

UMBRELLA INSURANCE– WHY PURCHASE AND HOW MUCH?

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STEVE McCARTHY
CPA, CFP®,
Owner and Principal
650 610-9540 x 303
steve@mamportfolios.com

“The relatively moderate cost of these important policies are well worth the peace of mind they provide.”

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



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We last wrote about umbrella insurance in our March 2013 Monthly Commentary. These policies were created to provide additional liability coverage when a lawsuit is brought over injuries and/or property damage that exceed the liability limits on auto, home, boat, etc. insurance policies. **We highly recommend that most MAM clients have a policy because:**



- They provide additional lawsuit coverage of \$1 million or more.
- They provide added coverage for legal defense costs, which can easily amount to \$100,000 or more.
- Those with young drivers, a dog, a swimming pool, or even a trampoline, have potential dangers that add to their risk profile.
- These policies provide “catastrophic coverage” that is unlikely to ever be needed, and they cost as little as \$250 to \$500 per year. This cost is well worth the peace of mind the coverage provides.

Why don't more people have umbrella policies? While we know that most MAM clients have a policy, many relatively affluent people don't have coverage. Why is that? Banks require homeowners to buy home insurance when they have a mortgage and states require drivers to buy auto insurance. However, no one mandates buying a policy that could turn out to be the most important one you purchase.

Our Services

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services:

- Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:
 - Tax Return Preparation
 - Income Tax Projections
 - Tax Minimization Ideas
 - Tax Authority Representation

Other Services:

- MAM has retained several outside experts, whose services are available at no cost to our clients:
 - Medicare Planning— Eileen Hamm of Superior LTC Planning Services, Inc.
 - Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

How much coverage should be purchased?

Even with a legitimate cause for a lawsuit, most potential plaintiffs won't go to court for massive damages unless the defendant has significant assets. Suing someone without assets is pointless. However, when the defendant is even moderately wealthy, the chances of litigation are higher even when the cause is frivolous.

With lawsuits costing upwards of \$300,000, having an insurance company with an obligation to defend you in court is a major benefit of umbrella insurance. For those with assets sufficient to make them a target for lawsuits, umbrella insurance is very important.

A coverage amount equal to your net worth is one starting point. However, if your net worth is \$1 million and you are subject to a \$2 million settlement, you could still be wiped out if you only have a \$1 million policy. According to [one study](#), "13% of personal injury and liability awards and settlements are \$1 million or more." For most, somewhere between \$2 million and \$5 million is a good amount of coverage.

Disclaimer- We do not sell insurance or have an insurance license. The information in this article is intended to help you get a conversation going with your property insurance agent.