

How Can You Insure Your Future?

Long ago, people realized that there is strength in numbers. For hundreds of years, we have been joining forces against all kinds of calamities — including financial troubles.

The concept of insurance is simply that if enough of us can pool our money to form a large enough fund, then together we can handle practically any financial disaster. Our motivation for contributing to this fund is our own eligibility to draw from it in the event of a disaster. One for all and all for one, so to speak.

An early example of the concept comes from the Code of Hammurabi, Babylonian laws dating back to 1700 B.C., which contain a credit insurance provision. For a little higher interest, the ancients could exempt themselves from repayment of loans in the event of personal misfortune. A citizen of the Roman Empire could buy life insurance through the Collegia Tenuiorum for slaves and wage earners, or the Collegia for members of the military. The funds provided old-age pensions, disability insurance, and burial costs. In spite of some complications and occasional bureaucratic snarls, the system has worked remarkably well through the ages.

Today, virtually all heads of families should carry life insurance. Most financial advisors also recommend automobile, health, homeowners, personal liability, professional liability and/or malpractice, disability, and long-term-care insurance.

Purchasing individual or family insurance coverage is probably one of the most important financial decisions you will make. A great deal of study and advice is needed to choose wisely. A few basic guidelines can safely be applied to most consumers. Beyond these, each individual's needs are unique and should be carefully assessed by an expert.

1. How much insurance do you need?

A good rule of thumb is: Don't insure yourself against misfortunes you can pay for yourself. Insurance is there to protect you in case of an event with overwhelming expenses. If anything short of a calamity does occur, it will usually cost you less in actual costs than the insurance premiums you would have paid.

2. What kind of policy is best?

Broader is better. Purchase insurance that will cover as many misfortunes as possible with a single policy; for example, homeowners insurance that covers not only damage to the house itself but also to its contents. Carefully examine policies that exclude coverage in certain areas, the "policy exclusions."

3. From whom should I buy?

Always buy from a financially strong company. Take the time to shop around for the best prices with the most coverage for your specific situation. You may be able to save money by buying multiple policies from the same agent.