve as a vital component of protecting your assets. In the event other property and casualty insurance coverage has been exhausted, an umbrella policy can be a final step in protecting your assets from the claims of others.

6 ▶ LONG-TERM CARE INSURANCE

While we generally think of long-term care as something for the "old", the term is defined as care for those with chronic conditions with little to no progress, which means it can happen to people at any age. Younger people sometimes find themselves needing long-term care following a disabling disease or an automobile or recreational accident. While those statistics are lower than those needing care during the later years in life, approximately 40% of the 13 million people who need help services are between ages 18 and 64. While there are other more urgent insurance needs in your twenties and thirties, the consideration for long-term care insurance should not be ignored nor put off for too long in the event you become uninsurable.

IMPORTANT NOTES AND DISCLOSURES

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