



Investor's Resource

Shari Burnum, CFP®, CExP
Branch Manager
100-C Essex Court
Madison, AL 35758
Office: 256-772-4646
Fax: 256-772-9363
Shari.Burnum@RaymondJames.com
www.invresource.com

RAYMOND JAMES®

Auto Insurance for 20-Somethings

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You're shopping for your first car and looking for deals. Unfortunately, there's one thing you probably won't be able to get a deal on--your auto insurance. That's because single drivers under age 25 are in the highest risk category of all drivers under age 70, and consequently, they pay the highest premiums. Although you can't change your age, you might be able to take certain steps to make your premiums more affordable.

Increase your deductible

The collision and other-than-collision (comprehensive) coverages in your auto policy have deductibles, which is the amount of money you'll need to pay upfront before your insurance kicks in. If you raise your deductibles, your premiums should come down. However, before you agree to this, make sure you'll be able to pay a higher share of the repair bill. Keep in mind that the deductibles may differ for collision and other-than-collision coverage. For example, there is often no deductible for glass breakage under other-than-collision losses.

Drop collision and other-than-collision coverage altogether

If you're driving an older car, paying for physical damage coverage (collision and other than collision) may be a waste of money. For example, assume your car's current value is \$1,000, the same as your current deductible. If your car is stolen, the insurance company will reimburse you for the value of the car, minus your deductible--in other words, nothing. And in an accident, you'll be responsible for all repairs up to \$1,000, and the insurance company will reimburse you for any repairs over \$1,000, up to the value of the car--again, nothing. By dropping your physical damage coverage, you can save some money on premiums. Run the numbers yourself, or get help from your agent.

Choose a safe car

A four-cylinder sedan with automatic seat belts, air bags, and antilock brakes is almost always less expensive to insure than an eight-cylinder sports coupe with no safety features, even if the cars are the same year and similarly priced. If insurance costs are an issue, resist the urge to buy that shiny hot rod. Instead, select a car with more safety features that's in a lower risk category. Ask your agent for specific recommendations.

Live at home and drive your parents' car

If you live at home with your parents and continue to drive their car, you'll be eligible to remain a named insured on their auto policy. If your parents have safe-driver and multiple-car discounts, they'll probably get a better rate than you could if you owned your own car and purchased your own policy (though their total cost will depend in part on the cars they own and your driving

record). However, in some cases, your parents may enjoy a significant drop in their policy premiums once you're taken off their policy. If so, your family might do better by setting you up with an older model car and an individual policy without physical damage coverage.

Use multiple-policy discounts

Some insurers will give you a break on your auto insurance if you elect to buy your homeowners insurance or renters insurance from them. In no-fault states, some companies will allow you to waive personal injury protection in exchange for a discounted premium, assuming you have health insurance with the insurer. Ask your agent whether you are eligible for any multiple-policy discounts.

Don't be pressured into buying more insurance than you can afford

If you're like most 20-somethings, you might have a few bucks in the bank, your car, and some other personal possessions, but you don't have significant assets that could be seized if you were sued after a car accident. In this case, the minimum auto insurance coverage that your state's laws or your lender requires is probably sufficient to protect you in the event of an accident. Statistics show that the vast majority of accident claims fall within those coverage amounts.

If you do find yourself in the situation of owing a large sum of money as a result of an auto accident, you will be basically "judgment proof" because you'll have no real assets for anyone to take. Accordingly, you may wish to avoid paying high premiums for high levels of coverage when there's little or no potential benefit. However, if you're a 20-something who has significant assets, you should seriously consider coverage that will minimize your personal exposure and protect you, your family, and your assets. Your agent can give you guidance.

Get married or hold out to age 25

Although no one gets married just to save money on car insurance, you should know that when you do make your vows, you and your spouse will, for the most part, be considered less risky drivers than single individuals. As a result, your insurance company will send you a wedding present in the form of lower premiums.

Also, when you reach age 25, you hit a milestone in the eyes of most auto insurers and step into a new, slightly lower risk category. Everything else being equal, that means a lower rate.

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