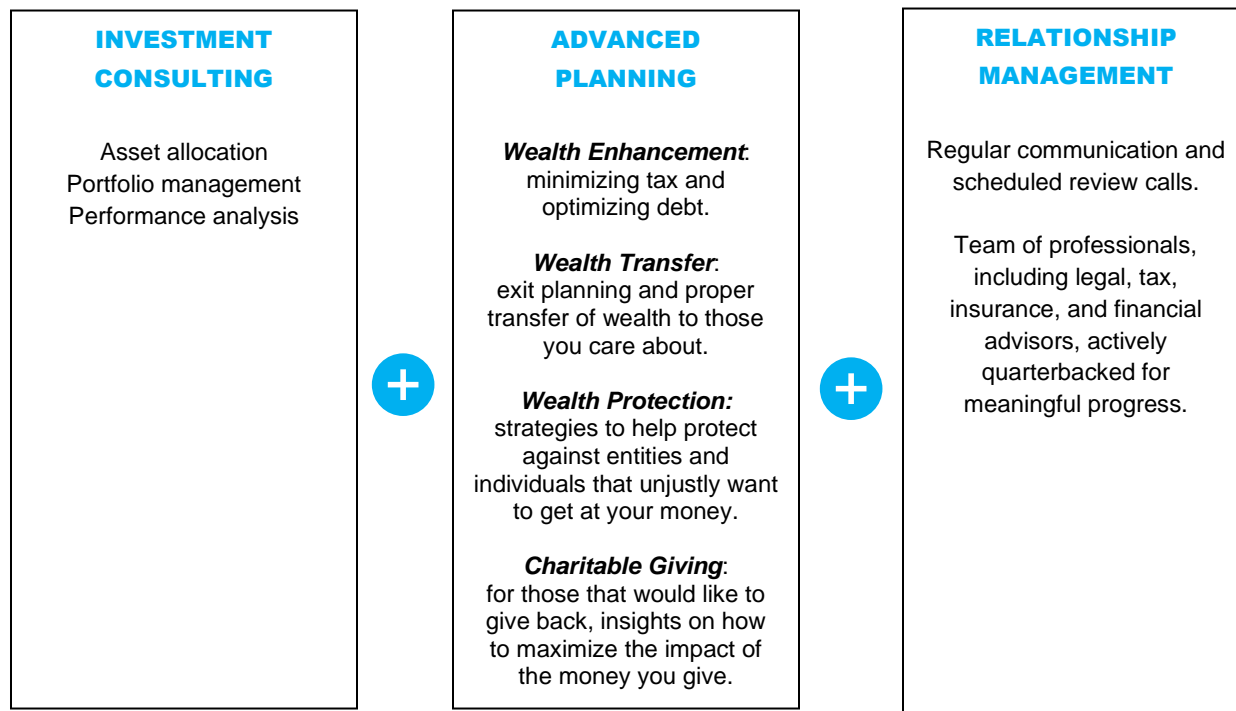


Wealth Wisdom: Smart Moves for Powersports Dealers – Part 2

By Brad Stanek, Financial Advisor, CFP® and Paulina Matel, Financial Advisor, CFP®

Ask ten 'wealth managers' to define wealth management, and you'll likely receive ten different answers, mostly centered around investing. However, in this article series, we aim to present an alternative, comprehensive definition on wealth management that encompasses a full spectrum of strategies which we call Advanced Planning. While proper investment consulting is crucial for generating portfolio returns, what if we include tax minimization, thoughtful estate planning, and wealth protective strategies as well, to propel your wealth forward? We classify these strategies into four pillars: Wealth Enhancement, Wealth Protection, Wealth Transfer and Charitable Giving. Join us for a four-part article series where we delve into strategies for wealth planning in each of these crucial areas.

Wealth Management



WEALTH PROTECTION: IMPORTANCE OF PROPER COMMERCIAL AND PERSONAL INSURANCE REVIEWS

In the fast-paced, ever-evolving world of powersports dealerships, safeguarding both personal and business assets is paramount. Regularly reviewing and updating insurance policies is one of the simplest yet most effective strategies for protecting against potential financial disasters. From liability lawsuits to inadequate commercial coverage, the risks are numerous, and stakes are high. By ensuring that your insurance plans are comprehensive and up-to-date, dealers can mitigate these risks and secure their wealth. In this article, we spoke with **Zachary Materne**, *Commercial Property & Casualty Risk Consultant with Apiar Commercial Risk Management LA Resident License #871096 Cell Brokerage CA LIC. #OG83985, NPN #14775635*, to explore common challenges and pitfalls dealers encounter, emphasizing the critical importance of diligent insurance management.

UMBRELLA AND EXCESS COVERAGE

Zachary emphasized the importance of “building a tower that protects you for the worst possible scenario.” Umbrella insurance is vital for protecting your business assets. It provides additional liability coverage beyond the limits of your existing policies. In cases where you’re at fault for injuries or damages and your primary policies fall short, an umbrella can step in to cover the remaining costs. As a dealer, you likely own multiple entities –your dealership operations, and real estate. Many dealers establish an umbrella liability policy but fail to regularly review the policy limits. The general rule of thumb is that your umbrella liability coverage cover all contractual obligations. When determining your limit you should begin by exploring what the market can bare, and what your business can afford. An umbrella policy can be invaluable in incidents, such as injuring someone, your completed operations in your service department damaging someone else’s property and landlord liability. Common examples include a customer slipping on your dealership property or an employee causing a serious accident while driving a company vehicle.

FALSE PRETENSE COVERAGE

One lesser-known, or often underinsured area is false pretense coverage – which covers a dealer in the event of a fraudulent transaction taking place. “You might have great risk controls in place, but one fraudulent transaction might slip through the cracks, and it can take months to discover between the bank and the dealership” Zachary explained. This coverage is critical because once a fraudster is aware that they can get away with a false transaction – they will come back and try again. In the worst case scenario, we discussed the example of a dealer who had seven bikes stolen over the course of a year and a half. In this case and many like it, if the value of the inventory lost exceeds the false pretense coverage, the dealer will be on the hook for the cost of the stolen goods.

Not only is the limit important, but risk controls like identification verification software can prevent this type of theft from occurring.

EMPLOYMENT PRACTICE LIABILITY COVERAGE

Lastly, we discussed the importance of an often relatively inexpensive coverage, employment practice liability, which protects dealers in the event of any employment related lawsuit such as wrongful termination, sexual harassment, and more. “This is an area where I see more claims than people with coverage,” Zachary shared, “and smaller stores probably have better controls in place to safeguard against these concerns, but all it takes is one owner, or one employee that can cost you.” In today’s litigious society, it is important to understand the risks at play here and to take action to shift that liability to the insurance provider.

Conclusion

As highlighted earlier in our article, powersports dealers are encouraged to review and revisit their commercial and personal insurance coverage to better protect their assets and overall net worth.

Our team offers a complimentary service, the **Second Opinion Service**, a 360-degree review of your dealership and personal financial situation, which includes a review of your wealth protection strategies.

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