

## PROTECTING YOUR WEALTH AND LIFESTYLE

*Manage Potential Financial Risks with a Well-Designed Insurance Plan*



Howard Wilson\* thought it was a good idea when his 17-year-old daughter invited a friend to join them at their summer cottage for the weekend. But when the two girls were out on the lake cavorting on a pair of jet skis, her friend fell off at high speed and wound up in the hospital with a concussion and a broken arm.

Her parents sued Wilson for \$3.5 million for negligence, medical costs, pain and anguish. As a result, with only \$500,000 of liability coverage under his vacation home's insurance policy, Wilson lost both his cottage and a sizeable portion of his investment portfolio.

### SUCCESSFUL FAMILIES HAVE A LOT AT STAKE

Whether you are entertaining guests at home, running a business or serving on the board of a nonprofit organization, your daily activities expose you to an extraordinary level of legal and financial risks. A single personal liability loss can wipe out years of careful financial planning and impact your ability to achieve your life goals.

High-net-worth individuals with substantial assets are especially at risk in today's litigious environment. That's why it's important to manage these risks just as effectively as you manage your other financial assets, to protect and preserve your lifestyle and wealth.

### EXCESS LIABILITY INSURANCE

The first line of defense is something called excess liability insurance. This insurance protects you against large losses or losses not covered under the primary policies covering your home,

automobile, watercraft and other assets. It can protect you against multi-million dollar settlements resulting from personal injuries and property damage. It also can cover you against damages for unusual events, such as lawsuits for libel, slander, wrongful eviction and invasion of privacy.

Sometimes called an "umbrella" liability policy, excess liability coverage can be added to your existing homeowners or automobile insurance, or it can be purchased separately as a stand-alone policy.

Excess liability coverage is critical because the courts often award damages that far exceed the actual financial losses incurred, such as money for pain and suffering, mental anguish, negligence and punitive damages. Damages can quickly exceed the liability coverage of standard insurance policies and potentially decrease your personal assets. If you do not have the funds to pay for damages right away, the courts can even place liens or garnishments on your future earnings.

### IS YOUR FAMILY AT RISK?

Affluent individuals and families are involved in many activities that put them at greater risk for personal liabilities. This is especially true if you:

- Entertain guests at home or at vacation properties;
- Have domestic help;
- Own multiple homes in different states or countries;
- Have property in an area that's prone to bad weather or natural disasters;
- Have a home with unique features such as a swimming pool or tennis court;
- Have an unusual collection of art, jewelry, antiques or automobiles;
- Own an aircraft or a large boat;
- Sit on the board of a corporation or charitable organization; or
- Have a high visibility lifestyle or public profile.

*\*Name and details changed to protect privacy.*



*Don't overlook the benefits of life insurance even if you have substantial assets or if you are approaching retirement.*

### **SERVING ON THE BOARD**

Serving on the board of directors of a corporation or a nonprofit organization is both an honor and an activity that many successful individuals enjoy. But it also puts you at greater risk of being targeted by a lawsuit from a disgruntled shareholder, grant seeker, community activist or someone who has an accident on the organization's property.

The insurance industry recently introduced special coverage for directors and officers who serve on corporate boards. These D&O policies protect your personal assets beyond any coverage provided by the organization. With average D&O settlements reaching in excess of \$25 million, according to a PricewaterhouseCoopers study, this may be a prudent choice.

### **LIFE INSURANCE**

Life insurance provides support for the most important people in your life and their continuing needs for housing, transportation, education and health care. It can pay off accumulated debts without saddling your dependents with mortgages, personal loans or estate taxes.

Don't overlook the benefits of life insurance even if you have substantial assets or if you are approaching retirement. Life insurance is a valuable estate planning tool. It can be used to pay estate taxes, replenish or preserve wealth across multiple generations, equalize inheritances among children and support charitable causes.

Business owners can use "Key Person" life insurance coverage to protect a business from the loss of an essential employee or to pay the recruiting and training costs for a replacement. Or you can use a "Buy-Sell" agreement and insurance policy to provide cash to purchase a deceased partner's interest in a business, ensure continuity of the business and provide funds for the family of the deceased. The cash value on some policies can even help buy out a retiring partner's interest.

### **LONG-TERM CARE**

Long-term care insurance pays for a range of medical and personal services that provide ongoing care to people with chronic conditions who may be struggling to function as independently as they once did.

Many wealthy individuals believe they will simply cover the cost of long-term care from their investments. Yet with life expectancies increasing and the cost of health care rising, this approach actually may be more expensive and have a greater impact on your lifestyle and healthcare choices. It also can deplete assets for future generations and have a detrimental effect on your legacy. As an alternative, you may want to take advantage of the variety of long-term care insurance (LTC) plans available today.

### **PROTECTING YOUR CURRENT INCOME – DISABILITY INSURANCE**

If you are still working or if you have a number of years before you retire, protecting your current income through disability insurance is an important part of retirement planning. If you are a business owner, it's even more important to protect your family and your business from the potentially devastating effects of income lost to disability.

### **SPECIAL CONSIDERATIONS**

**High-Value Homes:** Expensive homes and mansions need specialized coverage because the costs to repair or rebuild them will often far exceed what standard homeowner's insurance provides.

**Property and Casualty:** This insurance protects you from having to sell valuable assets to pay for damages due to fire, theft, weather and other unforeseen events. If you have multiple residences, rental properties or property in hurricane-prone areas, protecting these assets is especially important.

**Domestic Help:** The typical homeowner's insurance policy does not provide workers compensation coverage, something you need to obtain separately if you have full- or part-time domestic help.

*A broad coverage insurance plan will provide you with security and peace of mind.*

**Aircraft and Watercraft:** Insurance for yachts includes the cost of repairs as well as liabilities. Private aircraft insurance includes coverage for the pilot's life, airport liability, workers compensation and more.

**Collections:** High-net-worth families with unique art, jewelry, antiques and other collectibles need specialized valuations and insurance coverage in case of a loss. Insurance for unique collections is not always included under high-value home insurance.

**Kidnapping and Ransom:** Celebrities, high-profile individuals and wealthy business people are at risk when traveling to places where kidnapping is common. If you have to travel to dangerous areas, kidnapping and ransom (K&R) policies cover expenses that go beyond any corporate insurance coverage, such as payment of a ransom, the cost of hiring a professional negotiator, counseling for family members and medical treatment related to the incident.

## **PLAN FOR TODAY AND TOMORROW**

It is important to periodically review your current insurance coverage with your financial advisor and a qualified insurance specialist as part of your overall wealth management planning. A well-thought-out insurance plan will provide you the security and confidence that comes from knowing your assets and the lifestyle that you have worked hard to achieve are fully protected.

For more information, contact a Northern Trust professional. Or visit [northerntrust.com](http://northerntrust.com).

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