



MANAGE THE DOWNSIDE



You'll get nothing, and like it.

— *Ted Knight as Judge Smails, Caddyshack*

If anything has been learned in the last year or so, it is the importance of minimizing losses. While this is true of financial investments, it is also true of another often-overlooked asset class—insurance.

While the mere mention of the word insurance is enough to clear a room, people ignore its importance at their peril. One of the first questions on our client questionnaire concerns umbrella insurance coverage. That coverage affords protection for catastrophic occurrences, like a serious car crash. While it cannot protect your assets from market forces, it can insulate them from accident related losses. It does not typically cover business risks, which landlords often overlook at their peril.

Umbrella coverage should be purchased from quality carriers with sufficient limits to cover your assets. Wealthy, high profile individuals, or those who enjoy more exhilarating pursuits (boating, flying, hunting, etc.) should review their coverage. It is surprising how inexpensive this coverage is, and the peace of mind for insureds (and their advisors!) is invaluable.

Another type of insurance that is almost always overlooked is life insurance. Most people adopt the “set it and forget it” approach to life insurance. They buy a contract then set the premium payments on autopilot.

That strategy is akin to buying a security and ignoring it for years, never comparing its performance to that of another investment opportunity. This is an especially dangerous and expensive practice when used by trustees of insurance trusts. Perhaps surprisingly, the cost of life insurance is often many times

that of quality estate planning, although both work well when used together.

Many people who do review their life insurance coverage find that they no longer need their existing life insurance policies, or can get by with a smaller policy. This is frequently true if the policy was originally purchased to pay estate taxes; the need may have evaporated due to investment losses or the increase in the federal estate tax exemption to \$3.5 million. But remember, Rod Blagojevich left Illinoisans only a \$2 million exemption from estate taxes.

Others discover that they can upgrade or maintain their life insurance coverage at a lower cost. And a few others find that they can sell their existing policies, rather than simply letting the policies lapse.

In an era of greater cost consciousness, prudence dictates that you review what you have to ensure you insure what you need. So manage the downside and cover up.



Comedian Bill Murray recently hit a golf ball, striking a golf tournament spectator. Tournament spectators wore hard hats the next day.