Edu4Retirement, Inc.
The Nation's Most Comprehensive Education Program at Retirement

Wealth Management Series – Thirteen Wealth Management Issues

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The Second of Thirteen Wealth Management Issues: Insurance Planning and Risk Management

In this issue of our Wealth Management Series, we will address a fundamental to wealth management: protecting those assets we have accumulated. *Insurance Planning and Risk Management* is a cornerstone to securing our assets.

As introduced in our first newsletter of the Wealth Management Series (Vol.3, No. 1), we at Edu4Retirement, Inc. have a comprehensive program designed to teach people about retirement and the various issues that confront each person as they make their solo journey. Our program provides a process for each of these issues, which are referred to as *Wealth Management Issues*.

The First of the Thirteen Wealth Management Issues, Investment Planning (Vol. 3, No 2.), discussed the important points to consider when consolidating one's investment information. The issues of wealth management are all intertwined; one issue impacts another. Insurance Planning and Risk Management are good examples. If some insurance products are selected, such as an annuity, then perhaps outliving our assets (longevity risk) is not a primary issue. If we have an estate that has illiquid assets but would be subject to estate taxes, then life insurance can provide for the necessary liquidity.

Insurance is a unique financial tool. In addition to allowing protection of assets from loss or damage, it can also be used to solve both personal and business financial problems. For example, life insurance alone can be used for income replacement for your survivors, liquidity for taxes, funds to transfer a business, replacement of a charitable gift, reduction of debt, and equalization of inheritances, just to name a few. When we discuss insurance issues we provide an Efficiency Review of your overall risk management plan. There are four types of insurance. These are life, disability, long-term care, and liability. All four types need to be assessed from three distinct vantage points: adequacy of coverage, appropriateness of policies, and cost effectiveness.

Risk Management: Though often thought of when we discuss insurance, we look at risk management in terms of four possible solutions:

1. Risk Pooling: this is the purchase of insurance in which we all pool our risk and the premiums are spread across a broad group of like individuals desiring coverage for the specific risk. A good example of this is car insurance.
2. Risk Avoidance: this is best described by the following example – in order to avoid the possible risk of a loss in investments due to a substantial stock market decline, the investor only invests in bonds. The investor avoids the stock market.

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3. Retention or Self-insuring: this is where we take on the full risk ourselves. Unfortunately, most individuals self-insure long term care and often it has a devastating impact on wealth accumulation.
4. Prevention: this is best describe by a simple example of shoveling our sidewalk and putting a melting substance to prevent us from slipping and falling.

We need to think of our options each time we have a substantive risk confronting us. Again, we need to look at risk management technique we select and then determine if we have adequacy of coverage; is the technique appropriate for the associated risk and it is cost effective.

We are forever learning going through this process, since family dynamics, personal desires and amounts involved can be infinitely different. However, the patterns we see in personal behavior and decisions of our clients make our experience very helpful to most.

We hope you enjoy the personal journey as we cover each of these Wealth Management Issues. Please rely upon us to help deliver the decisions that fit your desires and ultimately helping you to feel ***empowered*** about your retirement. Michael Callahan and Steve Tillona are available for any questions that may arise as you make this journey. You may contact them at:

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