

197: Simple Tips for Protecting Your Money



Full Episode Transcript

With Your Host

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Welcome to The *Wealthy Mom MD Podcast*, a podcast for women physicians who want to learn how to live a wealthy life. In this podcast you will learn how to make money work for you, how you can have more of it, and learn the tools to empower you to live a life on purpose. Get ready to up-level your money and your life. I'm your host, Dr. Bonnie Koo.

Hey everyone, welcome back for another episode. Today we're going to talk about asset protection. It's something that a lot of us don't think about because we're more focused on growing our money. As we're growing our wealth, and even when we are "rich," you're going to need some layers of asset protection.

The way I like to explain asset protection is you're putting layers of protection in place. It is not 100% infallible. Is that the word I'm thinking of? But you know what I mean. Meaning just because you have everything in place doesn't mean something bad can't happen, which I know sounds like bad news but there are ways to really make it almost 100%.

And so don't lose all the money you've worked for and have worked so hard to grow as well. A lot of these insurances are relatively cheap, some are more expensive, but when you need them, you really need them. So here's a replay of the episode I did where I talk about how to prepare yourself for asset protection.

Today, I want to talk about asset protection. And here's what I mean by that, basically protecting your money, right? And so I have noticed with my clients that the two things that many of them tend to put off are getting the proper insurances in place, although that part not as much mainly because for the most part it's pretty easy to get it. You can do some things online. It doesn't take a whole lot of time.

Estate planning, for sure, everyone puts off. I'm not going to really go into that right now, but estate planning is getting your wills done, a trust if that is appropriate for you. And I'll just say, if you are a parent, meaning you have kids, or if anyone is dependent on your income, so maybe you take care of

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another family member, maybe it's your parents, you need to get your estate plan in order.

Basically it's the document or documents that tell – I was going to say tell the people, but tell the people, tell the state, probate, et cetera who gets your stuff when you die. I mean, it's that simple in terms of how to think about it. And so many of you are not doing it because it goes on “this is important, but it's not urgent” because none of us think we're going to pass tomorrow. But none of us know when we are going to go, and so it's so easy to put off.

But I'm just going to implore, especially if you're a parent, you really need to get your shit together, okay? So go call that lawyer that you've been avoiding to call. Or if you don't know who to ask your local network, your friends, some of you might be in some sort of professional networks, Facebook groups, ask them.

But put it on your to-do list to get this done. It's going to require probably a few meetings, some back and forth about your drafts. You got to pick some people; guardians, executors, all that stuff. So really think about that. Maybe I'll do a whole other podcast on that, but it just came up.

So I want to talk about insurances today though. And so the way I want you to think about insurances, it's basically you need insurance until you can self-insure. And what do I mean by self-insure? Meaning you have enough money to cover your financial needs if something bad happens. Now, the something bad that happens are, you know, there are some pretty broad categories where people get insurance.

So auto insurance, I'm not going to talk about that because pretty much I'm pretty sure every state requires it. Although actually here's what I'll say about auto insurance, most of us probably just get the minimums. And have you actually looked at what your policy covers? Because you definitely want more than the minimum, because if you actually look at the minimum, especially I'm looking at the medical coverage, if you are in an accident and

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your insurance is responsible for medical bills of the other person, those add up really quickly.

Do you know how expensive our emergency rooms are or medicine and hospital care in the US? It's very expensive. And so if you actually look at what it covers, it's probably really low. And I don't believe it's super expensive to raise that minimum. I know, I don't know exactly off the top of my head what my insurance covers, but we definitely did not go with the minimum.

Now, this actually leads me into the next important insurance that everyone needs, it's called umbrella insurance. And so I'm just guessing most of you already have it. But if you're not sure, this is the type of thing that you really need to know if you have certain insurances. A lot of times they're bundled with auto insurance, so you may have it, but not really understand or know that you have it. But it's insurance that sits on top of your auto insurance and on top of your property insurance.

So if you're a homeowner, you have property insurance, I hope. And I guess if you rent, like I do, then I guess renters insurance, although I'm not quite sure how applicable umbrella insurance is since I don't actually own where I live, but here's what it does.

So let's say you get into a car accident and you're found at fault, or basically if someone sues you, even if you're not at fault, right? And they're suing you for a boatload of money. This is where umbrella insurance will come in. Basically, if it's above the current policy limits of your auto insurance, that's where umbrella insurance takes over and the company that provides it will assign a lawyer to you.

Now, thankfully, I've never needed it, but I do have a friend or two that has needed their umbrella insurance because they got sued for a car accident. And basically you all know that car accidents are not uncommon. So just be sure you have enough. Now people always ask, okay, how much do we need? I think for most people, 2 million is probably sufficient. I think we have 3 million.

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And then people usually ask me, okay, how much does it cost? Well, it really depends on where you live, because if you live in an area where people love to sue, it's going to be more expensive. It's really that simple. So it's pretty standard how the pricing is based on where you live. So make sure you have that, although you probably do.

Okay, the next insurance that I really want to talk about is life insurance. Now, again, if you're a parent and you don't have this, what are you doing? You need it, okay? You definitely need it. And whoever's listening, especially if you're young – When I say young, I guess under 35, although not that over 35 is old. But in terms of life insurance it will matter because your premium will depend on a bunch of factors. Whether you're a woman or a man, if you smoke or not, your age and your medical history.

Now, there are different types of life insurance. I am talking specifically about term life insurance. And all that means is that what you purchase is a specific amount of money that gets paid to whoever you specify, AKA your beneficiary or beneficiaries. And that amount is guaranteed for a certain term.

So for example, I know I have two policies and they add up to, I think 2 million total, but they're two separate policies. So I know one policy is for a million dollars over a 15 year period. Now, I didn't buy it yesterday, I bought it – Actually, I think it's been over five years, maybe seven years since I've had it, and so part of the term is already over.

So basically let's just say I bought it at 35 just to make it easier for illustration purposes. So that means up until age 50, if I pass before the term ends, my heirs will get a million dollars. Also here's what's cool about life insurance, I mean it's not cool but you know what I mean, is that it is tax-free to the recipient. So that is really good to know.

And life insurance of the term kind is pretty inexpensive. But again, the price depends on multiple factors. So namely your gender, your age and your medical history, because obviously if you have certain medical conditions that will decrease your life expectancy, it'll be more expensive,

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okay? And so this is why life insurance for men is more expensive, because men die earlier. It's pretty simple. Women live longer, so it is cheaper for us.

But like I said, it's based on your medical history and they basically – I forget exactly what it's called, but they grade you like in terms of your health rating. So, obviously, the best health rating, I forget what it's called, but let's just say it's A, then you'll have the most inexpensive premium. And if you are not class A, then you'll have to pay a lot more. So that includes smokers. If you're a smoker, it totally messes up your premium. It's like, I don't want to say it doubles it, but it increases it dramatically.

And so you really want to get this as young as possible because it's cheaper the younger you are. And for my female listeners, which is pretty much all of you, you really want to try to get it before you get pregnant. And so a lot of us are told, oh, you don't need it until after you have kids. But I would say if you are a woman and you know you want children, even if you don't have a partner yet to have children with, I would buy it because it's never going to be cheaper than it is now. And then you could always add to it, right? And plus it's just not that expensive.

I remember when I bought it and I was older, I think I actually was around 38 when I bought my first life insurance policy. And this is when I was single, and so definitely I had no idea if and when I was going to have kids at that point. And I think for that \$1 million policy for 15 years, it was like 400 bucks. Maybe it was 500. And this is per year. This isn't like every month, this is like my annual premium.

And so also the price depends on how much you get insured. So obviously if I bought 5 million for 30 years, it would have been a lot more expensive. And the reason why I got a second policy is because I got it when I became pregnant and it added an additional half a million or a million, I don't quite remember. Or actually, no, I think I got it right before I got pregnant when I knew that that was going to happen.

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And here's why, women, you need to get it before you have kids or actually even before you're pregnant, because they really scour through your medical history. They somehow find out every prescription medicine you were on and sometimes you might get questions about it. Like, I remember I was on an antibiotic for like a UTI. And they were like, why did you take Cipro? And I was like, really? It's not like you remember why you took medication for every single thing, right?

So it's kind of annoying and so this is another reason why I think it's, unfortunately, if you know you're going to have to get evaluated for life and disability, and it's not like you're thinking this when you're super young, you kind of have to think about what you get medications for and what you see a doctor for. Anyway, that's a whole nother topic.

But the reason why women really need to get this before they become pregnant is because what if something happens while you're pregnant? So specifically for me, I had gestational diabetes and my insurance agent, Lawrence Keller, who I think I'm actually going to have him on the show for a short episode to talk more about disability insurance, which I will talk about just in a bit, just because I think there are things that I don't know enough about that I want him on, AKA an expert, to really talk about it more.

But he told me that if I'd waited till I became pregnant, or rather until after the pregnancy where I had the diagnosis of gestational diabetes, he said it would have increased the premium dramatically. He actually told me how much it would be or how much more expensive in terms of the factors. I don't remember, but it was like a lot. So basically I am so glad I got up before I was pregnant.

Now, another question that gets asked a lot is, well, how much do I need? Because it's relatively inexpensive, get as much as you're willing to pay for, seriously. It is actually one of the best ways to set your family up financially, the only problem is you have to die before they get it. But it is a great way to bridge that gap because the thing is, like I said, you never know when you're going to pass.

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And if you pass, when I say young I mean, well, young too, but also when your kids are really young and maybe you haven't – Well, probably you haven't built the type of wealth you were expecting to build by the time they were adults or even while they're growing up, because we assume we're going to be able to bring in the same income year after year, depending on your job.

But I'm thinking mainly physicians where our jobs are relatively stable. And so that would be a tragedy if, let's just say you are an amazing breadwinner and you pass, and then your family literally has nothing to live on because they weren't the breadwinner and now they're going to have to figure out how to work. What if they were a stay at home parent, et cetera?

And so that is one of the worst things that can happen. And it really breaks my heart when I see posts about families basically needing to do Go Fund Me accounts for kids college and all this other stuff. And I don't obviously know what's happening with those families' finances, but my first thought is, oh, maybe they didn't have enough life insurance. Not that you get it right away, I'm sure there's paperwork you have to file that the person actually died, et cetera. But that tells me that maybe the family wasn't prepared for those types of future expenses.

So, parents, I really implore you to get this done ASAP. And you're going to have to undergo medical underwriting, which involves literally someone coming to your house to do a brief exam. They take your blood pressure and they'll take some blood to like, you know, they'll check all the normal stuff.

They also check, I forget what it's called, but there's a chemical in your blood where they can check to see if you're a smoker or not, because I'm sure, as you know, people can lie. And so if you've smoked within 30 days, I think this whatever, this marker is positive. But also they're going to look at your physician records, primary care, et cetera. And so if it's listed that you're a smoker, then you're out of luck, right? And so, like I said, they scour through your medical history.

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So I remember when I was getting underwritten for my second life insurance policy there was something on my chart about like a mole. I don't think there's anything wrong with it, but because it was mentioned, they said I needed to have a skin check by a dermatologist to proceed. And being a Korean and being extremely low risk for skin cancer, I was like, this is stupid, but I did it.

But that's what I mean, they really go through things with a fine tooth comb. And the reason why they do this, not just to be annoying, is they have to be thorough because apparently they have all this data about how long people will live based on their history and age. Like it's kind of crazy, right? They have like, I think it's called actuarial data on this. And so if they have the information they need, they can pretty much pinpoint when you're likely to die. I know, it's kind of morbid, right? And so they do this to make sure that they charge you accordingly. That's really what it comes down to.

Okay, so how much do you need to get? As much as possible, like I said. But if you want to have a starting point, you kind of want to add up everything you pay for. So the big expenses are going to be things like your mortgage or rent, any outstanding debt you owe, although if it's a federal student loan, those are forgiven so you don't have to include that. But any private loans, and let's just say you are the breadwinner and you have a stay-at-home spouse, you really want to make sure there's enough money for that.

And round up generously. Also, even if you have a partner that is doing well financially, A, you just don't know what's going to happen. They should have their own insurance too, by the way. And don't underestimate the toll it's going to take on your family.

Like everyone might need some time off, like a lot of time off. Your spouse, even if they work and have a great income, they might need to take several months off. They're going to be absolutely devastated. And everyone's probably going to need a little therapy. And I'm sort of like laughing about this, but not because I think these are just things a lot of us don't think about. Okay?

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And actually what I do want to say is both parents need to be insured. And a lot of people think, oh, well, life insurance is only for income replacement. And they'll think that their stay-at-home spouse, or maybe the person that works part-time or whatever doesn't need it. But they absolutely do need it as well because think of the – I don't want to say service.

But if they're a stay-at-home mom, or a stay-at-home partner because not all stay-at-home parents are moms, or they work part-time to sort of help out with the family, et cetera, what they provide for the family, that is a form of income. I keep saying service, I can't think of a better word, but I think you know what I mean. They're going to need to pay for childcare and help, you know? So those are all the things I want you to think about.

Now don't go crazy trying to figure out, well, how much does it actually cost? Just guesstimate. And guesstimate on the generous side because, like I said, this stuff is cheap. So let's say you figure out like, okay, I really think it needs to be like 3.4 million, just get four. You can always decrease it later or cancel it when you get super rich.

Okay, so that's life insurance. I hope I've made it clear how much you need it. Now, people always ask me who is an agent that you recommend and I use Lawrence Keller and we'll put his information in the show notes, but his email is lkeller@physicianfinancialservices. I trust him completely. I bought my life and disability insurance from him.

Okay, so finally I want to talk just a little bit about disability insurance. And so I have noticed that this is something mostly physicians are getting, but really anyone who is the primary breadwinner needs to get this and it pays you when you become disabled.

Now, what do I mean by that? So that's actually part of the problem because the thing is when you're dead, it's pretty clear you're dead and not alive. But disability is a lot more gray area, right? And so it's not a cut and dry diagnosis. But basically the way I want you to think about it is something that impedes your ability to work and make the income you're used to making.

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So using the physician example. So I think thinking of a surgeon is a great example, so let's say they did five surgeries a day. I actually have no idea how many surgeries a surgeon does in a day, I'm sure it depends on the type of surgeon they are. But let's just say normally you could do five surgeries a day and let's say you get into a car accident and something happens to your shoulder and now you can only do one a day.

So obviously that is a big drop in income. So disability insurance would basically bridge that gap. And so it's actually pretty rare, thankfully, to be totally disabled where you couldn't work at all. And so that's important to know, but for the most part when disability insurance kicks in for people, it's usually a partial disability, but I definitely know people who are on full disability because of their medical condition.

So it generally kicks in after 90 days. So let's say you do have that car accident where your arm is blah, blah, blah, you know, your shoulder messed up that you can't do more than one surgery per day. It's actually not going to start paying out until it's been going on for more than 90 days. And so this is where having an emergency fund is going to be crucial.

And even if it's a 90 day waiting period, you probably won't get paid right at 90 days because you've got to file paperwork and the claim and blah, blah, blah. So really, this is why you need at least six months of living expenses saved up.

Okay, so this is also why I'm going to get Larry to come on the show and talk briefly more about this because I know I'm going to miss things, but you can get it covered specifically for your specialty. And there are different types of policies and different quality of policies, but the policy I have, and I still have it and I'll tell you why, because I don't practice anymore.

Let's say I did become disabled in such a way that I could no longer practice dermatology the way I was in person, then I don't know how telehealth affects that. So this is also why I want Larry to come on. But let's just say that wasn't an option, then I would get the full benefit.

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And just like life insurance, disability insurance is paid out tax-free unless you're paying for it with pre-tax dollars. So if you're paying it with after-tax dollars, which is what most of us do, then it is tax-free. If you pay with pre-tax dollars, your premium, then the payment is taxed, okay? So that's an important thing to know.

And so my point about talking about how it's covered specifically for my occupation is because I can't work anymore as a dermatologist because in person there's things I do with my hands and I was doing small procedures and minor surgeries, outpatient, like excisions and stuff. Let's say I couldn't do any of that anymore, then I would get the full benefit.

But not only that, let's say even though I couldn't see patients, I figured out another way to make money, like coaching on Zoom, which didn't really require me to have, I don't know, let's just say arm strength. Let's say my arms were totally messed up, right? They would not decrease the benefit because I was able to make money another way, but that really depends on your policy.

Some policies will decrease the payout if you do start making money another way. So you want to know which type of policy you have, and this is really important to understand.

And another thing I want to say about disability insurance is usually there's a limit or they won't cover mental illness. And so usually it's limited to a certain amount of time, or they just won't cover it at all. And so that really depends.

Now, since I no longer practice medicine, I had a little chat with Larry about whether I should keep mine. Now, I am insured for \$15,000 a month, remember that's tax-free. My annual premium is \$7,000, which it just actually got debited for my checking account. I actually called to find out like, hey, can I charge this on my credit card and get points? And the answer was, nope, you can only do a direct bank transfer. And I was like, that's a bummer, but that's just how it goes.

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So, but yeah, every time they take out the annual premium, I hate it. I mean, it's just a big chunk going out of the checking account. I can pay monthly, it would be like \$580 a month, but you do pay a little extra for that, and so I just decided to go annually. So I asked Larry, like, hey, should I still have this since I don't practice medicine? And he said that it would cover my coaching business since that is what I do full-time. And so I thought that was interesting.

And I was actually thinking like, should I even keep it? And he just said I think you should, because until you're "completely financially independent" and won't need another source of income, you should keep it. And so I'm keeping it because if I stop working as a coach and I'm disabled and not dead, then we're going to have trouble at some point, right? So that's why I've kept it.

And one more thing I'll say about disability insurance is you cannot be insured up to the full amount of your income. Meaning let's say my derm income, my take home income, I don't even remember at this point, but let's say it was \$25,000 a month. You are not going to be able to get insured for the whole amount because – I don't know exactly why, Larry could say so – But I believe it's because they don't want to incentivize people getting disabled. That's basically what it comes down to.

So the disability insurance does depend on gender and medical history stuff. And so if you do have a preexisting type of thing, they might say it won't cover that. So that's what I want to say about getting the proper insurances.

There's a lot more than what I just talked about, and so there's things like liability and prenups, which are basically divorce insurance. And I have an episode on that, so you can check that out on prenups. So I just want to talk about it a little bit to get you thinking about it in case this is something you've been putting off and not doing.

And so basically bottom line, get life and disability insurance. If you're a parent, what are you waiting for? And contact Larry Keller. Okay, bye.

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