

# A Woman's Perspective

## Building Strong Financial Foundations

*Engage, Enrich, Enjoy*

A *Woman's Perspective* is designed to engage, enrich, and educate you about the importance of proactively managing your financial life.

Having your personal finances in order can give you the peace of mind needed to focus your attention and energy on what is most important in your life—your family, friends, health, and varied life passions.

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### Author

Kathleen Burns Kingsbury,  
LMHC, CPCC  
KBK Connections

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## Insurance 101: What You Need to Know to Protect Your Family

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Insurance is an important part of any comprehensive financial plan. When managed properly, insurance can protect your family's assets against unforeseen losses and liabilities and can help in reducing estate taxes associated with wealth transfers. Selecting the right policies and reviewing each one periodically is important in making sure you and your loved ones are adequately covered now and in the future.

Over the past few decades the insurance industry has evolved to meet the changing needs of the consumer; however, the products offered are more complex and often difficult to understand. To help clarify some common misconceptions about insurance and help women take an active role in managing risk for the family, Silver Bridge hosted a luncheon and panel discussion on March 30, 2010 entitled "Insurance 101" as part of its *Woman's Perspective* series. The panel consisted of Susan Ogronnik-Smith, CIC, the Chief Sales Officer for Personal Insurance of HUB International New England, LLC, and Hillary Koritz Price, CLU, ChFC, Founder and Principal of Koritz Insurance. Dune Thorne, CTFA, a Silver Bridge Principal and Managing Director facilitated the discussion.

Five types of insurance, including casualty, property, disability, life and long-term care insurance were reviewed. Casualty and property insurance protects assets from unexpected losses such as fires, floods and unforeseen liabilities such as lawsuits. Disability insurance covers lost wages in the event a person is unable to work due to an accident or injury. Life insurance provides loved ones with replacement income in the event of death and, when structured properly, can provide estate liquidity. Long-term care insurance, a newer insurance offering, is used to cover the various costs associated with chronic, long-term illnesses.

Ogronnik-Smith, a 23-year veteran of the property casualty insurance industry, shared her list of the top five most overlooked risk management issues. The list included:

1. Failure to conduct a comprehensive insurance review annually
2. Purchasing a homeowners' insurance policy with insufficient coverage
3. Failure to consider all factors when purchasing liability insurance
4. Assuming jewelry and art collections are covered under a homeowners' policy
5. Not maintaining liability coverage for "toys" such as watercraft, yachts, aircrafts, motorcycles, snowmobiles and collector vehicles

High-net-worth families should identify and plan for potential liability exposure resulting from their lifestyle. Some factors to consider include non-profit board involvement, business ownership, significant liquidity events, living a high-profile life, and employing domestic employees and other staff members.

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The second half of the panel discussion focused on life and long-term care insurance. Price stressed the importance of families determining the financial goals associated with these products and then implementing policies and strategies to accomplish these objectives.

Life insurance can be used for two different purposes. First, it can replace income lost in the event of a death in the family. While some couples only insure the major breadwinner, Price believes it is important to have coverage on both partners. She stated “If one partner stays home, oversees the childcare and manages the home, the cost of hiring someone to perform these duties outside the home is costly,” and therefore, should be considered in the life insurance needs analysis. The second objective in purchasing life insurance is to create liquidity for wealth transfer purposes. Price explained that by holding a life insurance policy in an Irrevocable Life Insurance Trust, high-net-worth families can provide liquidity to satisfy estate tax payments and avoid having to liquidate real estate or family businesses while also moving the insurance out their taxable estates.

Long-term care insurance, which was introduced to the market about twenty years ago, is “peace of mind coverage,” according to Price. She highlighted how this type of coverage is optional, especially if a family has enough assets to cover the cost associated with aging and illness. However, many of her clients choose to buy long-term care insurance so that family members are not faced with difficult financial decisions at the same time they are caring for a loved one who is ill. Price recommended purchasing long-term care insurance in your late fifties, as premiums increase substantially at 60 years of age.

How can you make sure you are properly insured? Ogrondnik-Smith highly recommended hiring one broker to take a big picture view of all your casualty and property insurance needs, and then re-evaluating your coverage every three to five years. Price suggested asking your broker to conduct an “in-force analysis” every few years. This analysis projects how your life insurance policy will perform in the future based on the terms of the policy and any changes in the market environment since your initial purchase.

Insurance, just like the other parts of your overall financial plan, needs to be reviewed, updated and modified regularly. By taking the time to work with your financial advisor and insurance broker to re-evaluate your coverage, you can take steps to meet the changing needs of your family, respond to shifts in the market place, and feel confident that you and your loved ones are fully protected. ■

*A Woman’s Perspective* is spearheaded by Dune Thorne, who is passionate about empowering women to learn about finance in a trusted, collaborative environment. Having researched women and money, she knows firsthand that many women prefer “relationship-based learning and make decisions, not just learning from experts but learning from each other.” For more information about *A Woman’s Perspective* and Silver Bridge Advisors, visit [www.silverbridgeadvisors.com](http://www.silverbridgeadvisors.com).

*This article was written by Kathleen Burns Kingsbury, LMHC, CPCC, Founder and CEO of KBK Wealth Connection, a company passionate about helping financial services professionals and their clients master their money mindset through wealth psychology. For more information, visit [www.kbkconnections.com](http://www.kbkconnections.com).*

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