

Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department
College of Human Environmental Sciences
University of Missouri-Columbia
(March 3, 2006)

Renters Insurance ... (Source: Insurance Information Institute)

Did you know ... nearly 2/3 of those living in U.S. rental properties are without renters insurance. (Source: Independent Insurance Agents & Brokers of America)

Renters insurance provides financial protection against the loss or destruction of your possessions when you rent a house or apartment. While your landlord may be sympathetic to a burglary or a fire, destruction or loss of your possessions is not usually covered by your landlord's insurance. Because in most cases, renters insurance covers only the value of your belongings, not the physical building, the premium is relatively inexpensive (usually about \$150-\$300 per year).

By purchasing renters insurance, your possessions are covered against losses from fire or smoke, lightning, vandalism, theft, explosion, windstorm and water damage (not including floods). Like homeowners insurance, renters insurance also covers your responsibility to other people injured at your home or elsewhere by you, a family member or your pet and pays legal defense costs if you are taken to court.

Renters insurance covers the additional living expenses if you are unable to live in your apartment because of a fire or other covered peril. Most policies will reimburse you the difference between your additional living expenses and your normal living expenses but still may set limits as to the amount they will pay.

There are two general types of renters insurance policies you may purchase:

1. **Actual Cash Value** – pays to replace your home or possessions minus a deduction for depreciation up to the limit of your policy
2. **Replacement Cost** – pays the actual cost of replacing your home or possessions (no deduction for depreciation) up to the limit of your policy

With either policy, you may want to consider purchasing a "floater." A standard renters policy offers only limited coverage for expensive items such as jewelry. If you own property that exceeds these limits, it makes sense to supplement your policy with a floater. A floater is a separate policy that provides additional insurance for your valuables and covers them for perils not included in your policy such as accidental loss.

Other Resources:

Your State Department of Insurance is a great, informational resource:

Missouri: <http://www.insurance.mo.gov/>

Find yours: http://www.naic.org/state_web_map.htm

Additional insurance resources are also available at the insurance section of our site:
<http://financialsuccess.missouri.edu/insurancehome.htm>

Student Loan Consolidation reminder ... Consolidating your federal student loans this semester appears smart. You have the chance to lock your rates at **4.7%** by consolidating before June 30th. Consolidation does not trigger immediate repayment – you will also have the opportunity to consolidate in the future to take advantage of other programs (like UHEAA), as well as the opportunity to consolidate future loans. Based upon the current 91-day T-bill, your loan rate would rise to **6.21%** on July 1st if you don't. This rate will "officially" be calculated the last business day in May.

More information is available on the student loan consolidation section of our site (<http://financialsuccess.missouri.edu/consolidationhome.htm>) to gather information about calculating your weighted loan rate (if you consolidated last year at 2.82%), consolidating while in school, estimating your monthly student loan payment, etc.

Tip Archive.

Free access to recent weekly financial tips ...
<http://financialsuccess.missouri.edu/archive.htm>

A primary objective of the MU Office for Financial Success is to provide sound, non-biased information related to your financial life. Financial products are neither sold nor promoted. Our service is free to MU students and an inexpensive educational option for non-students. Visit us (<http://financialsuccess.missouri.edu>) to learn more and/or to schedule an appointment.

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Interested in a career in Financial Counseling/Planning? (<http://pfp.missouri.edu>)
Interested in becoming involved with the Office for Financial Success?

Contact me: olesonm@missouri.edu

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