

## INSURANCE FOR YOUNG ADULTS

You've recently graduated from high school or college, or just finished a brief stint in the military. For the first time, you're truly on your own. Having adequate insurance coverage is undoubtedly not uppermost on your mind.

Being independent, however, means you are no longer covered by your parents' insurance. Many young adults, feeling invincible, go without insurance, but that's not a wise decision, caution financial planners. A serious or prolonged illness, auto accident, or an apartment fire could set you back financially for years. Here are several insurance coverages that young adults should consider.

**Health.** Most health coverage occurs through employment, but even that's not a given. Among young adults, four in ten did not have jobs-based health insurance in 2003, according to a report from the Center for Studying Health System Change. This was due to a combination of low-wage jobs not offering plans and young adults declining coverage because they didn't want to pay a portion of the premiums.

Certainly if you have health insurance available at work, take it. If it's not available, or you're unemployed, at a minimum consider a short-term medical plan. These typically run from 1 to 12 months. A 24-year-old male with a policy that has a \$250 deductible and 20 percent coinsurance would pay roughly \$100 a month in premiums.

If you're between jobs, and you were covered under the previous employer's plan, you probably can continue that group coverage for up to another 18 months through the federal program COBRA. But you're responsible for 100 percent of the costs, so compare premiums against similar-quality individual coverage.

Another option for workers without employer coverage is the new health savings account, created by the federal government. This involves buying a qualifying medical policy with a high deductible (\$1,650 to \$2,500 for individuals, according to the law). The advantage is that you can stash away tax-deductible money in an IRA-like account to pay (also tax free) for deductibles and other out-of-pocket medical expenses. These policies are especially attractive to younger, healthier people who are more likely to face minimal medical expenses, yet still need protection in the event of a medical catastrophe.

Disability. Your working income is likely your most precious financial resource. Thus, a long-term illness or injury could prove financially devastating. And your odds of being disabled at least 90 days or longer before age 65 are significantly higher than the odds of dying, according to the Insurance Information Institute.

Disability insurance, sometimes called income-replacement insurance, pays a portion (around 60–80 percent) of lost wages if you're unable to continue working due to an accident or illness. Employers typically provide some short-term disability coverage, but usually not long term, and what they provide may be insufficient for your wages. State-sponsored worker's compensation programs may provide income, but normally only if you're injured on the job (a few states provide for short-term nonwork-related disabilities). Social Security may provide benefits, but only if you're unable to work at virtually any job.

If your employer's coverage doesn't pay at least 60 percent of wages and doesn't last to age 65, you'll likely want to supplement it with private coverage.

Renter's. Your personal assets are probably modest at this point in your life, but nonetheless, it could cost you thousands or tens of thousands of dollars to replace clothes, electronic equipment, and other property if stolen or destroyed.

Many renters mistakenly believe that their landlord's insurance would cover their lost or destroyed personal property. Not true. Fortunately, personal renter's insurance is usually quite affordable—\$150 to \$300 a year will probably buy the coverage you need. You may need additional coverage for specific high-valued property or if you're in a flood or earthquake zone. Be sure the policy includes liability coverage in the event you are sued for injuries suffered at your residence. You often can save premium dollars by buying renter's insurance through the company that insures your auto.

Automobile. You may still be able to continue under your parent's policy if you're under age 25, unmarried, and the car remains in their name.

Life. Assuming you are single and have no one financially dependent on you, you probably don't need life insurance. On the other hand, the longer you wait the more expensive it becomes and the greater the risk of becoming uninsurable.

October 2004— This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Marnie Aznar, MBA, CFP®, a local member of the FPA.