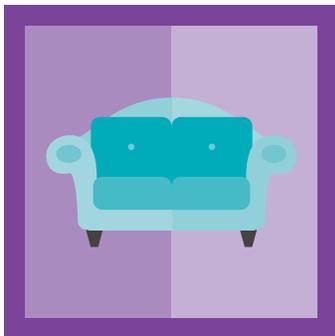


*It is unwise to be too sure of one's own wisdom. It is healthy to be reminded that the strongest might weaken and the wisest might err.*

Mahatma Gandhi



After working hard to create personal wealth, you need to protect it. People acquire insurance to protect themselves from major financial loss. Insurance is simply a promise of reimbursement for a loss in return for a premium paid. When shopping for insurance products, consumers should match their needs with what the product offers and seek out the best deal. A solid credit history is also important because insurers use credit information to price some types of insurance policies. You can buy insurance to cover all kinds of risks, but basic needs can be met with property, health and life insurance.

### Property Insurance

#### Auto Insurance

State laws require that all motor vehicles have **liability** insurance to cover injury to other people or damage to their property. If you have a loan on your vehicle, your lender will also require physical damage coverage on it.

You may select a higher **deductible** (the amount you pay out of pocket before insurance kicks in) and receive a more affordable rate on the **insurance premium** (the cost of the policy). If you have your emergency savings in place, you will feel more confident about taking out a higher-deductible policy, which will lower your premium costs.

#### Home Insurance

If you are renting your home or apartment, you should purchase renters or contents insurance to cover your possessions against loss from fire or theft. Your landlord's insurance will only cover damage to the building, not its contents. Also, if someone is hurt in your rented home, that liability is yours, not the landlord's.

Homeowners insurance covers your home and possessions. The personal liability coverage in a homeowners policy protects you from loss resulting from any injuries that may occur on your property. Your mortgage lender will require you to carry a certain amount of insurance coverage as long as the mortgage is in place. You may also consider a higher-deductible insurance plan to save money on your homeowners coverage.

Standard homeowners coverage insures your home and its contents against loss from such risks as fire and theft. You may require special insurance for flood, earthquake or other risks specific to your area. Contact your state department of insurance for more information on insurance in high-risk areas.

Another type of household protection, a **home warranty**, is a service contract that protects the homeowner from unexpected costs for repair or replacement of major systems. These might include heating and air-conditioning, plumbing, electrical systems or a water heater. Sellers will sometimes provide a one-year home warranty to give potential buyers added confidence. The homebuyer then has the option of renewing the warranty at the end of the year.

## Health Insurance

### Medical Insurance

No one wants to worry about a trip to the emergency room wiping out everything they've saved toward their financial goals. Studies show unexpected medical expenses are the leading cause of bankruptcy in America. Research also tells us that many people cut back on their medications trying to keep medical costs low—a practice that will likely lead to worsening health and higher costs. Many households have significant levels of debt because they didn't have medical insurance or because they didn't have savings to pay the expenses that weren't covered by their health plan. Late payments and defaults on medical debt may be reported on credit reports and affect a person's credit score.

Whether you are shopping for health insurance on the Healthcare.gov marketplace or completing the annual enrollment in your employer's health insurance plan, consider your budget and short-term savings balance. Medical insurance pays for some, but not all, of your doctor, hospital and prescription drug costs. Do you have enough emergency savings to cover the deductible and out-of-pocket copays? When you estimate the number of copays for doctor visits in a year, you might find that the health plan with the lowest premium is not such a good deal. Choose your medical coverage/deductibles carefully, and consider your household circumstances. For example, if your kids participate in sports, be sure you are covered in the event of an injury.

The Affordable Care Act requires that most Americans obtain health insurance or pay a penalty (the individual mandate). The penalty, or per month fee, is added to your personal income taxes due for the tax year and could reduce your tax refund. Families earning between 100 percent and 400 percent of the federal poverty level are eligible for a premium tax credit if they are not eligible for employer-provided coverage and if they enroll in the Healthcare.gov marketplace for coverage during the enrollment period. Payments of the premium tax credits go directly to the insurance company selected by the enrollee to pay a share of the monthly premium.





People eligible for Medicaid may enroll anytime throughout the year. Parents can also apply for Children’s Medicaid (CHIP) for their children year-round. Every state provides free or low-cost health insurance for children in low- to moderate-income households. For more information about state programs, contact the U.S. Department of Health and Human Services at 877-Kids Now (877-543-7669) or go to [www.insurekidsnow.gov](http://www.insurekidsnow.gov).

Basic medical coverage can promote preventive health care, which is very important for you and your children. Your family’s health is an asset. Protecting your health and having basic medical insurance coverage can give you peace of mind to focus on achieving your other life goals.



People who are insured through their employer should consider participating in a **flexible spending account (FSA)** if it is offered. An employer-sponsored FSA allows employees to save pretax dollars in an account to cover deductibles, copays, prescription and over-the-counter drugs, and other health expenses not covered by insurance. Employees need to plan their FSA spending so they have enough saved to cover their uninsured medical expenses but not more than they can use in one year plus two and a half months. On March 15 every year, money left in an FSA from the previous year is forfeited.

Even if you have health insurance, you should make sure your emergency savings account is adequate to provide a safety net against unexpected medical costs.

### Disability Insurance

Statistics show that you have a higher risk of becoming disabled than of dying before age 65. Disability insurance helps you pay living expenses if you are sick or injured and unable to work for a long time. Your employer may offer this insurance in its benefits plan. Consider buying this protection even if you have to pay for part of the premium.



### Buy Insurance Wisely

Insure U, a website sponsored by the National Association of Insurance Commissioners representing insurance regulators from across the United States, has more information on buying all types of insurance at [www.insureuonline.org](http://www.insureuonline.org).

## Life Insurance

The need for life insurance depends on a person's circumstances. In the event of your death, life insurance pays money to the person you choose (your beneficiary). Life insurance helps give financial protection to your children, spouse, parents or even your business.

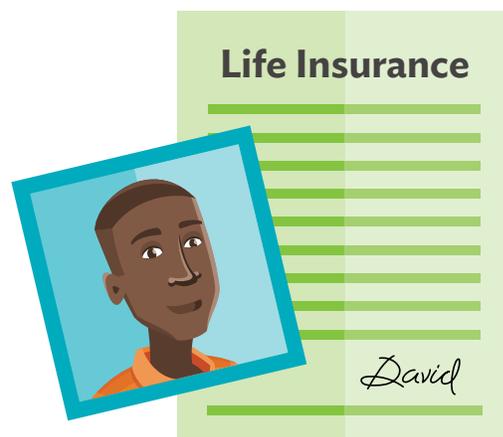
While some types of life insurance offer savings and investment components to keep the future cost of premiums lower or to increase the death benefit, they are not a substitute for a savings or investment plan. Low-cost term insurance, often available through your employer, can offer protection for young families.

Personal accident insurance may also offer a cushion to families if a member dies or is seriously injured in an accident. This kind of insurance is often available through your employer or other provider at relatively low cost.

## Long-Term Care Insurance

If you or a family member became very ill and needed a nursing home, who would pay for it? You would, until all your assets and those of your spouse are exhausted. Only then would government assistance help cover these needs. Long-term care insurance is not medical insurance, but it pays for such health-related items as nursing home, assisted living or in-home care.

Generally, the need for long-term care comes late in life, but insurance premiums are much less expensive when you are younger. Some employers offer access to long-term care insurance for employees to purchase, but most consumers have to find coverage themselves. Shopping for long-term care insurance takes research, common sense and attention to the policy's details.



### Tip: Protecting Your Wealth

There are many types of property, health and life insurance, so do your research and seek good advice.

- Take advantage of group insurance through your employer or other associations you may have.
- Anticipate the needs of your family and decide how much you can afford to pay.
- Shop around and get at least two quotes.
- Consider a higher deductible to lower your premium.
- Ask about other discounts that may be available (for a good driving record, safety equipment, multiple policies with the same provider, etc.) to reduce your cost of coverage.
- Review your insurance coverage annually to make sure you have appropriate coverage as your situation changes.
- As with all investments, be sure to get all the facts before parting with your hard-earned money.