How much should I cover my home for?

It is difficult to decide just how much insurance you need to have on your home to keep your family financially protected. But the actual process of selecting appropriate figure is much simpler than you might think if you break the idea of insurance down and apply its real purpose to your individual circumstance.

Examining the Objective of Homeowners Insurance

Most of the time, the aim of the homeowner is to make sure that they have adequate insurance coverage to be reimbursed should their home be completely totalled during an insurable event. Being made whole is always chosen to being given half the value of your home-which would mean that you must either supplement your insurance benefit in order to return to your lifestyle or that you must reduce your cost of living.

In addition to covering the value of your home it's likely that you want to insure the value of your contents as well so that you are not made to cash out retirement and other savings in order to purchase furniture, clothing and other needs.
Lastly, covering antiques, artwork and other valuables protects your interest in these pieces. While a emotional bond to your belongings can never be fully replaced, the monetary worth of the item and the money you've put into it, can.

What Goes Into Being Made "Whole"

You might think that being made whole by your insurance carrier means that you will get the sale value of our home so you can fix up or purchase another, similar home. But there are actually many other determinants involved in being made whole including:

Debris elimination: If the insurable event left debris around your home, this must be removed before reconstruction can start. This is an extra expense that might exceed the value of your home but is important to begin the process that will make you complete.

Following building codes: Over the years, as building materials change, the required codes for building are updated too. The original windows that might once have been adequate may not be wind resistant enough for your local building codes, so rebuilding your home may incur many costs that surpass the true value of your former dwelling.

Catastrophe awareness: If a natural disaster is the result of your insurable event, then it's unlikely that yours is the only home affected. That means that construction firms will be overwhelmed and may increase prices to keep up with demand. These inflated costs may even exceed the limits on your policy. When calculating the replacement cost of your home, you will want to keep this in mind.

Figuring Out the Right Amount for you

All of this information may do nothing more than make you concerned that you don't have enough home insurance coverage. But being intimidated may lead to inaction, which is the worst step you can take. Alternatively, develop a plan of action for calculating a reasonable amount of home insurance for your family.

1. Begin by getting a real estate appraisal. While this might be costly, it can give you a accurate idea of the value of your home and the limits you should select.

2. Work with your agent: Your insurance agent can give you an estimate of the insurance company's replacement cost for your home. A program by Marshall & Swift instantly measures data including location and building costs and determines your likely replacement costs. This data could change annually so it's important to ask your agent for updates when you renew your policy.

3. Survey homebuilders: No one knows current prices for home building quite like those companies that are actually doing it. Call a local home builder and tell them that you want a valuation so you can get suitable insurance coverage. They may charge for the estimates.

Remember, protecting your family's largest and most important investment is your main concern when buying insurance. While you may be satisfying the requirements of a lender by taking out a policy, that should not be your only reason for doing so. Ensure that you and your family will have some financial recourse should you encounter an insurable event should be your highest priority.