

A composite image featuring a sailboat on the water with mountains in the background. The top half shows the sailboat's mast and rigging against a clear sky. The bottom half shows the wooden deck of the sailboat and the churning water in the wake. The text is overlaid on the top half.

Remember Insurance When Making Big Purchases

The logo for White Oaks Investment Management, Inc. features a stylized, hand-drawn outline of a tree or leaf in a light brown color. The text "WHITE OAKS" is written in a large, bold, serif font, and "INVESTMENT MANAGEMENT, INC." is written in a smaller, all-caps, sans-serif font below it.

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Remember Insurance When Making Big Purchases

No matter what time of year it is, there are many things to consider when making big purchases. As the token phrase of economics suggests, "There's no such thing as a free lunch." The surface cost of your yacht or vacation home is the obvious upfront expense that is associated with the purchase. However, with **more wealth comes more layers and assets you must protect.**

Being a busy CFO, attorney or other executive, you are probably overburdened with day-to-day tasks at work.

Do you really have the time to read the fine print for insurance on your big purchase?

Are you certain that you don't have a gap or discrepancy somewhere?

Not having the right amount of coverage can mean huge losses, or worse--liability past your maximum coverage, which means someone could sue you for other assets. For example - did you remember to add that new

ATV to your insurance policy? If not, you could face significant liability if your teenager injured someone.

There simply aren't enough hours in a day to properly plan and execute all of your long-term financial goals for your purchases. For example, you may have a son or daughter whose 18th birthday is coming up, and you want to buy them a car. Do you know how to properly insure them, without adding risk and liability to your family assets?

This guide will help walk you through why insurance is so important when you have wealth and assets. While it's not something the majority often thinks about, it is invaluable to protecting your livelihood and **making you whole again after a financial loss.** You've spent your entire life establishing your financial footprint in the world--don't lose it all by not taking proactive measures with insurance.



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Making Big Purchases 101

If you're reading this, chances are, you've made a big purchase in your life before. You've gone through the buyer's journey, where you've weighed the options and decided on something for your home, yourselves or your children.

A big purchase can span across many things, of course. This can include, but is not limited to, a new:

- ➔ Vacation home
- ➔ Car
- ➔ Yacht or boat
- ➔ College education
- ➔ ATV or four-wheeler
- ➔ Antique furniture
- ➔ A gun collection
- ➔ Computer

From there, depending on your situation, you may decide to buy whatever "it" is in full or make payments.

But once you decide to buy, that's only the first step. You then need to discern whether your new gadget, or piece of furniture, requires or needs insurance. It's obvious from the aforementioned list that you can't insure everything, but it's critical to insure the things that, well, need insuring or create significant liability.

This includes regular insurance and umbrella coverage, which we'll be covering next.

Why Insurance & Umbrella Coverage is Essential

If you have assets, it's vital to have insurance and umbrella coverage. Surprisingly enough, many business executives don't have a holistic strategy or properly allocated insurance coverage for their purchases and possessions.

Due to the fact that the insurance industry is a commission based industry, many clients feel that they are being "sold" insurance. Working in-tandem with an insurance agent and a fee-only investment advisor helps clients feel they are receiving the best collective advice.

When you have wealth, insurance is your saving grace in the event of a burglary, house fire, car accident, being sued, or a portion of a six-figure income for a family member with life insurance in the event of the policyholder's passing. As mentioned previously, it's designed to make you and/or your family whole financially in the event of a loss.

Let's use hypothetical Mary as an example:

Mary has a vacation home, and decided she wanted to tear down and rebuild so she could rent the property throughout the year. The original house got torn down, and another was built in its place. Her insurance was for the old home. A few months later, a fire damages a large part of the new house.

When she goes to talk to the insurance company, Mary discovers she never transferred her insurance to the new house (the policy was still listed on the original house that had been torn down). Consequently, the insurance company may not pay for the damages because it was not under the correct house, making Mary pay for everything out-of-pocket. Any expensive possessions or antiques would also not be reimbursed.

Mary could have done a few things differently in order to protect her home and the possessions inside, including:

- ➔ Discussing her decision with a financial advisor to ensure the insurance transferred over to the new house
- ➔ Appraising her existing possessions and antiques in the event of a loss

Don't Fall Into the Donut Hole

Many clients use different insurance companies. This can create issues. For example if your underlying auto policy covers \$50,000 worth of property damage, but your umbrella doesn't kick in until \$100,000 worth of damage - then even though you have an auto policy and an umbrella you still have to pay the \$50,000 difference between them.

Why Insurance & Umbrella Coverage is Essential (cont.)

Umbrella Coverage

Umbrella coverage is basically **extra liability insurance**. This covers you in the event of a tragic event or accident where you are held responsible or liable. It can be added on top of your homeowners, auto or boat insurance policy for purchases and investments you make.

For instance, let's say Mary has a son, Steven. She buys him a brand new car under her and her husband's insurance policy since they retained ownership of the car. If Steven gets into an unforeseen accident and injures a surgeon and permanently damages the surgeon's hands, this can be very troublesome for a family with considerable assets due to the liability of the owned vehicle.

This surgeon will be able to **sue if the damages to his hands exceed the policy limits**. Not only would there need to be compensation for the injuries, but toward the fact that the accident laid the surgeon's entire career to ruin. Since the ownership of the car

is connected directly to Steven's parents, the surgeon could sue the parents for assets and other valuables.

If there's umbrella coverage, however, this protection will likely provide you and your family additional coverage. Also, in this example, it's essential to transfer ownership of the car and have the adults kids have their own separate policies once they are old enough to drive. This will avoid any accidents coming knocking directly to your front door.

Keep in mind umbrella policies can be bought for cheaper than you might think. Make sure you're protected, and always remember to reevaluate your policies with your financial advisor.

In the next section, we will discuss how to move forward and ensure you have the appropriate coverages on your big purchases.

What to Consider Moving Forward

We've emphasized how important insurance and umbrella coverage is in the last section--now, it's important to know how to proceed. You're probably thinking off the top of your head, "*Are my purchases properly insured?*" and "*What can I do to make sure what happened to Mary doesn't happen to me?*"

First, there are a few questions you should ask yourself for the present and future:

- ➔ What do I want to protect?
- ➔ How much can I allocate to insurance?
- ➔ What's the cost of not having insurance if an accident occurs?
- ➔ Do I have my possessions properly appraised?

You're not alone; **a financial advisor can help you with your insurance across all fronts**, from auto, boat, motorcycle, homeowners, and otherwise.

Here's a few ways an advisor can help you remember insuring what's important. They will:

- ➔ Take you to an insurance broker to compare vendors
- ➔ Compare and review policies
- ➔ Ensure your policies have the right deductibles and coverage for you
- ➔ Help you develop and maintain a plan for future purchases



The Takeaway

The insurance industry is ever-changing. Don't worry if you aren't well-versed with what to do for your vacation home, or antique furniture. You have wealth, and insurance is a **protective measure to ensure you keep that wealth.**

Always remember when you make a big purchase to consider adding insurance on it for added security and peace of mind. An advisor can help you determine what needs insurance, and what does not, and can point you in the direction of a broker to get the policies you need.

We thank you for reading this guide, and if you want to learn more, we invite you to check out our blog and to contact us for any questions!



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