Risk Management 101

Consumers spend thousands of dollars per year on risk management products like life, disability, medical, and property insurance. But before you spend your hard-earned dollars, here are some considerations.   As always, it is advised that you consult with a financial professional before implementing or changing your risk management portfolio.

Overall Risk Management Portfolio Guidelines

- <u>Remember this question when purchasing insurance</u>…"how can I avoid the most serious types of risks?" Some examples would be, the death of an income earner (causing loss of income), the disability of an income earner (causing reduction or loss in income), or property damage/loss (causing temporary or permanent loss of use).
- <u>Remember this fact</u> <u>about purchasing insurance</u>… it is just a transaction in which the insured (YOU) is purchasing the ability to transfer risk to the insurer (THE COMPANY) when the financial risk is <u>severe</u> but the frequency is <u>low</u>. This means that although the chances of occurring are slim, the amount of loss would be catastrophic for you.
- <u>Remember this fact about purchasing insurance</u>…the cheapest form of insurance is always to either retain or reduce risk when possible and appropriate. This is when the financial risk is <u>low</u> and frequency is <u>high</u>. Some examples of this are door dings and paint scratches on a car.

5 Steps for Creating the Proper Risk Management Portfolio

- <u>Determine</u> the objectives of the risk management program and <u>identify</u> the risk exposure;
- <u>Evaluate</u> the identified risks as to probability of occurrence and potential loss;
- <u>Determine</u> alternatives for managing risks selecting the most appropriate alternative for each;
- <u>Implement</u> the program;
- <u>Evaluate</u>, monitor and review the program

If you need help with determining the proper risk management portfolio or other financial planning needs, give us a call at (214) 699-7599 or visit us at www.djh-capital.com!

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