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7 FINANCIAL PRODUCTS YOU CAN LIVE WITHOUT

From identity theft insurance to hard-to-understand investments, be wary of these products.

By: Maryalene LaPonsie - August 4, 2017

Some financial products are must-haves. Retirement funds, health insurance and college savings accounts are all necessities for those who want to be prepared for major life expenses.

However, there is no shortage of other policies, products and plans being marketed to the masses. From specialty insurance to complex investments, some may have limited benefits and questionable value. Others may be good buys but only for a small portion of the population.

According to finance experts, the following are seven products you can live without.

1. Identity theft insurance. No one wants to discover someone is opening bank accounts in their name or filing bogus tax returns with their Social Security number. That fear helps drive sales of identity theft insurance, but consumers may not realize the product won't erase the possibility of these nightmare situations.

"It doesn't actually protect you," says Michael Keeler, certified financial planner and CEO of Peak Financial Solutions in Las Vegas. "It just [provides] some people who will help you."

Keeler says most people can do for themselves the services provided by identify theft insurance companies. Some policies may cover expenses related to the identity theft, but policyholders may not need that coverage. Only 14 percent of identity theft victims experience out-of-pocket losses of $1 or more, according to a 2015 report from the Department of Justice.

2. Short-term disability insurance. While short-term disability insurance has benefits for new workers, its cost may outweigh its benefits for established employees. "It's very, very expensive to have," says Galen Bargerstock, president of Government & Civil Employee Services, LLC in Indiana, Pennsylvania.

Rather than shell out for a policy, Bargerstock says long-time workers may be able to use accumulated personal leave time to compensate for lost wages.

3. Cancer or critical illness insurance. Those with a family history of cancer may be tempted to buy a cancer insurance policy, which provides a lump-sum payout after a diagnosis. Critical illness insurance operates in the same way and will provide cash in the event of a heart attack, stroke or similar serious condition.

Getting that extra money might be nice, but chances are, people already have other options to pay their expenses. "In general, people should avoid [these policies] when a really good comprehensive health insurance plan will cover it," Bargerstock says. Workers may also have long-term disability as an employment benefit to provide cash should they be unable to return to work after their illness.

Shanna Tingom, co-founder of Heritage Financial Strategies in Gilbert, Arizona, says people should review their current policies and benefits before spending money on a plan that covers only one or a handful of conditions. "I'm not going to buy a policy for one possibility when I have something else that will cover me," she says.

4. Full automobile coverage. States may require drivers to carry automobile insurance, but there is no reason to get full coverage. "At a certain level of wealth or if you have a car that isn't worth much, [full coverage is] just not worth it," Tingom says.

Full coverage can be a smart purchase for those who can't afford to replace their vehicle. For everyone else, paying less for a lower level of insurance can make more financial sense.

5. Accidental death and dismemberment. For Keeler, no financial product is more irksome than accidental death and dismemberment. "Does my wife need more money if I die in a car accident rather than have a heart attack?" he asks rhetorically.

Accidental death and dismemberment policies, also known as AD&D, have narrow coverage rules which means benefits can be difficult to claim. Instead of buying this specialty product, look for life insurance or long-term disability insurance, both of which offer broad coverage.

6. Dental insurance. Keeler also isn't sold on the idea that everyone needs dental insurance. "In these days of fluoridated water, it doesn't make sense," he says. Rather than buy coverage, he opts to the pay for his cleanings out-of-pocket and calculates he comes out ahead financially compared to what he would pay for insurance.

Those with a history of dental problems or conditions like diabetes that can lead to cavities or gum disease may find dental insurance is a smart investment. Otherwise, you could be better off skipping insurance and putting the money you would pay for premiums into savings instead.

7. Any investment you don't understand. Everyone should put money aside for retirement, college and other long-term savings goals, but you can live without any investment you don't understand. "A good general rule is to avoid products that seem too complicated to fully understand," says Michael Edesess, the chief investment strategist for Compendium Finance in Herndon, Virginia. "[That's] not because complicated is in all cases necessarily bad, but because complexity offers product designers an opportunity to game the investor."

In other words, complicated investments offer a way for unscrupulous people and companies to charge exorbitant fees or, in some cases, run outright scams. Plus, if you don't understand the investment, you could be taking on more risk than you'd like or locking your money into unfavorable terms.

Galen Bargerstock, president of Government & Civil Employee Services, LLC (GCES), is concentrated on navigating federal and state employees through financial and retirement planning. Galen holds a Pennsylvania Life, Health and Annuity License, as well as Series 6 and 63 licenses.

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