

Umbrella Insurance:

Helping to Shelter You From a Sudden Storm

If you drive a car...you should consider an “umbrella” policy.

Consider this possibility...

You are driving to work in your car, the same route you have taken every day for the last five years. Today is just like yesterday, but what you don't know is that tomorrow is about to be much different.

You continue on your daily commute when you suddenly collide with another vehicle. There are significant damages to both cars but the other driver appears to be badly injured. You are at fault.

Your life has suddenly changed. Your entire financial future may be at risk.

In circumstances such as these, what may happen next is a lawsuit from the other driver. Then, possibly a long string of court proceedings that may leave you responsible for the legal fees, court costs, and perhaps a sizable financial settlement for the injured party.

Your auto policy pays for accident and liability damages up to the policy limit. It could be that these limits are much too low which exposes your balance sheet to unnecessary risk. Your retirement strategy and a lifetime of savings could all be lost...at the blink of an eye.

So how do you protect yourself from a situation like this?

First, by simply focusing on protecting against what may happen today before planning for tomorrow.

Next, by transferring the risk of a lawsuit to an insurance company...and away from your balance sheet.

An excess liability or umbrella policy provides coverage where your auto and home policy stop. In the case of the car accident, if you had an umbrella policy in place



you may be able to use the policy to help protect your balance sheet and your income. The primary purpose of an umbrella policy is to protect you from unforeseen events, such as bodily injury, property damage, legal fees, financial settlements, and more.

If you answer ‘yes’ to any of these questions, you could be at higher risk and should strongly consider an umbrella policy:

- Do you own a car?
- Do you have teenagers that drive?
- Do you travel away from home?
- Do you have pets?
- Do you own a home?
- Do you have a pool?



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Consider the cost of self-insuring:

Lawsuit	Investment Return	Years	Wealth Lost
\$500,000	6%	25	\$2,145,935

Think about having potentially \$2.5 million disappear from your retirement nest egg! Other than death or disability, perhaps no other financial risk is as potentially devastating.

You have more to protect than you may think...

As a general rule, you want to consider insuring all your assets in an amount equal to their full and complete replacement value. Excess liability protection should be one of the main cornerstones of your financial journey. In addition, you should consider storing a large portion of your wealth in asset types that are protected against the impact of lawsuits. Qualified retirement plans and the cash value of Whole Life insurance are two examples where suit protection exists, but the way individual states handle lawsuit protection may vary, so check with your individual state.

When choosing your umbrella policy coverage limits, consider the hypothetical cost of \$500,000 of umbrella protection compared to the self-insurance costs listed above:

Premium	Investment Return	Years	Wealth Lost
\$150	6%	25	\$8,723

When it rains, you use an umbrella to help protect yourself from the elements. Utilizing an umbrella policy to help protect you from unforeseen events is no different.

Contact your Property & Casualty professional and find out more about this important element of your protection portfolio. Then, place a copy of this policy in your Living Balance Sheet vault and make sure to review it periodically.

You have worked too hard to build your nest egg. Don't let a single traffic accident impact your most important financial dreams and desires.

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