

*"Helping Our Clients Make  
Smart Choices And Wise  
Decisions In The New Economy"*

## The Deerfield Advisor

Personal Lines Edition

Insurance

Investment

Employee Benefits

### What is an H S A?

HSA's are tax-advantaged savings accounts tied to a high-deductible health insurance policy and set up through a financial institution. The policy premiums are typically lower than conventional health policies. They are intended to help people pay for health care and encourage them to make price-conscious choices.

Introduced in 2003, employers are increasingly offering this insurance program to their employees. 8% of companies with 10,000 to 20,000 workers provided HSA benefits in 2005, compared with 1% in 2004.

An HSA is more like a retirement account than a health insurance policy.

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*"The Deerfield Advisor" is a Newsletter produced by Deerfield Advisors Insurance and provided for our clients on topics of interests to them related to insurance, investment & employee benefits.*

#### [Who is Deerfield Advisors Insurance ?](#)

DAI is an independent insurance agency, a group of licensed personal & commercial lines insurance agents & advisors; because we are independent, we are free to focus on the quality of your experience with us. Our clients ask us to shop the markets for the best price / coverage combination, place their coverage with the carrier they choose & then service that account for them throughout the policy period. We write all lines of insurance including auto, home, flood, health, life & commercial insurance. We've been serving Texans state wide since 1999.



William J. Odom, President, Deerfield Advisors Insurance, has over twenty years experience helping clients protect their assets, achieve and maintain financial independence, and manage their risk.

He holds a Bachelors Degree in business from Southern Arkansas University and is licensed in property & casualty, life, and health insurance in the State of Texas.

Mr. Odom has resided in West Houston since 1984. He and his wife Dora enjoy reading and spending time with their grandchildren, Kailey and Alexander.



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### Getting Married? Congratulations!

Now, it's time to think about Life Insurance! It's a simple and inexpensive way to provide protection for your spouse.

How much Life Insurance do I need?

We can help you define your needs and "shop" for a policy that meets your goals and needs.

How much does Life Insurance cost?

Life insurance is more

affordable than you may think! Easy to understand insurance at an affordable rate is available to everyone.

Just call us. We'd be happy to quote a policy for you.



For items that may not be fully covered under HO insurance.

## Scheduled Personal Property

SPP (Scheduled Personal Property) endorsements provide added coverage for items such as jewelry, antiques and collectibles that may not be covered or not sufficiently covered in your basic homeowner insurance policy.

An SSP endorsement provides coverage for lost or stolen property at its full

appraised value and is not subject to the deductible.

Many SPP covered items are jewelry, but there are several classes of SPP available for items such as golf equipment, cameras, furs, family heirlooms, to name a few.

Blanket Coverage is also an option if you have sev-

eral valuables that are of relatively lower value.

Nearly everyone — not just the affluent — has items of value that would be best protected by an SPP endorsement.

For details on the different Scheduled Personal Property endorsements, please call us.

## Putting Real Estate in Your IRA

Most investors don't think about investing in real estate in their IRA's, at least not hard-asset real estate. However, more investors than ever are using hard-asset real estate in their IRA portfolios.

Hard-asset real estate (such as an apartment building that you own) is distinguished from financial-asset real estate (such as an REIT), and there are only a few custodians that will custody hard real estate.

FISERV Investment Support Services is one of those few custodians that will allow hard assets in an IRA.

The purported "real estate bubble" notwithstanding, we believe that investing in hard-asset real estate may be of great benefit for clients who are comfortable investing in real estate and wish to enjoy the tax benefits gained from the tax-deferred provisions found in IRA's.

Real estate can also serve as a hedge against **equity** and **fixed income negative returns** because real estate tends to have a non-correlating relationship to both. It's always a good idea to spread risk in real estate among geographic areas and sectors — residential vs commercial or industrial vs. retail — to mitigate risk.



We caution our clients to be extremely careful in real estate investing for two main reasons:

1. The property markets have been going full-steam the last several years, and we may be reaching a topping point.
2. Interest rate increases have al-

ready had a negative effect on asset prices and may continue to do so.

Successful investing in the property markets is no different than stocks or bonds. It is a very sophisticated market, and you can easily have your head handed to you unless you know what you're doing. Successful real estate investing to a large degree is price-based (i.e., your buy-in price), but it certainly is not the only consideration.

Others considerations would be location, structural quality of the building, general economy and interest rate issues. In addition, you cannot expect a big payoff — a 7% to 10% return would be reasonable. You may experience more, but just consider that good fortune, and don't count on it!

## Tips for Getting the Best Insurance Quotes

### AUTO INSURANCE:

- Be sure all vehicle discounts are applied (anti-lock brakes, alarm system, daytime running lights, VIN etching, etc.)
- Take a defensive driving course.
- Be accurate about your mileage to and from work.
- Ask about affinity discounts.

### HOMEOWNER INSURANCE:

- Be sure that your home is insured to its value.
- Be sure that all home discounts are applied (alarm, smoke alarms, fire extinguishers, dead-bolt locks, etc.)
- Tell us if your older home has been renovated.

### LIFE INSURANCE:

- Consider level premium term insurance.
- If you are a smoker, quit for at least 13 months and request a non-smoker rate.

### HEALTH INSURANCE:

- Consider a higher co-payment or deductible.

## Homeowner Insurance Coverage

Often, after an accident or disaster, homeowners are surprised to learn that damage sustained to their homes may not be covered



under their insurance policies.

These disappointments can be avoided by knowing the answers to a just a few key questions about your insurance coverage:

### *How do I know if my*

### *home is sufficiently protected?*

Evaluate whether the level of replacement cost afforded by your policy would sufficiently cover the cost to reconstruct your home in the same location and with similar materials. Does your policy provide for guaranteed replacement costs or is there a limit?

Also, understand how your policy responds to water damage. Insurance carriers have their own rules governing what is and is not covered. Since there are a

number of ways a home can experience water damage, know how your policy treats different kinds of water damage.

### *Are jewelry, antiques and artwork covered under my homeowner policy?*

Many policies may have a very small limit on these items, and a deductible usually applies. However, homeowners can fully protect these personal items by adding a scheduled personal property endorsement to their policy. These endorsements enable homeowners to “schedule”

or state the value of each item separately and are not subject to the policy deductible.

### *How do I know if my policy is comprehensive?*

Complex details and differences between insurance providers put the average consumer at a disadvantage in the marketplace. However, working with an experienced insurance professional helps even the playing field and eliminate any surprises in the event of a loss.

## Evaluate Homeowner Coverage Yearly

The demand for construction labor and building materials has skyrocketed nation-wide—as have costs. So, if you’ve renovated, make sure you have enough insurance to cover the updates. You may pay a higher premium, but the price of being underinsured is far greater! If you’ve renovated, give us a quick call!

## Personal Catastrophe Planning

### TIPS YOU CAN USE TO CONTROL LOSS

The devastating effects of Hurricane Katrina drive home the point that personal catastrophe planning is an essential of any personal risk management program. Catastrophes, whether natural or man-made, can strike individuals and families at any time without warning.

We recommend that you develop a comprehensive disaster plan that addresses the following nine items:

- ✓ Identify and reduce

as much as possible hazards in your home, such as frayed wires or stored gasoline in the garage.

- ✓ Learn first aid and CPR skills which can lessen injuries after they occur.

- ✓ Make certain that your children learn your full name, address and phone number at the earliest possible age.

- ✓ Develop an emergency evacuation plan. Work with family members to establish escape routes and rehearse these periodically.



- ✓ Establish a disaster meeting place and an outside family contact. For a sudden emergency, a location right outside the home should be arranged. Consider, also, designating a friend or relative in another city as a common contact.

- ✓ In the event you get stuck in your home, prepare an adequate supply of

water and canned food. Don't forget a manual can opener and disposable utensils and plates.

- ✓ Store emergency supplies, such as a first aid kit, flashlights, batteries, prescriptions and a lantern.

- ✓ Prepare a portable pet disaster supply kit, including food and proof of vaccination.. Proper ID for pets is essential.

- ✓ Practice, modify and maintain the plan every 6 months.

## HSA ...

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The money can be invested and grows tax-free to pay for medical expenses—including glasses, dental and prescriptions. Unlike the more familiar flexible-spending accounts, any unused portion of the year's contribution is rolled over each year. Funds can be withdrawn tax-free to pay for medical expenses. You can spend out of an HSA on non-medical expenses, but you will owe the income tax plus a 10% penalty if you're

younger than 65. Once you're 65, you can spend for non-medical expenses without paying a penalty, although income tax will be owed.

The maximum that can be set aside each year is currently \$2700 for individuals and \$5450 for a family (or the deductible amount of the insurance policy, whichever is lower). People 55 and older can make additional "catch-up" contributions each year until they enroll in Medicare.

For people who wish to maximize their retirement savings, HSA's offer another

vehicle to save tax-deferred money. If you're healthy enough to avoid a lot of expenses that would fall under the deductible, an HSA might be the right plan for you. However, an HSA may be of little benefit if you have enough health expenses that you just reach your deductible by the end of each year because you'd pay the max out-of-pocket and not benefit from the more comprehensive coverage that kicks in after that.

One more thing, as you research these plans you may find in some cases that the high deductible HSA plans

may cost more. why? besides your normal price jacking, plan features may make it more cost effective for you long term. these features may add operational cost for the carrier, hence the higher price. the higher premium however is not usually substantial. thus leaving you with a decision to make based on the individual merits of both. My wife & I chose to go with a traditional plan only because there are many more choices available versus the HSA plans. They're still so new there's just a limited number. That will probably change over time as HSA plans grow in popularity."