



The Basics

Insurance for the young and single

Even if you have no dependents, you have some key decisions to make. Here's the coverage you need -- and the coverage you don't.

By [Liz Pulliam Weston](#)

If you're young and single, when you think about your finances you're probably most concerned about debt, maybe saving for a home and possibly retirement. If you think about insurance at all, you're a rarity.

But certain kinds of insurance coverage are important to have -- even when you're young and unencumbered. Here's what you need (and what you probably don't):

Must have insurance

Disability insurance. At this point in your life, your earning power is your greatest asset -- and the asset you should worry most about losing. Insurance experts will tell you that you're far more likely to be disabled during your working years than you are to die.

It's true there are government programs that provide some disability coverage, but they're pretty restrictive. Worker's compensation funds, for example, will pay you only if you're injured on the job. Get hurt at home or suffer a disabling illness, and you're out of luck.

If anything, Social Security disability payments are even harder to get. The system covers only total and long-term disability, not partial disability or short-term problems. You have to prove that you're so disabled you can't do any job -- not even flipping burgers or telemarketing -- to get benefits.

So if your employer offers disability coverage, sign up for both short-term and long-term coverage. If you're given the option, buy enough coverage to replace 60% of your income -- more if you can get it.

Getting an individual policy is tougher, and often more expensive, than buying a group policy. If your employer doesn't offer group coverage, you can contact one of the major disability insurers such as UnumProvident, Hartford or Cigna to get quotes.

Health insurance. You feel great, you never go to the doctor, so you don't have to worry about health insurance, right? Wrong.

An accident or illness can get expensive in a hurry. Get health insurance through your employer, or on your own. You can keep costs down by buying a high-deductible or so-called "catastrophic" policy. This requires that, in the event of illness, you pay a significant amount of money out of your own pocket before the insurance kicks in. But the policy protects you if medical bills climb into the hundreds of thousands of dollars.

Renter's insurance. If your apartment building burned down, your landlord probably has a policy that would rebuild the structure. That policy almost certainly won't pay to replace your stuff, however.

So if you have anything worth owning -- clothes, a computer, stereo system, television -- you probably need a renter's policy.

The good news is that renter's insurance is relatively cheap. For \$150 to \$300 a year, you can usually get coverage to replace about \$35,000 of your stuff. You'll probably want to get "replacement cost" coverage, which would give you enough money to buy a new computer, for example, rather than "actual value" coverage, which cuts you a check for the much smaller amount your computer is worth now.

As with all insurance, you should shop around for good rates from a decent company. Check to see if your auto insurer offers this coverage, since you may qualify for a discount by getting both policies from the same company.

Auto insurance. Car insurance consists of three main components: collision, comprehensive and liability.

Liability covers the damage you do to other people and their property. Collision coverage pays for the damage to your car in an accident (although if the accident was another driver's fault, your company might try to get the other insurance company to pay). Comprehensive covers the other bad things that can happen to your car, such as theft or fire.

You need liability coverage, no matter what -- and probably more than the minimum levels your state requires. See below for more details.

You may not need collision and comprehensive insurance if your car is more than five to seven years old. That's because, even if your car were stolen or totaled, the insurance company would give you so little money that it's usually not worth the premiums. One rule of thumb: If the total cost of your annual car insurance premiums is more than 10% of the value of the car, think about dropping comprehensive and collision coverage.

You can also save money on insurance by boosting your deductible -- the higher, the better. Just make sure you have enough money in savings to cover any damages below the deductible amount.

Liability coverage. This kind of coverage covers you if you get sued. It's a component of your auto, homeowners or renters policies. The key with liability coverage is to make sure you have enough.

Bare-bones liability coverage might provide you with \$30,000, or even less, to defend yourself or pay any judgments. Most people would be smarter to get at least \$100,000 of coverage. The more you have, the more protection you need: Insurance experts recommend having liability coverage at least equal to your net worth, and even more if you have a high income or work in a lawsuit-prone field.

Insurance you probably don't need:

Life insurance. Insurance agents love to sell life policies to anyone who'll buy them, and they'll outline the dire consequences if you fail to buy now. If no one depends on your income to survive, however, skip the sales pitch and put the extra money into your retirement fund.

Credit insurance. This comes in various forms and is usually pitched by your credit-card company in those annoying little flyers tucked in with your bill. They might offer to make your minimum payments if you're disabled or unemployed, for example. Usually, the coverage is overpriced. The best credit insurance is simple good sense: Don't carry big credit card balances, make sure you have an emergency fund in case you lose your job, and get disability coverage if you can.

Liz Pulliam Weston's column appears every Monday and Thursday, exclusively on MSN Money. She also answers reader questions in the [Your Money message board](#).