Equestrian Member Life Services Educational Initiative:

Liability Insurance

Through this initiative, the USHJA seeks to provide educational resources to members on important topics such as long-term contingency planning, insurance, retirement planning and employer resources.

By Tricia Booker

The headline "Horse Dies After Being Hit by Car" is every horseman's fear, and you think, "I hope this never happens to me."

But what if your horse jumped out of his field, escaped from his stall at a horse show or you fell off while out on a trail ride? Accidents do happen, and it's vitally important that you are covered for any liability that could occur if your horse causes an accident, damages property or injures another person.

In this third installment of the Equestrian Member Life Services Initiative, horsemen and insurance experts Shawna Dietrich and E. Sue Bopp highlight some of the most important aspects of liability insurance and outline the reasons why you might want to consider coverage or further explore your current coverage to insure that there aren't any gaps in your personal or business protection.

This initiative was prompted by USHJA members Otis "Brownie" Brown and Fran Dotoli, who reflected on the recent loss of friends in the industry. They realized that while some were well prepared for the inevitable, others hadn't taken action, and their families were left scrambling without wills or resuscitation contracts, for example. They were faced with difficult decisions while trying to also cope with emotions and financial burdens.

Brown reached out to the USHJA staff with an idea to put together a series of articles addressing the importance of being properly prepared for your life, wherever it might lead. Because none of us knows exactly how long we'll live, it's vitally important to have a will as well as a retirement plan. Because we can't predict if and when an accident might occur, medical and liability insurance, as well as workman's compensation, should be on your radar, as well.

We hope you'll consider this article a shortcut or "app" that you can save for future reference. The same information will be provided on the USHJA website (www.ushja.org) in a new "Best Practices" section that you can access on the front page. If you missed the first and second installments in the July and September 2015 issues, which addressed long-term contingency planning and retirement planning, you'll find them there, as well.

This information is offered solely as an educational service to the USHJA community and the general public. This content is not intended to provide—nor does it constitute—legal advice or legal opinions, and should not be relied upon as legal advice or opinion.

The Lowdown on Liability

Having the appropriate liability insurance for any horses you own or lease is vitally important whether you're a professional or amateur, and many people mistakenly assume that they are fully covered when they're not.

"As an individual member of the United States Equestrian Federation, you are provided with the opportunity to purchase personal liability insurance," said Shawna Dietrich. "They used to offer it free, but now you have to buy it, and it's one way you can easily add coverage for your horse ownership. So if you own a horse yourself or pleasure ride or show, that's where this coverage would come into play, if your horse caused injury or damage to a third party—meaning someone or something else."

If you own a corporation, or if your horse is registered in a corporation or business, this type of insurance doesn't apply and you'll have to pursue commercial liability insurance at that stage (*see sidebar*).

However, if you own your own house or farm, you may have some liability coverage provided with your homeowner or farm policy. The key is to figure out whether it covers you for injuries caused by your horse on the premises in which he lives and/or off premises. If you're at home on your own property and your horse gets out of his paddock and causes property damage or

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runs onto the adjacent highway and gets hit by a car, you'll have liability associated with that accident.

In addition, if your horse spooks and bumps into a car at a horse show or gets loose and injures a bystander at the in-gate, those exposures are related to horse ownership and may not be covered by your standard homeowner's policy. You would need separate and additional coverage for incidents that occur off of your own property.

Coverage for $1 million in liability can be as low as $250 per year.

"There are also differences between commercial and personal liability insurance coverage, and you need to figure out which one works best for you in your unique situation," said Dietrich. "There may be gaps if you're not set up properly. Let's say I'm a senior member of the USEF, and I enter my horses on a personal basis at a show or own them that way, but they're registered with the USEF or breed registry in a business name. This conflicting ownership situation may create liability problems in the event of an incident."

You can buy a separate personal horse owner's liability policy very inexpensively. Coverage for $1 million in liability can be as low as $250 per year. Some homeowner policies will extend liability to take care of a horse, as well.

It's important to contact your insurance agent to make sure you have the appropriate liability insurance for your operation and lifestyle.

Boarding Nuances

If you own a personal horse and board him, you'll also want to make sure your liability insurance policy extends to coverage at the boarding stable and consequently to horse shows or trail riding, or wherever you travel with your horse.

In many areas of the country, people board their horses together with a friend or friends and share the communal expenses. Or perhaps a friend invites you to keep your horse at her neighboring farm so you can ride and show together and enjoy the social aspects of horse ownership. While it may or may not be a commercial enterprise for the person who owns the farm or holds the lease, it's important for you to make sure your horse is covered for liability, no matter what the situation entails.

"For instance, if a farm owner houses horses she doesn't own on her property, then it becomes a commercial situation," said Dietrich. "It's important to set up a structure and have an agreement and business plan in writing that's more than a handshake. The landowner may or may not want to consider a commercial liability policy and 'care, custody and control' of that friend's horse.

"But if that horse were to get out of his pasture and get hit by a car, the people in that car could sue the landowner and the owner of the horse—both," she continued. "If it was found in the discovery process that the fencing was faulty, then the liability would likely revert to the landowner, but if the fencing was fine and let's say that horse has a history of cribbing and pulling boards down, it's highly likely the owner would be liable for the people and the car."

Unfortunately, liability can be a gray area until the details of an accident are picked apart by the attorneys. If you have an appropriate liability policy, however, it's the responsibility of that underwriting company to respond and represent you in the event of an incident. Even if you're deemed not liable, do you want to be faced with a $30,000 to $40,000 bill to prove your innocence?

Similarly, have you ever trailered a friend's horse to a show or trail ride in the spare space in your trailer? Did you know that situation opens up another line of exposure if the friend's horse is injured in your trailer? What if that friend doesn't have her horse insured? Are you comfortable trailering the horse? These are the questions you must ask before you enter into such an agreement, and it's good to get such situations in writing before the trip commences.

In addition, it's helpful to check with your automobile insurance company to find out how your state covers insurance on trailers. In some states, trailers are covered for liability when they are being hauled, but not for damage in the event of an accident. They would have to be listed as specific vehicles on the insurance policy for damages to be collected.

Unfortunately, accidents can happen anytime to anyone, but being prepared and including a Professional Liability Endorsement in your insurance arsenal may help you recover more quickly if something goes wrong.

"If you're a trainer and running a commercial operation, you'll have commercial insurance for teaching and training," said Dietrich. "But if you drive two or three kids in your own vehicle to a horse show where you're chaperoning them and training them at the show, you have a huge additional exposure.

"Your commercial liability insurance will not protect you for the non-teaching and training horse-related activities, such as driving to and from the hotel. Additional insurance may be obtained for this personal exposure," noted Dietrich.

Completing Your Coverage

We all know that riding and working around horses offers inherent risks; after all, we're dealing with 1,000-pound animals with natural instincts and unpredictable behavior.

"One way for professionals to address these risks is to consider adding a Professional Equine Liability Endorsement to a commercial liability policy," said Bopp. "This added endorsement may cover you if you become legally obligated to pay for a third-party loss resulting from the rendering or failure to render equestrian professional services.

"Yes, that last sentence was a mouthful, but in the real world accidents do occur, and sometimes they even happen despite professional oversight," she continued. "If an incident happens and the professional is legally obligated to pay damages due to any negligent act, error or omission, professional liability coverage can become vitally important."

While most incidents do not result in bodily injury or property damage and subsequent legal processes, most of us are familiar with instances in which a professional was held liable for a rider or horse injury that occurred during training or competition.

You might be surprised to learn that it's not just trainers who are at risk. Even a person not defined as a professional through the USEF, such as a judge presiding over a show or a person showing a horse for sale, could become legally obligated to pay for bodily injury and/or property damage to a third party.

Several examples outline these instances:

- During a horse show, a participant is having trouble with her horse. The judge instructs the rider to continue on, and later the rider is thrown from the horse and suffers serious injury.
- The horse that throws the rider (above) subsequently runs into a fence and injures itself to the point of never being able to show again.
- During a summer horse show, a judge puts up an umbrella to shade herself from the sun. Later, a sudden wind gust lifts the umbrella up in the air, spooking two ponies in an under saddle class. Both riders fall off, and one is seriously injured.
- A client is looking for a new horse, and you advise that client to buy a horse. Later, the client finds that the horse doesn't fit his or her skill level, and he or she no longer wants the horse.

In the above scenarios, you may have to pay a loss through your own means if you don't have an Equine Professional Liability Endorsement. If that happens, legal costs and expenses could be an additional burden. The Equine Professional Liability Endorsement may also pay legal costs to defend any suit against you, subject to the policy limits, terms and conditions.

The endorsements can include coverage for judging, sales, training and instruction for regular attending students of the named insured. Depending on the judge's certification, there may be coverage afforded under or included with the specific organization. If you judge horse shows—whether USEF-sanctioned, regional or local—be sure to check with your certification organizations or the associations to learn about their provided liability coverage, if any.

Unfortunately, accidents can happen anytime to anyone, but being prepared and including a Professional Liability Endorsement in your insurance arsenal may help you recover more quickly if something goes wrong.

Coverage for Clinics and Activities

Now that the show season is winding down, it's a popular time of year for clinics and other fall farm activities. And if you offer your facility to another professional to use, you might need additional insurance coverage over and above your existing policy.

"Unfortunately, many people are unaware that their Equine Commercial General Liability Insurance policy might not cover these additional activities," said Bopp. "ECGL insurance is available to professionals who operate breeding, boarding, training and instruct-


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Of Equine Limited Liability Laws and Waivers

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A signed release/waiver of liability can help discourage people from suing. If an injured person knows that he/she has signed a waiver, that person is less likely to file a lawsuit.

A signed release/waiver can be used as a viable defense and in some cases prevent a person from suing. Even if the person sues, a signed waiver can be used as evidence in court that an injured person assumed the risks inherent in that activity.

What releases/waivers **do not** do is pay for the cost of your legal defense or the cost of a legal judgment if you lose the suit. That's where insurance comes in.

Liability releases and waivers should clearly list the inherent risks involved in the activity. Inherent risks of equine activities mean those dangers or conditions that are an integral part of equine activities. Some of these would be as follows:

(a) the propensity of equines to behave in ways that may result in injury, harm, or death to persons on or around them;
(b) the unpredictability of an equine's reaction to such things as sounds, sudden movement and unfamiliar objects, persons or other animals;
(c) certain hazards such as surface and subsurface conditions;
(d) collisions with other equines or objects;
(e) the potential of a participant to act in a negligent manner that may contribute to injury to the participant or others, such as failing to maintain control over the animal or not acting within his or her ability.

Liability releases/waivers should also be clear and concise. The person signing the waiver should know what risks he/she is waiving. A waiver that just says, "Horseback riding is dangerous" does not state what inherent risks are being waived (as listed above).

A liability release/waiver will not cover you for gross negligence. Courts define gross negligence as an extreme departure from the standard of conduct. Some Equine Liability Statutes may list what some of these are and state that the statute will not provide protection if a participant is injured.

Examples of this would be you supplying the tack that the participant uses, and the tack is faulty and causes the accident/injury. The burden will be on you to prove that you did not know that the tack was faulty. Another example is when you supply the horse on which the participant is taking a lesson. The participant is injured. The participant claims that you did not evaluate his/her skill level properly and put him/her on a horse above his/her ability, which led to that participant's accident and injuries.

Legal costs to just defend you can be well into the thousands of dollars. If you do not have insurance, you will have to obtain your own attorney and pay for all legal costs, as well as any judgment against you.

Have an attorney who specializes in equine law review and approve the release/waiver that you are using. The attorney can help to insure that you have a solid release/waiver.

ing businesses, and/or who operate any eligible equine facility. This policy provides coverage for bodily injury or property damage to third parties arising from declared commercial equestrian activities."

The policy can be extended to provide on-premises coverage for independent trainers or instructors while acting within the scope of their duties at your operation. In addition, independent instructors and trainers should obtain their own CGL coverage for activities outside of your operation.

Should a visiting clinician need coverage for an event at your facility, the clinician can be added to your CGL policy as an independent trainer or instructor prior to the start of the clinic.

What this means is if a clinician is teaching a rider who falls and breaks her arm, your CGL policy would defend you in the event of a lawsuit by the participant.

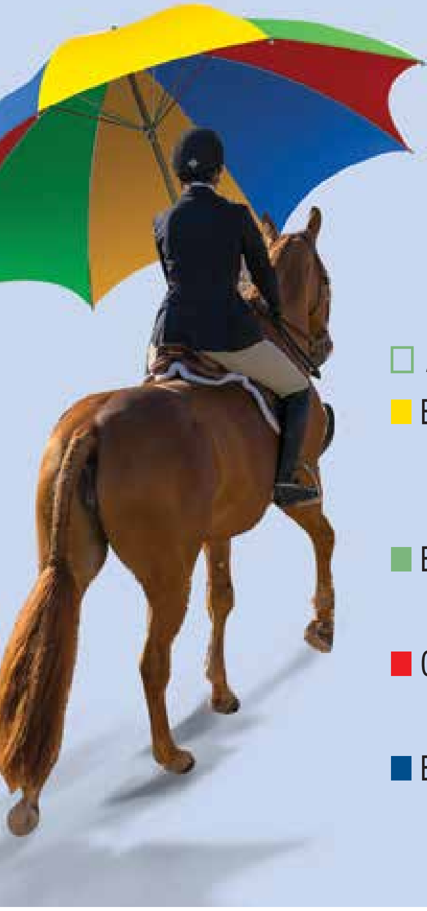
Just as a clarification, though, there is no third-party coverage for individuals who voluntarily participate in equine activities. Therefore, it's important to have all participants sign a waiver of liability prior to participating, for just these types of situations.

If you have a CGL policy, your spouse is automatically covered by the policy. If you have children who are of legal age, they need to be listed as an "additional insured" on your policy for coverage to apply, unless they are employees of your operation. Employees are insured while working within their job descriptions.

Only activities that are declared on the application and accepted by the company are eligible for coverage; undeclared activities are not covered.

So before you send out invitations for your next clinic or equine-related activity, be sure to check with your insurance agent to make sure that your CGL policy covers all of your planned equine activities and events. Then you'll be able to sit back and enjoy all of the festivities and educational opportunities knowing that you're properly covered.

In today's world, liability insurance is a necessity you shouldn't skim over.



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Liability Insurance Check List

- ☐ Define Your Operation:
  - Personal or Commercial
- ☐ Analyze Your Coverage Needs:
- Equine Commercial General Liability
  - Boarding, Breeding, Training, Instructing and/or Operating an Equine Facility
- Equine Personal Liability
  - Owner or Lessee of a Horse
- Care, Custody and Control
  - Board, Breed, Train or Transport
- Equine Event Policy
  - Horse Shows, Clinics or Equestrian Events

Whether you're a professional with a barn full of horses or an amateur with one horse in a boarding facility, you need to know the extent of your liability in the event of an unfortunate accident.

It's also important to discuss your individual situation with a knowledgeable insurance agent who can steer you toward the coverage that would work best for you. The dividing line between a commercial business and a hobby is often wide and gray, so make sure that yours is as black and white as possible when it comes to your liability insurance coverage needs.

E. Sue Bopp has been with the EMO Agency Inc. since 1986, serving as its past president and its operating officer since 2007 at the corporate headquarters in Warrenton, Virginia. She earned a Bachelor of Arts degree from Hollins University (Virginia). Bopp is a licensed insurance agent and earned her USEF R-rated judges' licenses in Hunters and Hunter Seat Equitation. She has served on the USHJA Owners Committee, serves on the Board of Directors of the Virginia Horse Show Association and the Warrenton Horse Show, competes in the Amateur-Owner Hunters and foxhunts with the Casanova Hunt.

Shawna Dietrich grew up in Houston, Texas, on the back of a horse. When her family moved to Kentucky, she started showing hunters in the Midwest, graduating to teaching and training on a professional level. She established Dietrich & Company Equine Insurance Services in 1978. Through the years, she's held USEF Hunter and Jumper judges' licenses and a USEF C-1 Steward's license. She served for two terms as USEF Zone 5 chair. She also served as a director of the Long Run Hounds and was on the USHJA Horse and Rider Advocates Committee. In addition to her insurance business, Dietrich operates Fox Hill Farm, a show horse retirement center recently relocated to Aiken, South Carolina.

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Equestrian Member Life Services Educational Initiative:

Long-Term Contingency Planning

Through this initiative, the USHJA seeks to provide educational resources to members on important topics such as long-term contingency planning, insurance, retirement planning and employer resources.

By Tricia Booker

Over the past several years, the equestrian community has lost a great many prominent horsemen and horsewomen, and even the 15-minute video tribute that was shown during the 2014 USHJA Annual Meeting could only touch on a few.

In that video, in between tears, we saw photographs of many people who had led long and rich lives, but there were others who were taken many years before their time, some after gallantly fighting illnesses and others who died quite suddenly.

Afterward, several USHJA members, including Otis "Brownie" Brown and Fran Dotoli, reflected on the loss of their friends. They observed the aftermath of their deaths on the families and collected their thoughts, realizing together that while some were well prepared for the inevitable, others hadn't taken action, and their families were left scrambling without wills or resuscitation contracts, for example. They were faced with difficult decisions while trying to also cope with emotions and financial burdens.

Brown reached out to the USHJA staff with an idea to put together a series of articles to address the importance of being properly prepared for your life, wherever it might lead. Because none of us know exactly how long we'll live, it's vitally important to have a will as well as a retirement plan. Because we can't predict if and when an accident might occur, medical and liability insurance and workman's compensation should be on your radar as well.

In this first installment, horsemen and legal experts Marianne Kutner and Armand Leone address Long-Term Contingency Planning and offer you their thoughts in this concise primer on the major documents and decisions you should have in place. Because all U.S. states have different rules and regulations, it's highly recommended that you contact a lawyer in your jurisdiction for more information and direction on these topics.

We hope you'll consider the article a shortcut or "app" that you can save for future reference. The same information will be provided on the USHJA website (www.ushja.org/bestpractices) in a new Best Practices hub you can access on the home page.

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Medical Insurance

With the advent of the Affordable Care Act, which led to the government-mandated health care program known as "Obamacare," affordable medical insurance is widely available for all Americans. There's really no excuse for not having a health insurance policy no matter your income level.

Medical insurance is vital to have and to carry throughout your life. Without it, you could face a severe financial crisis if you have a serious illness or injury, and, at the very least, the government will now fine you if you don't carry coverage. Many small businesses don't have the required number of employees to fall under the government's requirement to provide health care

TRICIA BOOKER

coverage to their workers; therefore, it's up to each individual to acquire medical insurance coverage if it's not an employee benefit.

For horse people in particular, medical insurance should be the No. 1 must-have on this list, said Kutner.

"I'm quite sure many people in the horse world still don't have medical insurance," she said, "but everybody should. If you do one thing on this list, it would be to get health insurance if you don't already have it. This is by far the most important step you can take from a legal point of view and a general, personal-care point of view.

"With the Affordable Care Act in place, health insurance is fairly affordable for all people," she added. "But if you don't have any money, a job or other resources, which can happen, you can still apply for Medicaid. You really need to have some type of health care coverage no matter your situation."

With the cost of health services—especially emergency and hospital care—on the rise, those without medical insurance could be just one accident or serious illness away from financial ruin.

"If you don't have medical insurance and are treated at an ER or hospital, you're going to get billed. Depending on the treatment and care, you could be looking at a significant amount of money. Hospitals are active in going after their money, and you'll be solely liable for those expenses if you don't have insurance," she noted.

"I've seen it happen time and time again, where a person thinks he'll live forever and will never get hurt," said Kutner. "Then, the unthinkable happens, and the person is hit with these catastrophic bills. Their life is changed in the blink of an eye."

Long-Term Care Insurance

Have you thought about what will happen to you in the event that you're unable to care for yourself due to age, illness or injury? Acquiring Long-Term Care Insurance is one way to insure that you're cared for if something should happen to you.

Unlike traditional health insurance, Long-Term Care Insurance is designed to cover long-term services and support, such as a nursing home visit, in-home care or care from another community organization. Long-term care could include services to assist you in bathing, dressing or eating, to name just a few.

"Long-Term Care Insurance is good to have, but it's expensive," said Kutner. "If you can afford long-term care, it's something you should seriously consider. People are living longer, families are more scattered and less able to care for disabled or elderly family members."

Purchasing Long-Term Care Insurance increases in expense the older you get. If purchased when you're younger, the premiums are lower, but you could be paying more over the long-term.

"Long-Term Care Insurance is expensive, and I can't even afford to get it!" said Leone, laughing. "If you have children and are saving for college and your retirement and have to kick out an extra couple hundred dollars a month [for this insurance], it's usually not economically practical. However, if someone is in a financial position to get it, by all means, it's absolutely worth it."

A Will

According to the AARP, Inc., two out of every five Americans over age 45 don't have a will. If you die and don't have a will, the state laws where you reside will determine how your assets are handled. Most of the time, that's a long, complicated and costly process.

Writing a will is the first and, many say, most important step in estate planning.

"If you have a family or significant other, you need to have a will," said Leone. "A will is not actually your problem because you won't be around, but if you care what happens to your loved ones and the assets you have and how they're distributed, you need a will."

If a person dies without a will, the Laws of Intestacy will take precedent. Depending on the state in which you reside, different procedures will follow through a legal mechanism in place. While you may assume if you're married that your property will automatically go to your surviving spouse if you don't have a will, that's not always the case.

If you want the freedom to decide who receives your assets and where your minor children will go, you need a will.

In your will you'll name an executor, the person who is responsible for settling your estate after you die. In other words, the executor is the person in charge of your property and belongings who will take inventory, distribute assets as you deemed and will close out your accounts through paying taxes and settling your debts.

Because an executor must spend a lot of time and has significant responsibility, it's best to ask the person you choose before you name him or her in your will.

"Wills are very state specific, so people should have the help of an attorney as they draw up their wills," said Kutner. "Legal forms and advice are available on the Internet, and can be helpful to organize your thoughts and ideas, but in terms of execution you should take that step and hire an attorney with knowledge of estate laws in your jurisdiction."

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If you own animals, horses in particular, your will should stipulate how you want them cared for and by whom. In most states, animals are considered personal property, yet we know that unlike a car or a boat, an animal can be quite expensive to maintain.

"If there's no will, the horses will become an asset of the estate," noted Leone. "Whomever comes into the estate will then have the financial responsibility for the horses and that could be quite costly. If there's a partner involved, your partner will control what happens with that horse if you were to die, but your estate will still have a financial interest and obligation."

Kutner agreed: "If your animals matter to you, you should be discussing your wishes for them with someone you trust. When you're planning your will, you should plan for the animals. If you're asking a best friend to care for your horse, for example, she could be looking at 10-15 years of care if your horse is 10. You need to make sure that person will do it, and you should leave her the resources in your will."

Life Insurance

Life insurance can seem complicated due to the terminology and different options available for term or whole insurance, as well as variations (universal and variable life insurance, as well), but whether you need it or not is usually straightforward.

"It's really simple," said Leone. "If you have a significant other, spouse or kids, you would want to have life insurance," he said. "If not, why bother?"

Most people purchase a life insurance policy if they have dependents who rely on their income and who would otherwise suffer financially with the loss of the person. A single individual might consider life insurance if he or she has significant debt or to avoid placing the burden of funeral expenses on family members.

Term life insurance is the more popular of the two choices. A term life insurance policy is set for a specific death benefit over a specific amount of time, and when that term is up you must buy a new insurance policy to retain coverage.

For example, a $500,000 term life insurance policy for 20 years for a healthy 40-year-old, non-smoking male might cost around $350-$400 per year. The premiums for females are generally less. The same policy will increase in price as a person ages, however, which is one downside to term insurance.

Whole life insurance provides a death benefit, and the money you pay into the policy is accumulated and invested. Whole life insurance is more expensive because as long as the premiums are paid, the policy is guaranteed for life.

The downside to whole life insurance is that the money you pay into the policy can often accrue more interest in other types of investments. Therefore, many people prefer to purchase a term life insurance policy and earmark the extra money they save in premiums for retirement or other investments.

Life insurance calculators are readily available on the Internet, and many are attached to the websites of insurance companies. If you're curious about life insurance and the many options, there's a wealth of knowledge available if you search for "types of life insurance."

Long-Term Disability Insurance

"If you're thinking about life insurance, and you don't have a family or significant other relying on you, I'd advise you spend that money on long-term disability insurance," said Leone.

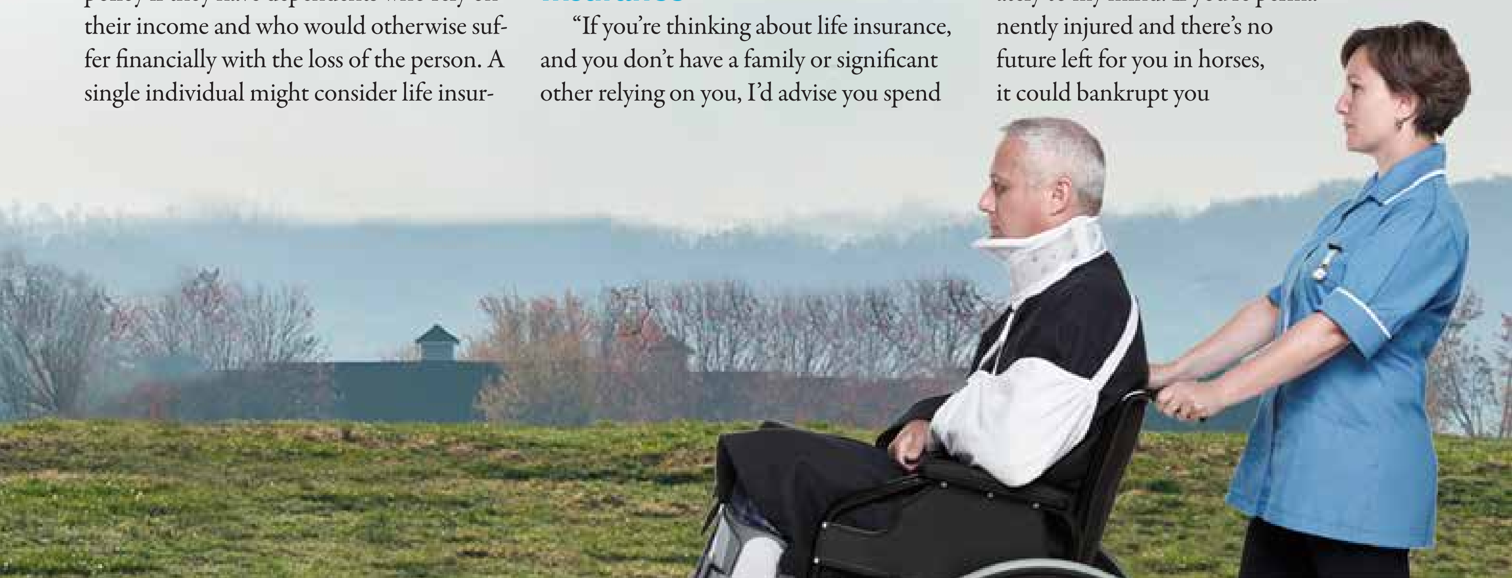
Long-term disability insurance is an insurance policy that protects an employee from loss of income over a long period of time in the event of an accident, illness or injury. For people who work with horses, this is an insurance policy to give serious thought to acquiring.

The U.S. Census Bureau estimates that an employee has a one-in-five chance of becoming disabled in his or her working lifetime. Long-term disability insurance doesn't cover your entire salary but provides a portion, usually 60 percent.

Social Security also includes a disability program, but it's different from those of private plans. To qualify for the Social Security's disability program you must meet their definition, which is stricter and for the most severely impaired. Their criteria include: You've been disabled for five calendar months; your disability is expected to last at least a year or end in death; and you're unable to be gainfully employed at any occupation.

"Most horse people aren't really prepared for the contingencies of an accident or severe illness," said Leone. "Many established trainers have gotten beyond that initial hump, established their business and purchased a farm, then they might get it. The average young riders and trainers probably haven't thought about this, but they should.

"The risk of injury is greatest for younger riders and trainers with the least protection," he added. "They could easily have the rug pulled out from under them in one accident resulting in head injury. I've seen it happen, and two or three instances come immediately to my mind. If you're permanently injured and there's no future left for you in horses, it could bankrupt you



Disability By the Numbers

1 in 4 The number of 20-year-olds the Social Security Administration estimates will become disabled and unable to work before they reach retirement age

56 million The number of Americans who currently live with disabilities, according to the SSA

38 million The number of Americans who live with severe disabilities

$1,165 The average monthly disability benefit paid by the SSA, barely above the 2014 poverty level ($11,670)

financially. Unfortunately, if you're a rider and can't ride, you're easily discarded."

Many employers offer long-term disability insurance policies through their benefits packages, and some even pay the premiums. If your employer doesn't offer such a policy or you're self-employed, you can purchase individual coverage through many insurance companies.

Trusts

Some people believe trusts are just for the top 1 percent, but that couldn't be further from the truth. Trusts are useful for most people because they form the basis for what happens to your estate, which includes everything from your bank accounts to your home to your property and investments.

A Living Trust is growing in popularity as an alternative to a will. The primary difference between the two is that a will involves probate, which is the legal process that inventories and distributes a person's property after death. A Living Trust avoids this process because a trust is established when the person is still alive and his or her assets are held in the trust. Upon death, those assets are automatically transferred free of probate, resulting in fewer fees and a faster process.

Living Trusts (irrevocable and revocable) are much more time consuming to set up, and any changes require more of an investment in time and money than a will.

"Believe it or not, some people with resources will set up sophisticated trusts just for their animals," said Kutner. "But trusts generally apply to people with more substantial assets, or if they have a disabled child or spouse. Different types of trusts can be set up for a variety of reasons. Trusts are state-specific as well, so if you have any questions about setting up a trust it's best to contact an attorney to work with you."

Power of Attorney

A Power of Attorney is, in simple terms, a legal document that names a person you choose to act in your place. Another term you might hear is "Durable Power of Attorney," which allows you to give legal permission for someone else to speak for you in the event that you are too ill to express your wishes.

The exact definition and procedures for appointing a Power of Attorney differ from state to state, so it's best to use an attorney to ensure proper execution.

"You can be as general or as specific as you want in determining a Power of Attorney," said Kutner. "You can give POA to someone to manage your finances or take care of your animals. Different people can have different functions. It's usually a good idea to have an alternate POA as well, just in case the person you choose is unable to act for you."

Living Will/Advance Directive

Few of us want to think about dying, but in working with horses we take more risks than many people in the general population. In this business, how many times have we observed horse-related accidents that resulted in severe or incapacitating injury? Sadly, too many times. If such an incident were to happen to you, have you thought about what you would want?

Creating an Advance Directive, also known as a Living Will, is an important step to plan for your life, or the end of your life, based on your unique personal wishes. An Advance Directive will tell your loved ones what you want them to do if you become too ill or injured to make your decision known. Where do you draw the line on medical intervention? With an Advance Directive in place, you can outline your wishes so your family and medical providers don't have to guess.

"Most horse people are outdoor people, and they don't want to be sitting indoors on a ventilator for the rest of their lives," said Leone. "If your quality of life is severely compromised, how far do you want someone to go to save your life?"

That's a tough question to answer, and it might change over time, but Leone advised that you give serious thought to it now and develop a Living Will. You can always adjust it at a later date.

"Part of each person's answer to the question will be his or her family structure," he noted. "If I'm by myself and not going to be able to do what's meaningful for me for the rest of my life, that fact will direct my answer. If I'm married and have children, I might want to see my children get married and staying around, even if I'm totally disabled, will be worth it. I think each person must make an individual decision. Yes, it's terrifying, but it's really important."

Leone also noted that without a Living Will, a person might lose the ability to make any decisions after an accident.

"The nightmare is being totally incapacitated and not being able to talk and tell people what you want," he said. "Then, you'll not only be living a life you don't want, you'll be bleeding away money. The last thing I would want to happen is to be using up all of the money I've saved for my family. I'll be listening to the machines and thinking 'cha-ching, cha-ching' and watching them go broke."

A Do-Not-Resuscitate order, or DNR, is an order written by a doctor, and it can be included in your Advance Directive or Healthcare Power of Attorney. A DNR allows you to choose whether or not you want resuscitation (CPR) during an emergency. It does not provide instructions for any other treatment.

DNR orders are generally given near the end of a person's life, but can be done at any time.

"For the most part, the last thing a horse person would want is to not be able to go out to the barn and be engaged in the sport he loves," said Leone. "It's important to have these discussions early, and maybe prevent some of the disasters we've touched on in this article.

"Everyone thinks they're invincible when they're young. 'I can ride that horse, jump that ditch,' and maybe you can and maybe you can't," he continued. "Sportsmen by definition believe in some invincibility. We're risk-takers. That's all well and good, but you have to guard against it appropriately."

Marianne Kutner, of Port Washington, New York, is a lifelong horseman, an amateur hunter rider and an attorney practicing and consulting in the equine industry. She's a founding member and General Counsel for the USHJA and consults with various equine industry organizations and competition management groups.

Armand Leone, of Leone Equestrian Law LLC, is a business professional with expertise in health care, equestrian sports and law, with strengths in strategic analysis, business development and operations. An equestrian athlete, as well, Leone served as a director on the Board of United States Equestrian Federation and was USEF Vice President of International High Performance Programs for many years. He also served on the USEF and USHJA special task forces on governance, safety, drugs and medications, trainer certification and coach selection. Leone is co-owner of his family's Ri-Arm Farm in Oakland, New Jersey, where he still rides and trains.

Long-Term Contingency Planning Check List

- Obtain Health Insurance
- Consider Life Insurance
- Consider Long-Term Disability Insurance
- Write a Will
  - Appoint a Power of Attorney
  - Make a Plan for Your Children
  - Make a Plan for Your Animals
  - Disburse Your Assets
- Write a Living Will
  - Appoint a Health Care Proxy
  - Make a Plan for Your Health Directives

Government and Non-Profit Resources to Remember

- Personal Finances, Estate Planning, Financial Security, Wills, Trusts, Insurance, Disability and Survivor Planner and much more: www.usa.gov
- Finding a Lawyer, Estate Planning FAQs, Law Issues for Consumers: www.americanbar.org
- Health Care Coverage: www.healthcare.gov
- Health Care Coverage Information and Research: www.familiesusa.org
- Social Security Administration: www.ssa.gov
- Health, Work and Retirement and Money: www.aarp.org

SHUTTERSTOCK/NONWARIT

Equestrian Member Life Services Educational Initiative:

Retirement Planning

Through this initiative, the USHJA seeks to provide educational resources to members on important topics such as long-term contingency planning, insurance, retirement planning and employer resources.

By Tricia Booker

As the Baby Boom generation ages and more people reach retirement, they're realizing that the days of generous and reliable employer pensions and guaranteed health insurance that their parents received are long gone. Today's workers—and those of the future—must rely on themselves to fund their retirements, and because we're living longer and more active lives, those "golden years" may be quite costly.

In this second installment of the Equestrian Member Life Services Initiative, horsemen and financial experts Cheryl Rubenstein and William Craig Dobbs highlight some of the most important financial planning steps you can take to secure your future and forge a smooth path to retirement.

This initiative was prompted by USHJA members Otis "Brownie" Brown and Fran Dotoli, who reflected on the recent loss of friends in the industry. They realized that while some were well prepared for the inevitable, others hadn't taken action, and their families were left scrambling without wills or resuscitation contracts, for example. They were faced with difficult decisions while trying to also cope with emotions and financial burdens.

Brown reached out to the USHJA staff with an idea to put together a series of articles addressing the importance of being properly prepared for your life, wherever it might lead. Because none of us know exactly how long we'll live, it's vitally important to have a will as well as a retirement plan. Because we can't predict if and when an accident might occur, medical and liability insurance and workman's compensation should be on everyone's radar, as well.

We hope you'll consider this article a shortcut or "app" that you can save for future reference. The same information will be provided on the USHJA website (www.ushja.org) in a new "Best Practices" section that you can access on the front page. If you missed the first installment in the July 2015 issue, which addressed long-term contingency planning, you'll find it there as well.

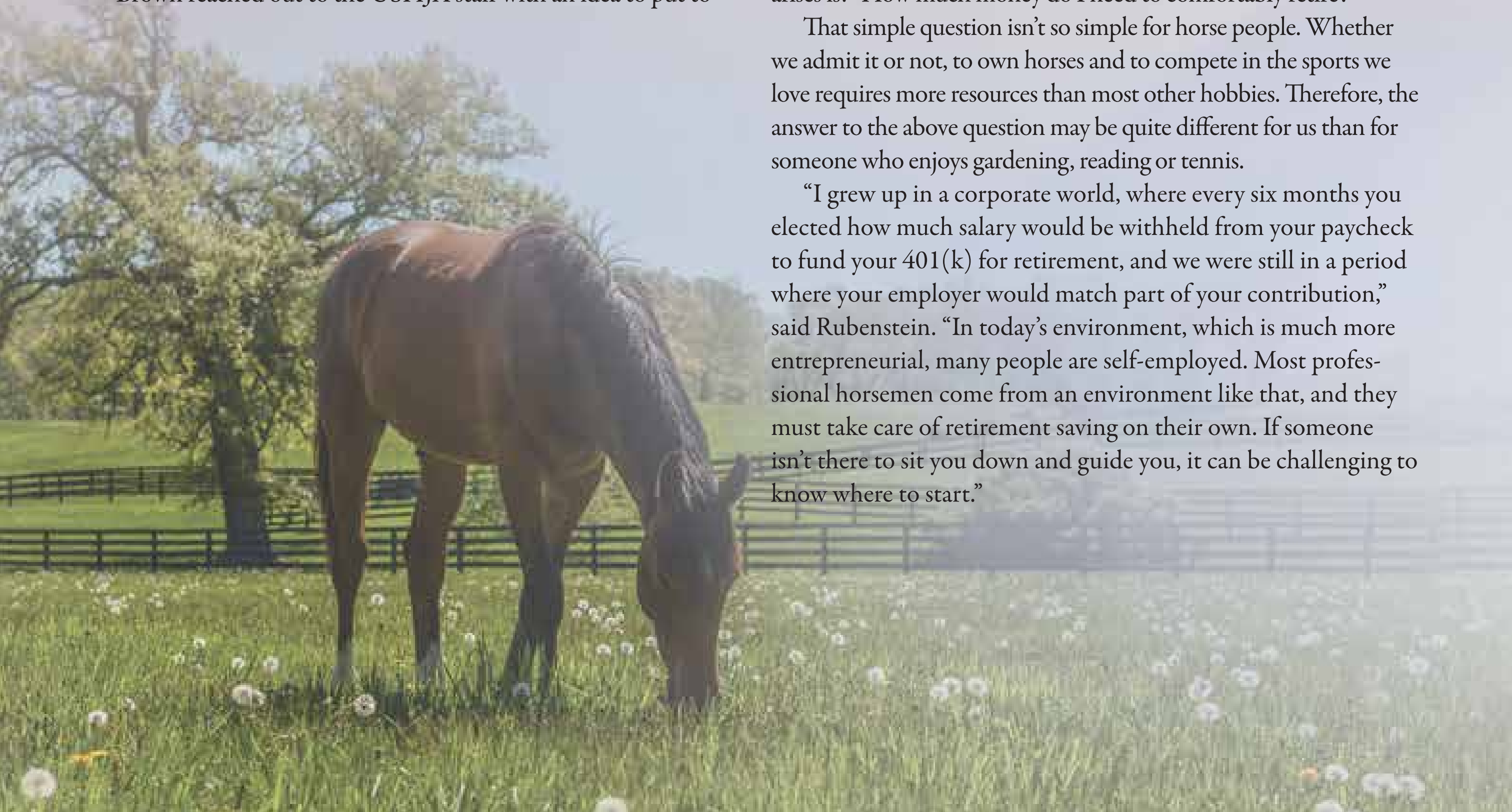
This information is offered solely as an educational service to the USHJA community and the general public. This content is not intended to provide, nor does it constitute, legal advice or legal opinions, and should not be relied upon as legal advice or opinion.

How Much?

The first question many people ask when the topic of retirement arises is: "How much money do I need to comfortably retire?"

That simple question isn't so simple for horse people. Whether we admit it or not, to own horses and to compete in the sports we love requires more resources than most other hobbies. Therefore, the answer to the above question may be quite different for us than for someone who enjoys gardening, reading or tennis.

"I grew up in a corporate world, where every six months you elected how much salary would be withheld from your paycheck to fund your 401(k) for retirement, and we were still in a period where your employer would match part of your contribution," said Rubenstein. "In today's environment, which is much more entrepreneurial, many people are self-employed. Most professional horsemen come from an environment like that, and they must take care of retirement saving on their own. If someone isn't there to sit you down and guide you, it can be challenging to know where to start."



Conventional retirement wisdom from the AARP and other sources has been that in order to retire, you should have amassed $1 million to $1.5 million or that your savings should amount to 10 to 12 times your current income.

But before you stress out or give a sigh of relief, remember that each person is different. Personal finance is, well, personal. The amount of money you will ultimately need will be determined by where you choose to live, your life expectancy and your health, just to name a few important variables.

Whatever your reaction to the above statement, you should know that it's never too early to begin saving for retirement (or too late!).

In fact, statistics show that a person who begins even a modest retirement savings plan in their 20s stands a much greater chance of having a significant nest egg than someone who begins in their 30s. Those 10 years or so make a huge difference due to the impact of compound interest on your money over the course of decades.

"Another important factor to consider is peer pressure," said Rubenstein. "In our sport, we are constantly exposed to people with significant means. Particularly for younger people, it's challengng not to want the same things and want to keep up. I think it's important to look forward into the future and think, 'It's better to keep up with the Joneses in your retirement years than in your 20s and 30s.' But that's not the mindset of most young people."

If you're skimming this article because you think it's too early for you to consider retirement savings, stop! Even setting aside just a small amount annually will bring huge dividends, and your older self in 40 years will thank your younger self hundreds of thousands of times.

For example, according to Market Watch, if you were to save $2,000 every year and averaged 8 percent growth from the age of 25 until 65, roughly four decades, you would have around $459,000 at the start of your retirement. Whereas, if you were to begin only a decade later, at age 35, you would have about $214,000. That's a big difference—and buys a lot of hay and grain.

Budgeting Now and Beyond

So where do you start? Have you ever figured out where your money goes each month and year on various living expenses? That's a first step in determining how much you'll need in retirement.

"It's important to know how much you spend on food, shelter, car payments, student loans and set aside for savings, for example," said Rubenstein. "Then, if you have a family, you'll have to think about life insurance and 529 plans for college savings.

"What's really vital, too, is disability insurance," she added. "What frightens me are the young riders who decided not to complete their educations. Maybe an education was never a goal or priority because they had riding talent, but without marketable skills it's going to be hard to support their horse addiction if something [goes] wrong. Disability insurance becomes paramount, especially if they have a family, but it's not inexpensive."

It used to be suggested that retirees should budget 80 to 90 percent of their current spending for their retirement, but many financial planners now suggest 100 percent, at least for the first 10 years.

Because each person has different needs and wants, knowing where your money goes and why is vitally important to figuring out your long-term savings plan. Do you have a household full of pets? Do you like to travel? Do you always want to own a horse? These are important questions to consider because how much you choose to save now impacts your life later.

Outline how much money you'll need for basic necessities—housing, healthcare, food, utilities, insurance, etc.—as well as the life-enriching items that you personally must have. Remember, in retirement every day is like a Saturday! You might spend more than you expect on day-to-day activities, especially if horses are in your life.

"While it's never too early to begin saving for retirement, it's also never too late."
—Cheryl Rubenstein

Next, outline your current savings plan—401(k), stocks, IRA, savings accounts, etc.—and calculate if you're on target. There are helpful charts and graphs online that allow you to project where you are and where you need to be (*see box*). Most of these calculators are general estimates, but by inputting different amounts and ages for retirement, you can get a feel for where you want to be and the amount you need to save.

Inflation also must be figured into the equation. The longer you live, the more things are likely to cost. Estimates now will most likely be much lower than 20 or 30 years down the road. Cost-of-living increases should be factored into your savings plan and projected expenses, as well.

"If I could send out one message, I'd say: Planning for the future never goes out of style. It's not a fad or trend as is your current desire for something you might want at this moment. It's natural that young people want to have the current clothes and they notice what's in style, but as people grow up they need to think more about long-term investing. That expensive motorhome might be great right now, but is it a good investment for your future?"

While it's never too early to begin saving for retirement, it's also never too late. Even those approaching the magic numbers of 50 and 60 still have the opportunity to realize some serious gains in 10-15 years.

"When you're 50 and haven't started saving, it is a real challenge," said Rubenstein. "A person in this position really needs to realign their spending and prioritize saving. He should take a good hard look at where he is in life. What is his medical condition? How long is he able to be productive in the work force? Then, he needs to crunch some numbers."

This is the time that Rubenstein advises calling in a financial planner. "Your options become increasingly limited as you get older," she said. "I hate how scary that is, but it's the truth. If you're 50-something [years old] and without any retirement savings yet, you need an expert to advise you."

TRICIA BOOKER

Retirement by the Numbers

2 in 10 Number of Americans who feel "very confident" in their retirement security

50% Number of Americans in their 40s who have used a retirement calculator to determine their retirement needs

40 million Number of working-age households that do not own any retirement account assets

50 Age you can make catch-up contributions to your retirement accounts

65 Age you are eligible for Medicare

66/67 Age you are eligible for full Social Security benefits

70½ Age you must start taking minimum withdrawals from most retirement accounts or face heavy tax penalties

Retirement Glossary

401K

The 401(k) is a retirement savings plan sponsored by an employer. When you invest in a 401(k), you're using pretax income, and the taxes aren't taken out until the money is withdrawn from the account.

Like many people, you might wonder why it's called a 401(k). It turns out that in 1978, when the federal law creating these accounts was passed, the 401(k) was the section of the U.S. tax code that governed them. The name stuck.

In the old days, most employers offered defined benefit pension accounts, where the employer would pay a steady income to the employee over the course of the person's retirement. As the cost of funding pensions began to rise, employers switched to 401(k) accounts to save money and to give employees more control over how their money was invested. Initially, 401(k) accounts were developed to supplement pension income; now, however, they've basically replaced them.

Today, employer pensions are a rarity, and therefore the investment risk and most all of the contribution burden for your retirement savings falls on you, the worker.

In 2015, the maximum amount you can contribute to your 401(k) is $18,000 plus an extra $6,000 if you're over 50. Make it your goal to save this amount, or as much as possible.

If your employer matches your 401(k) contributions, make sure that you are contributing enough to qualify for the maximum match. Otherwise, it's like turning down part of your salary.

If you're not maxing out your contributions, consider increasing your 401(k) contributions 1 percent each year and earmark any raises you receive to your 401(k) automatically. That's an easy (and mostly painless) way to save more money each year.

Don't borrow money from your 401(k). Many plans allow participants to take a loan from their account, but there are serious downsides. The loan must be paid back, and while the money is out of your account you're losing the interest compounding and often the opportunity to fund your account for a set amount of time.

Rollovers

If you leave a job that had a 401(k), you can move that money to an Individual Retirement Account (IRA). In doing so, you'll have more flexibility to choose your investments.

IRA

An Individual Retirement Account (IRA) is basically a savings account that provides tax advantages for retirement savings.

IRA TYPES INCLUDE:

- Traditional (contributions made with pre-tax income)
- Roth IRA (contributions made with post-tax income)
- SEP IRA (self-employed plan for business owners)
- Simple IRA (Savings Incentive Match Plan for Employees that requires the employer to match contributions)
- Rollover IRA (funds come from a qualified plan, such as a 401(k))

Although funds from IRAs can be withdrawn at any time, there are penalties if you do so before age 59½. Early withdrawal would be subject to ordinary income tax plus a 10 percent early withdrawal penalty tax. There are certain exceptions, but basically once you fund an IRA, that money should be considered for retirement purposes only.

Social Security

Many Americans over a certain age have long considered Social Security as a big part of their retirement planning picture because they've been paying into the system their entire working lives. The amount of your benefit does depend on how much you've contributed, but another key factor is timing. If you wait to draw Social Security until a later age, 70 for example, you'll receive a larger benefit.

WHAT YOU SHOULD KNOW:

- You can begin to claim Social Security Benefits from age 62-70
- For each year you wait, your benefits rise
- It may be better to spend your savings and delay your claim depending on your life expectancy

Deciding when to claim Social Security benefits will have a permanent impact on the benefits you receive. Claiming before full retirement age can significantly reduce your benefit while delaying increases it.

For example, waiting to claim until you're age 70 results in 32 percent more in a benefit check than taking benefits at full retirement age, which is 66/67. If you choose to take benefits at age 62, you'll receive only 75 percent of what you would receive if you waited until age 66.

You can find charts online that explain how to maximize your Social Security benefits. These charts show the trade-offs for taking benefits at different ages depending on your probability of living to certain ages.

The bottom line, though, is that there's no one-size-fits-all plan. You should make sure to research and understand the pros and cons of when to take Social Security benefits and work that information into your overall retirement plan.

Conclusion

Even though Rubenstein was immersed in finances throughout her college years and for several decades of her professional life, she still sees areas she could have improved upon.

"I wish I'd been a lot smarter," she reflected. "I wish I'd done more to create a nest egg at an earlier age. Had I understood what the payoff would have been in years to come, even at a fairly low rate of interest, when that money doubles in what amounts to a blink of an eye, I would have done things differently.

"If I could provide advice to young people today, I'd tell them to take advantage of the years and set money aside now," she added. "If you have a desire to purchase a house or a new horse, think about the ramifications for your future. I wish at the time I'd thought more about that new pair of jeans or that trip and that they really weren't very important. Having a savings discipline in place would have been so much smarter."

William Craig Dobbs, of Indianapolis, Indiana, is head of The Dobbs Group. He has more than 25 years of experience as an institutional investment consultant with Graystone Consulting and Merrill Lynch, with specialties in defined benefit, defined contribution, and health and welfare funds. He earned a degree in finance from Ball State University (Indiana) and attended the University of Notre Dame's executive MBA program. Dobbs is also the chairman and treasurer of the USHJA Foundation.

Cheryl Rubenstein, of Memphis, Tennessee, is an amateur hunter rider and was a managing director at JP Morgan Chase for 19 years. She earned degrees in economics and sociology, as well as an MBA in finance and marketing, from Vanderbilt University and Tulane University. Rubenstein is the secretary of the USHJA Foundation and a member of the USHJA Board of Directors.

William Craig Dobbs' Retirement Planning Challenges

- Longevity: Planning for a longer-than-expected life
- Market Volatility: Planning for market risk or uncertainly
- Inflation: Preserving purchasing power over time
- Taxation: Paying your fair share, but no more
- Legacy: Minimizing liability to loved ones

How Much Money Should a 30-Year-Old Have Saved?

- Assuming you've been working since you were 22 or 23 years old, by your 30th birthday you should have amassed a year's salary in your 401(k) or IRA.
- According to Fidelity, by age 45 you should have 3x your salary, and by 55 5x. By the time you reach retirement age, you should have amassed 8x your salary at minimum.

Retirement Planning Check List

- [ ] Define your Lifestyle
  - Budget
- [ ] Analyze your income sources
  - Social Security
  - 401(k) and IRA accounts
  - Pensions
  - Savings
  - Annuities
  - Investments
  - Home equity
- [ ] Analyze your living expenses
  - Housing
  - Healthcare
  - Long-term Care
  - Taxes
  - Debt
  - Insurance
  - Inflation
- [ ] Estimate Your Retirement Age and Longevity
  - Recalculate your savings goals

Government and Non-Profit Resources to Remember

- Personal Finances, Estate Planning, Financial Security, Wills, Trusts, Insurance, Disability and Survivor Planner, and much more: www.usa.gov
- Finding a Lawyer, Estate Planning FAQs, Law Issues for Consumers: www.americanbar.org
- Health Care Coverage: www.healthcare.gov
- Health Care Coverage Information and Research: www.familiesusa.org
- Social Security Administration: www.ssa.gov
- Health, Work and Retirement and Money: www.aarp.org
- Taking The Mystery Out of Retirement Planning: www.dol.gov/ebsa/publications/nearretirement