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Money Matters | Don't overlook travel insurance when planning your spring break or summer vacation

By KEN EATON

Chances are, when you plan your next vacation, you will be asked if you want travel insurance. So that you don't have to make that decision at the last minute, with your credit card in hand, here are some things to think about ahead of time.

Travel insurance can take many forms, but the typical policy is designed to reimburse you for your out-of-pocket costs if you have to cancel your trip or cut it short or if you have a medical emergency during your trip. It may also offer medical coverage while you are on your trip, payment for lost luggage, or an airline ticket home if you get sick. The typical policy costs between 5% and 10% of the entire cost of your trip. For instance, insurance on a \$2,000 trip will cost somewhere between \$100 and \$200. Whether or not that cost is reasonable, though, really depends upon how much of that \$2,000 is actually at risk.

Although most airline tickets are nonrefundable, they can usually be exchanged for another fare, after a change fee of around \$150. Most hotels have liberal cancellation policies and will only charge one night's stay even if you cancel on the day before you are scheduled to arrive, and most car rental companies do not charge anything until you pick up your car. Additionally, you may find that you already have the medical coverage or lost luggage protection that you need through your health insurance plan or your credit card company. So, although your entire trip may cost \$2,000, you may only really be out of pocket \$500 if you have to cancel.

On the other hand, many cruise and tour companies require prepayment months in advance and impose hefty cancellation fees. Also, if your trip abroad is cut short because you are sick or, if you miss your cruise because of a flight delay, the flight home or to the next port of call could be exorbitant. In those cases, the peace of mind alone may be worth the extra cost. As a general rule, the earlier that you pay for your travel, the farther away from home that you will be, and the less control that you have over your itinerary, the more valuable travel insurance could be.

Even in those cases, though, beware of the fine print. Your trip has to be cancelled or cut short for covered reasons, like your illness or the loss of your job. In most cases, you can't just cancel because you decide to go somewhere else. In addition, your illness may not be covered if it is considered a preexisting condition. Also, the reimbursements for things like lost luggage or airline tickets may be capped at a certain dollar amount.

If you do decide that you want the insurance, shop around. Look for the policy that fits your needs. There are several travel insurance comparison websites like www.squaremouth.com or www.quotewright.com. Make sure that you buy from a reputable company, and read the policy. The last thing you want is to buy a policy that doesn't pay when something does go wrong because the company can't or won't. Then, relax. After all, you're going on vacation.

The Money Matters column is written by members of the Financial Planning Association of Greater Kansas City. This week: Ken Eaton, a Certified Financial Planner with Stepp & Rothwell, Inc., Overland Park.