

Married

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The joining together of two lives is joyous. It's also nerve-wracking. There are a

number of adjustments couples have to make when thinking and planning for two. They may need financial protection they haven't worried about before, because spouses now depend on each other for support. In merging two households and perhaps two careers, there are choices that couples may need to make as to which spouse has the best existing insurance coverage.

AUTO

Young single people tend to pay higher rates for insurance. Good news, when two people get married, they probably qualify for a discount. Couples may well bring two cars into the relationship and two insurance companies. Review existing coverage and see which company offers the best combination of price and service.

Your driving ability may not be all you have to worry about. At some point, couples may need to participate in a family decision in helping parents or in-laws decide when they should stop driving. Driving ability is not strictly a matter of age. There are middle-aged drivers who are terrible and there are older drivers who

are highly skilled and perfectly safe. Yet, as a group, older drivers, particularly after the age of 70, are involved in more serious accidents. Because of their age, they are increasingly vulnerable to serious injury. Many seniors themselves decide as they get older to limit their driving to daylight and roads they are familiar with. And while many states require more frequent vision and, if necessary, driving tests later in life, it often falls to the children to help parents decide when it is no longer safe to get behind the wheel.

HOME

When buying a home, the insured value of the house will be less than the market value. Don't be alarmed, because there is no need to insure the land the house rests on. The insured value needs to be sufficient to repair or replace the home if there is a major disaster. Over time, be sure that the coverage keeps pace with additions or major improvements that increase the value of the home ? and the cost of repairing it. Set the deductible on the policy ? the amount the homeowner is responsible for before insurance is triggered ? as high as your financial circumstances allow. The higher the deductible, the less the coverage will cost. A higher deductible can also mean fewer claims, another important factor in the cost of coverage.

Ironically, homeowners or renters insurance questions frequently begin when couples buy engagement and wedding rings ? things of actual as well as symbolic value ? or accumulate expensive household items. A standard homeowner policy includes a limit (usually a fixed percentage of the broader coverage) on personal possessions, so an endorsement or floater may be needed to cover high value items. Merging two households presents a good opportunity to do a home inventory. This helps couples understand what their insurance coverage needs are ? and provides have a record of what to claim if a real disaster strikes.

When arranging homeowners insurance, one important decision involves replacement cost versus actual cash value coverage. Replacement cost is what it suggests. It pays the dollar amount needed to replace a damaged item with one of similar kind and quality. Actual cash value covers the amount needed to replace the item, minus depreciation.

LIFE INSURANCE

Becoming a couple means sharing responsibility with and for someone else. Both spouses may work, building a lifestyle that depends on two incomes. There will be loans and other debts to pay off. At this stage, it makes sense to protect what you have. Life insurance is a traditional way of ensuring that the surviving spouse is taken care of in the event of a tragedy.

The primary purpose for life insurance is to provide a spouse, children or other beneficiary with resources in the event of the premature death of the other spouse. There are two basic types of life insurance:

- Term insurance provides a simple death benefit for a fixed period of time. There are several different types of term insurance ? renewable, convertible, level, decreasing and increasing term coverage. The premium may stay the same for many years. However, when the stated term expires, the premium can go up; and
- Cash value insurance, as the name implies, provides permanent protection as long as you pay the

premium. The premium does not increase over time. The younger a person is when buying the policy, the lower the premium will be for the life of the policy. But because premiums remain level, cash value coverage tends to be more expensive than term insurance. There are different types of cash value or permanent insurance as well ? whole life, universal life, variable life and variable universal life insurance.

HEALTH

Most people who work full-time get health insurance through their employer. Along with bringing two lives together, if both spouses work, the marriage also brings two health insurance plans. These health plans frequently include dependents.

Medical inflation is rising dramatically today and employers are increasing the amount they expect workers to pay as they cope with health care costs. In certain cases, they may not cover a family member who has another health care plan. If you have a choice, families with two working spouses should compare coverage, co-pays and costs and choose the best mix that offers the best coverage for the least amount of money.

DISABILITY

Should a sickness or illness prevent one spouse from earning an income in his or her occupation, couples can face severe economic impact. Many employers offer an option of disability coverage. Typically, disability insurance is designed to replace anywhere from 45-60% of gross income. If the employee pays for disability coverage, insurance proceeds are tax-free. However, if the company pays for the coverage, this is viewed as a benefit and it is taxable.

LONG-TERM CARE

Each year, the U.S. elderly population continues to grow. Due to advances in modern medicine and life-style changes, the number of people over the age of 65 is projected to double by the year 2050. Unfortunately, as people age, they are more likely to suffer from chronic illnesses such as strokes or Alzheimer's or the aftermath of strokes. Statistically, Americans over the age of 65 face a 40% risk of entering a nursing home for long-term care services. Long-term care safeguards couples from losing their most important asset -- the home -- if either one gets sick and must be cared for. Middle age is the best time to consider whether to buy this insurance. Premiums will increase as individuals reach their 60s and 70s. This coverage must be purchased before the age of 80. A healthy 65 year-old person can expect to pay between \$2,000 and \$3,000 a year for a policy that covers nursing home and home care.

FINANCIAL PLANNING

At this stage, financial goals may include both saving for retirement and saving for a specific purpose. Some investments can be long-term. Others perhaps need to be more liquid. For example, newly married couples may want to save aggressively for a home. If both work, one strategy might be to live off of one salary and save the other.

Joint income could put a household into a higher tax bracket, which places greater emphasis on means of deferring taxes on this income. There are a number of Individual Retirement Account (IRA) options. In 2003, both spouses can each put \$3,000 into an IRA. Depending on a household's adjusted gross income, these contributions may be tax deductible. IRA earnings grow tax-deferred until proceeds are drawn out later in life. The level of contributions will increase by \$1,000 each in 2005 and 2008. However, with the exception of an IRA to fund a child's college education, there is a hefty penalty for IRA withdrawals before age 59 ½.

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