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INSIDE THIS ISSUE:

Points of interest:

- Umbrella policies can protect you against catastrophic losses
- Umbrella policies cover the amounts above your basic insurance coverage
- Coverage are normally quoted from $1 million to $10 million
- Check with your current insurer for possible discounts when combining an umbrella policy with your other insurance

Umbrella Liability Insurance is an Important part of your Finances

When your local weather forecaster tells you that it's going to rain, what do you do? That's easy--you reach for your umbrella. So why not purchase an umbrella that can protect you in stormy financial weather?

Umbrella liability insurance (ULI) can do just that. By providing liability protection above and beyond the basic coverage that homeowners/ renters and auto insurance policies offer, ULI can protect you against the catastrophic losses that can occur if you are sued.

Although ULI can be purchased as a separate policy, your insurer will require that you have basic liability coverage (i.e., homeowners/renters insurance, auto insurance, or both) before you can purchase an umbrella liability policy. ULI is often referred to as excess coverage.

If you are found to be legally responsible for injuring someone or damaging someone's property, the umbrella policy will either pay for the part of the claim in excess of the limits of your basic liability policy, or pay for certain losses that are not covered.

Excess insurance coverage can help you protect your assets from claims against you for injuries you cause.

Why now? It's not raining

These days, it's not unusual to hear of $2 million, $10 million, and even $20 million court judgments against individuals. If someone is injured in your home, or if you cause a serious auto accident, you could have to pay such a judgment. If you don't have an umbrella liability policy at the time of the accident, anything above the limits of your homeowners/ renters or auto insurance policy will have to come out of your pocket.

You should also be aware that certain types of liability claims (e.g., libel and slander) are not covered under basic homeowners, auto, or other types of insurance policies.

What's covered?

A typical umbrella liability policy provides the following protection:

- Protection for claims of bodily injuries or property damage caused by you, members of your household, or hazards on your property, for which you are found liable
- Personal liability coverage for incidents that occur on or off your property
- Additional protection above your basic auto policy for auto-related liabilities
- Legal defense costs for a covered loss, including lawyers' fees and associated court costs

What's not covered?

Umbrella liability insurance typically provides extremely broad coverage. Furthermore, if something is not expressly

(Continued on page 2)

Umbrellas Aren't Just for Rain

(Continued from page 1)

excluded from coverage, it is covered. Exclusions but the following are some items typically excluded from coverage:

- Intentional damage caused by you or a member of your family or household
- Damages arising out of business or professional pursuits
- Liability that you accept under the terms of a contract or agreement
- Liability related to the ownership, maintenance, and use of aircraft, nontraditional watercraft, and most recreational vehicles
- Damage to property owned, used, or maintained by you (the insured)
- Damage covered under a workers' compensation policy

How big of an umbrella?

Coverage limits vary, but a typical policy will provide liability coverage worth $1 million to $10 million. How much you choose to have is usually a cost-benefit decision.

Where can I buy one?

Almost any insurer who writes auto and home insurance policies will also sell umbrella liability policies. In fact, you may be eligible for a multi-policy discount if you purchase an umbrella policy from your current insurer.

Umbrellas come in all shapes and sizes.

Choosing IRA/401k Benficiaries

Selecting beneficiaries for retirement benefits is different from choosing beneficiaries for other assets. With retirement benefits, you need to know the impact of income tax and estate tax laws in order to select the right beneficiaries.

Paying income tax on most retirement distributions

Most inherited assets such as bank accounts, stocks, and real estate pass to your beneficiaries without income tax being due. However, that's not usually the case with 401(k) plans and IRAs.

Beneficiaries pay ordinary income tax on distributions from 401(k) plans and traditional IRAs. With Roth IRAs and Roth 401(k)s, however, your beneficiaries can receive the benefits free from income tax if all of the tax requirements are met.

Naming beneficiaries

When you open up an IRA or begin participating in a 401(k), you are given a form to complete in order to name your beneficiaries. Changes are made in the same way–you complete a new beneficiary designation form. A will or trust does not override your beneficiary designation form.

Designating primary and secondary beneficiaries

When it comes to beneficiary designation forms, you want to avoid gaps. If you don't have a named beneficiary who survives you, your estate may end up as the beneficiary, which is not always the best result.

Your primary beneficiary is your first choice to receive retirement benefits. If your primary beneficiary doesn't survive you or decides to decline the benefits (the tax term for this is a disclaimer), then your secondary (or "contingent") beneficiaries receive the benefits.

Most assets pass to your heirs without an income tax, but not tax-deferred retirement accounts.

Naming your spouse

When it comes to taxes, your spouse is usually the best choice for a primary beneficiary.

A spousal beneficiary has the greatest flexibility for delaying distributions that are subject to income tax. In addition to rolling over your 401(k) or IRA to his or her IRA, a surviving spouse can generally decide to treat your IRA as his or her own IRA. This can provide more tax and planning options.

Naming other individuals

You may have some limits on choosing beneficiaries other than your spouse. No matter where you live, federal law dictates that your surviving spouse be the primary beneficiary of your 401(k) plan benefit unless your spouse signs a timely, effective written waiver.

Keep in mind that a non-spouse beneficiary cannot roll over your 401(k) or IRA to his or her own IRA.

"A spousal beneficiary has the greatest flexibility."

Timing your entry point into the Market is never easy

In 2013, stock market indices set many new all-time highs. Then, 2014 started out with some volatile down days which reminded some of the 2008-2009 bear market. How do you know when it is safe to invest that idle cash you've been hoarding since the great recession?

The January effect?

January 2014 was a down month for the S&P 500 Stock Index. Since 1945 stocks in the US have risen 56% of the time in the remainder of the year when January was down. Higher markets in January have led to higher returns for the rest of the year 84% of the time.

Worry about losses

In 2013 stocks "climbed a wall of worry". There was anxiety about events all year and it turned out to be the best year for US stocks since 1997.

Should you listen to market forecasters? How about veteran newsletter writer Richard Russell, author of the *Dow Theory Letters?* He told his readers to get out of stocks in December 2011, predicting a terrible bear market. Fifteen months later he changed his tune in March 2013. His listeners missed out on some huge gains.

Avoid Media Noise

For the everyday investor it is difficult to avoid the media and market noise and make decisions on investing with a level head. Prices of securities change daily as information about companies and the economy become available.

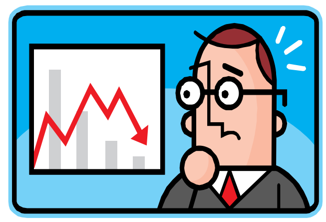
Predicting the short-term future is difficult. Predicting how other investors will respond to unpredictable events is even harder.

Dollar Cost Averaging?

What about dollar cost averaging? That can ease the stress of decision making, but possibly at the expense of missing out on gains.

How about adopting an investment policy and build a diversified portfolio of assets tailored to your needs and appetite for risk? Then rebalance your portfolio on a regular basis, picking up assets that are cheap and selling ones that are expensive.

When reviewing your results years from now, it will probably be difficult to remember why you were worried about when to invest. You may remember, however, why you pursued market rates of return that were there for the taking.



Investors often have trepidation when trying to pick a time to buy stocks.

"In 2013, stocks climbed a 'wall of worry'."

Municipal bonds, Tax season and more

Municipal bond issuance has slowed to the lowest rate in the last seven years. States and cities are using less short-term debt to bridge cash shortfalls. State tax collections nationwide have now grown for 15 straight quarters.

California, New York and Florida are projecting surpluses, due to a combination of economic growth and strict budgeting. All but seven of 363 metropolitan areas will see economic gains this year according to a report from the US Conference of Mayors.

Tax Season Blues

More than 150 million tax returns will be filed for the 2013 tax year. How do preparers keep up with changes to income tax laws? Hard to do-since 2001 there have been more that 4,800 changes (more than one per day) to the tax laws according to CCH, a prominent tax publisher.

According to the IRS, individuals and businesses spend more than six billion hours complying with income tax requirements.

Firm News

We are proud to announce that Alexandra Demosthenes recently passed the CFP® (Certified Financial Planner) examination and was awarded her license. Congrats to Alexandra!

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Life Insurance at Various Stages of your Life

Your need for life insurance changes as your life changes. When you're young, you typically have less need for life insurance, but that changes as you take on more responsibility and your family grows. Let's look at how your life insurance needs change throughout your lifetime.

Footloose and fancy-free

As a young adult, you become more independent and self-sufficient. You no longer depend on others for your financial well-being. But in most cases, your death would still not create a financial hardship for others. For most young singles, life insurance is not a priority.

Going to the chapel

Married couples without children typically still have little need for life insurance. If both spouses contribute equally to household finances and do not yet own a home, the death of one spouse will usually not be financially catastrophic for the other.

Life insurance needs change over time.

Once you buy a house, the situation begins to change. Even if both spouses have well-paying jobs, the burden of a mortgage may be more than the surviving spouse can afford on a single income.

Your growing family

When you have young children, your life insurance needs escalate. In most situations, life insurance for both parents is appropriate.

Single-income families are completely dependent on the income of the breadwinner. If he or she dies without life insurance, the consequences could be disastrous. The death of the stay-at-home spouse would necessitate costly day-care and housekeeping expenses.

Your retirement years

Once you retire, and your priorities shift, your life insurance needs may change. If your mortgage and other debts have been repaid, and you have substantial financial assets, you may need less life insurance protection than before.

But it's also possible that want some insurance to pay your final expenses or to replace any income lost (e.g., from a pension or Social Security). Life insurance can also be used to pay estate taxes or leave money to charity.