

Tax-Free Retirement Strategies for High Earners



By Genevieve E. GEORGE, CPA, CFP[®], CFE
Financial Advisor

IMAGINE THAT YOU ARE DRIVING IN A RAINSTORM in Florida. You hit a patch of water and hydroplane into another car. The incident results in a collision involving several cars. The incident report has you at fault for the accident. You have automobile insurance, but your coverage is not sufficient to pay for the repair or replacement of the other drivers' vehicles or the medical costs that they're suing you for. Are your personal assets at risk? They could be. But you might also be protected against claims in excess of your auto coverage by an "umbrella" policy.

WHAT IS UMBRELLA INSURANCE AND WHAT DOES IT COVER?

Umbrella insurance is a liability policy that can cover you against claims beyond the limits of your auto or homeowners insurance. Claims are addressed initially by your auto or homeowners insurance; whatever is left falls under your umbrella policy. In the example scenario above, if your auto coverage is \$500,000, and you have a \$1 million umbrella policy, you would have \$1.5 million in coverage.

Umbrella insurance covers members of your household, so if your teenager was the driver, you would still be covered. Of course, it is always advisable to get the details on who and what is covered by your policy when you establish it.

WHO SHOULD HAVE AN UMBRELLA POLICY?

It makes sense to purchase umbrella insurance if your personal assets are not considered "asset-protected." Your assets are protected against liability claims when held jointly under tenants by entirety, in retirement plans, an asset protected trusts or family limited partnerships. Your primary residence is asset protected as well (homestead). However, even if you are adequately protected by how your assets are established and held, the additional coverage can be beneficial. For example, it might alleviate the need to hire an attorney to defend against the claims beyond the limits of your auto insurance coverage. Your auto and home insurance will provide an attorney for the insurance company, but having the umbrella allows you to continue that argument past your liability levels and it also incentivizes the insurance company to get things wrapped up under the umbrella or on your standard property and casualty policy.

Umbrella
insurance
covers
members
of your
household.

Consider umbrella insurance an investment in your peace of mind against some unlikely unfortunate incident in your future.

Still, umbrella insurance shouldn't break your bank. Consider it an investment in your peace of mind against some unlikely unfortunate incident in your future.

HOW DO YOU GET UMBRELLA INSURANCE?

You can obtain umbrella insurance through your homeowners, auto or boat insurance broker. You can talk with your advisor to determine an appropriate level of coverage based on your assets, then buy the policy through your insurance provider.

HOW MUCH SHOULD UMBRELLA INSURANCE COST?

Average costs for \$1 million of Umbrella Insurance coverage is typically between \$150-300 per year. Coverage beyond that will be incrementally smaller per \$1 million of coverage. For our family, we have several cars, so our baseline umbrella policy is \$162 annually, but to include our additional vehicles, it is an annual cost of \$327 total, for \$1 million of coverage.

Since umbrella policies pay out after your auto, homeowners, renters or co-op/condo policy coverage is exhausted, there will be basic levels of auto coverage required to qualify. According to the Insurance Information Institute, most insurers will want you to have \$250K of liability insurance on your auto policy and \$300K of liability insurance on your homeowners policy in order to sell you the umbrella coverage.

This type of insurance is something we recommend our clients have in order to protect them should something terrible occur. The costs are reasonable and could provide additional peace of mind that you are well protected. It is important to review all of your insurance coverage at least annually so you know what is covered and the limitations of that coverage. Your advisor can speak with you about this if you are looking for additional guidance.

The information included in this document is for general, informational purposes only. It does not contain any investment advice and does not address any individual facts and circumstances. As such, it cannot be relied on as providing any investment advice. If you would like investment advice regarding your specific facts and circumstances, please contact a qualified financial advisor.

Any investment involves some degree of risk, and different types of investments involve varying degrees of risk, including loss of principal. It should not be assumed that future performance of any specific investment, strategy or allocation (including those recommended by HBKS® Wealth Advisors) will be profitable or equal the corresponding indicated or intended results or performance level(s). Past performance of any security, indices, strategy or allocation may not be indicative of future results.

The historical and current information as to rules, laws, guidelines or benefits contained in this document is a summary of information obtained from or prepared by other sources. It has not been independently verified, but was obtained from sources believed to be reliable. HBKS® Wealth Advisors does not guarantee the accuracy of this information and does not assume liability for any errors in information obtained from or prepared by these other sources.

HBKS® Wealth Advisors is not a legal or accounting firm, and does not render legal, accounting or tax advice. You should contact an attorney or CPA if you wish to receive legal, accounting or tax advice.



Genevieve George, CPA, CFP®, CFE

Financial Advisor, HBKS® Wealth Advisors

Genevieve is a Financial Advisor in the Stuart, Florida, office of HBKS®, working with Stephen Schramm and his team. She brings more than 10 years of public accounting experience working with clients

in a number of industries. She is also a Manager for the firm partner HBK CPAs &

Consultants. She holds the designations of Certified Public Accountant, CERTIFIED FINANCIAL PLANNER™ and Certified Fraud Examiner.

Investment advisory services are offered through HBK Sorce Advisory LLC, doing business as HBKS® Wealth Advisors. NOT FDIC INSURED - NOT BANK GUARANTEED - MAY LOSE VALUE, INCLUDING LOSS OF PRINCIPAL - NOT INSURED BY ANY STATE OR FEDERAL AGENCY