

Financial Protection at Home, in Barracks, on the Road

The Impact of Personal Property Insurance

By J.J. Montanaro, CERTIFIED FINANCIAL PLANNER™ practitioner, USAA Financial Planning Services

Due to their highly mobile lifestyles, it's no surprise that most overseas military members either live on base or rent a private residence on the local economy instead of buying a home. What is startling is that many of these service members don't insure their personal property, leaving themselves open to extreme financial hardship in the case of a fire, severe weather damage, burglary, or other loss.

Even though the Department of Defense includes the average cost to obtain renters insurance as part of the Overseas Housing Allowance for off-base renters, many service members still don't obtain this valuable protection because they don't understand the risks, or they follow the "it won't happen to me" mindset. Renters insurance, also called personal property insurance, is no less important for those in government housing.

Consider the experiences of the following five service members, whose names are fictional, but whose stories play out time and time again in real-life scenarios. While personal property insurance isn't necessary for everyone, here are several common examples of why it pays to be prepared.

Frances – Fighting Fire with Financial Savvy

After a trip stateside to visit family, Frances returned to Belgium and was shocked to learn that her off-base apartment had suffered severe damage from a fire. Frances' furniture was scorched; her TV and stereo melted, and smoke had ruined her clothes. The apartment owner's insurance did not cover her property. Thankfully, Frances' personal property insurance policy covered her losses completely, which amounted to nearly \$8,000, and even paid for some of her temporary lodging expenses while her apartment was repaired.

Adding it Up

Some service members don't obtain personal property insurance because they believe their possessions don't amount to much. Truth is, the average rented two-bedroom residence can contain more than \$20,000 in personal property. Take a few minutes to determine how much it would cost to replace everything in your home, apartment, or even your locker—it may add up to more than you think.*

Personal Property	Sample Replacement Value
Furniture	\$6,000
Military uniforms and equipment	\$5,000
Clothing	\$3,500
TV, DVD, stereo, movies and music	\$1,500
Computer equipment and accessories (MP3 players, speakers, software)	\$1,500
Watches and jewelry	\$1,000
Artwork, decorations and collectibles	\$1,000
Dishes, cookware, silverware	\$500
Camera equipment	\$500
Appliances (microwave, washer, dryer)	\$400
All other property	\$4,000
Total Amount To Replace Everything	\$20,400
Personal Property	Sample Replacement Value

*Source: USAA

Mike – Missing his Music

Stationed in Iraq, Mike's home in the barracks didn't offer much space for stereos or computers. The few luxuries he kept included a personal CD player, a case of 100 CDs, and a digital video camera. It didn't seem like much to Mike until the three items disappeared from his locker one night. When he got home, it cost him more than \$1,000 to replace the CD player and camcorder, and he never rebuilt his music collection. A basic personal property insurance policy costing as little as \$5 per month would have provided \$2,500 of protection against theft, more than enough to send Mike on a CD shopping spree.

The Potters – Protected through PCS

Richard and Patti Potter had accumulated a lot in just two years at their two-bedroom house in Germany – furniture sets, dishes and cookware, and a large entertainment center. When PCSing back to the U.S., it was heartbreaking to learn that much of their property was lost during the move. The government reimbursed the Potters for some of their property, but replacing all of it cost much more than what the military would cover. Thanks to the advice of the base housing office, the Potters had purchased a \$15,000 personal property insurance policy the year before, which cost them about \$10 a month. The policy covered the remaining expenses and helped the Potters avoid serious financial hardship.

Lisa – Lamenting Lost Luggage

Lisa spent a week of R&R touring the British Isles. The sights were unforgettable, but so was the experience of having her luggage stolen halfway through the trip. Lisa's suitcase contained a week's worth of clothes and shoes, jewelry, \$500 in cash, and her new camera. If Lisa had carried personal property insurance, it would have reimbursed her for the losses. Instead, she did her best to enjoy the rest of her trip, knowing it had cost her much more than she'd bargained for.

Steve – Secure for the Superbowl

Superbowl Sunday turned out to be Superbowl Monday for Steve and his friends, who cheered for the Steelers at 8 a.m. from Italy. A neighbor stopped by Steve's apartment to complain about the noise, but tripped over an empty bottle at the doorstep and broke his arm when he fell. The neighbor held Steve liable for the injury, suing him for negligence and requiring him to pay for thousands of dollars in medical bills and legal costs. Once again, personal property insurance was a winning play, since a few extra dollars per month added \$100,000 of liability insurance to Steve's policy.

So even though you may not own a home, it should not be an excuse to forgo insurance. No matter where you live, personal property insurance can be an important tool for protecting for your financial future.

J.J. Montanaro is a CERTIFIED FINANCIAL PLANNER™ practitioner with USAA Financial Planning Services, one of the USAA family of companies. Montanaro recently retired as a lieutenant colonel in the U.S. Army Reserve.

Note: Discussions of pricing for personal property insurance policies in this article are only estimates based on typical rates from USAA, Ltd. Actual costs will vary by location and offering company. Personal property insurance (Renters Insurance) is provided by United Services Automobile Association, USAA Casualty Insurance Company and USAA, Ltd., is subject to underwriting and only available to persons eligible for USAA P&C group membership.

40,000
~~30,000~~

military students can't be wrong.

Find out why.

American Military University

AMU is a member of the regionally accredited American Public University System.

MILITARY ADVANCED EDUCATION'S
2008 MILITARY FRIENDLY COLLEGES & UNIVERSITIES HONOREE

Push your mind.
Advance your career.

LEARN MORE AT www.amuonline.com

OR CALL 877.777.9081