Established Families Considerations

As an established family, you may already have many of your basic insurance needs in place, such as life insurance and homeowner's coverage. However, as the value of your home and other assets increase, and as your child or children approach college age, your financial situation – including your insurance needs – will change.

Auto 301: Car Wars!

At this life stage, your cute little kids become teenage drivers, competing with you for the car. In addition – as you enter that mid-life period – your own automotive interests may steer you towards different types of cars than you've previously driven.

- When adding your teenage driver to your policy, be prepared to pay higher auto insurance rates. Although some states do not allow gender differences in auto rates, industry figures show that a teenage female driver can cause rates to increase as much as 50 percent, while a young male driver can boost costs by up to 100 percent.

- If you plan to provide your child with an automobile to take to college, check on the need for a separate auto insurance policy.

- At this stage of your life, you may be frantically transporting your kids – and their friends – to sports practices and other after-school activities. Given these chauffeuring responsibilities, you might want to consider increasing your liability insurance in case of an accident.

- Hopefully, your success in the job market is causing your net worth to grow. So you may want to consider purchasing an "umbrella policy" to raise your auto liability coverage, for example to $1 million, in order to protect your assets.

Here are some tips to prudently control your auto insurance costs:

- When you add a teen driver to your policy, it's a good time to evaluate different auto insurance companies and compare costs, as firms differ in their policies for young drivers.

- If you're planning to purchase a car for your young driver, keep in mind that auto insurance premiums are linked to the type of vehicle driven. If you're buying or leasing a new car, check the insurance rates before you make your final choice. SUVs, convertibles and performance vehicles typically cost more to insure than some other cars.

- Parents of new teenage drivers should encourage their children to maintain good grades and to take a driver's education class, as these steps may help lower your insurance rates.

- In addition, keep in mind that if your child lives away at school (at least 100 miles) and has less access to the insured vehicle, you may be able to take advantage of insurance discounts.

Remember that companies often grant discounts to those who are considered "safe drivers," so try to keep your driving record – and your children's driving record - free from accidents and moving violations for at least three years, or consider taking a defensive driving course.

Home 301: Home Growth

At this point in your life, your home is very likely your biggest asset – as well as a major cost item in your budget. You may move to a larger house, build an addition or replace that child-stained sofa and inexpensive wall decoration with pricier furnishings and artwork.

- Remember to add home insurance coverage as you enhance the value of your home and acquire expensive possessions like furniture, computers, stereos and television sets.

- You should alert your insurance company when making any major home improvement – usually anything over $5,000. You will want to update your homeowner's insurance policy to reflect the new enhancement and prevent being underinsured.

- In maintaining your residence you must realize that you are liable for things that happen on your premises. Keep in mind that in many states you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.

- Remember that backyard items, such as a trampoline or pool, may require you to increase your liability coverage through an umbrella policy that protects you in the event that someone is injured while on your property.

- As you acquire more valuables – jewelry, family heirlooms, antiques, art – you might want to consider purchasing an additional "floater" or "rider" to your policy to cover these special items. They're typically not covered by a basic homeowner's or renter's policy.

- If you have a child about to go away to college who will be living in a dorm or apartment, be sure to check your homeowner's policy to see if their possessions will be covered. In many – if not most – cases, they will not be covered under your policy, and you may want to consider purchasing separate coverage.

- Importantly, know what's not covered by your policy. For example, a break in the water or septic line outside your home will typically not be covered by your homeowner's policy but can be a financial drain to repair. Specialized policies may be available to cover these situations, for example from your water or septic company.

Life 301: Life Line

Chances are that at this stage of your life you own life insurance and are generally familiar with the different types. However, people at this age begin to ignore their policies. It's important to periodically review and update your coverage to reflect changes in your financial situation and family composition.

- One strategy to keep costs down for a growing family may be to take a look at term life insurance, which offers financial protection for a specified time period. For example, term life insurance is often appropriate to provide coverage during your child-rearing years or while paying off a mortgage. You may want to consider this cost-effective way to protect your family while still putting money into other investments.

- Consider the future costs of your child's college education when determining how much life insurance you need at this life stage, and remember that permanent life insurance can help to complete a college savings program that is not fully funded. Another option you may want to consider is purchasing a combination of term life insurance and whole life insurance.

- If you are considering purchasing an annuity – a contract with an insurance company that promises to pay a series of income payments at regular intervals in return for premiums you have paid – explore the different types of options available:

    - Single premium
    - Multiple premium
    - Fixed
    - Deferred
    - Variable

  In addition, make sure you examine whether an annuity makes sense for you in terms of your income needs.

  Ask whether the annuity lets you tap into your principal if you should need it, or whether there are stiff penalty fees. Be sure you understand the fees associated with the annuity, as well as the special tax treatment of annuities: namely that income tax on annuities is deferred until you start receiving the income payments.

Health 301: Growing Pains

As your family matures, its health needs change. Thus when your annual enrollment date approaches for employer-provided health insurance, recognize that you may want to alter elections or eliminate certain types of coverage, if you have the choice.

- For example, if you and your spouse have decided not to have more children, you may not be interested in a policy that covers pregnancy-related services. But note that if you decline pregnancy-related coverage and your teenage daughter becomes pregnant, she will not be covered. If you still have young children, consider a program with a preventative care option that provides shots and "well visits".

- Keep in mind that health insurance policies will most likely not cover some common childhood procedures and problems, such as allergy tests, braces, and replacements for lost eyeglasses, contacts or retainers. Consider contributing money to a flexible spending plan, if your employer offers one, to help you put aside pretax money to cover these types of expenses.

- Know your rights and entitlements under COBRA – the Consolidated Omnibus Budget Reconciliation Act. If you lose or change your job or decide to start your own business, be sure to familiarize yourself with COBRA so that you're clear how your family will be covered when your situation changes.

- If you're over 50, you may want to consider whether long-term care insurance make sense for you. Before purchasing long-term care insurance, do a thorough analysis of your financial situation to be sure you can continue to afford the premiums for an extended period of years – through your old age until death – and figure out whether you have significant savings or other financial assets you want to protect. Many people find they cannot afford the premiums as they get older and get closer to the point when they are most likely to need the coverage. In addition, make sure you know what triggers will result in benefit payments, as well as the likelihood and potential size of premium increases.