

Perspective



Michael J. Damon, CPA

NOVEMBER 2016

Accurately Assess The Replacement Value of Your Home

If disaster strikes, you need to know you have enough coverage to replace what was lost. There are various ways to determine the replacement costs. If the estimate seems off, you may want to:

- ▶ Consult a custom home builder
- ▶ Ask an appraiser
- ▶ Use an online calculator



Whad'Ya Know: Homeowners' Edition

On the radio quiz show, Whad'Ya Know, contestants answer questions about current events, people, places, and other topics. Homeowners insurance probably would have fallen into the 'Odds and Ends' category. Regardless, not many homeowners would likely answer correctly when queried about their coverage. Test your knowledge with these three questions:



- 1. Does your homeowner's policy cover floods?** Since floods are the leading cause of disaster in the United States, you might expect homeowners to have proper flood coverage. Yet 73 percent of those surveyed didn't. Homeowners insurance typically pays to repair or rebuild your home, and any detached structures, if they are damaged or destroyed by a fire, a hurricane, hail, lightning or another type of disaster. Most will not cover damage caused by a flood, rising water, an earthquake, landslides or day-to-day wear and tear.^{1,2}
- 2. What will your policy pay you if disaster strikes?** There are many different types of policies and each policy offers a different coverage. For instance, replacement cost policies pay for you to replace your home and property with new items at current prices. Cash value policies pay you to replace your home and property after depreciation is factored in. Do you know what type of policy you have?^{3,4}
- 3. Does your homeowner's policy cover drone accidents?** You're a drone enthusiast. You lose control, and your drone collides with and injures a neighbor. Does your insurance cover the accident? The National Association of Insurance Commissioners said, "Using a private drone as a hobby is generally covered under your homeowner's policy, subject to deductible, which typically covers radio-controlled model aircraft. This also applies to a renter's insurance policy."⁵

If you weren't sure about the answers to these questions, talk with your insurance provider. ■

Lincoln Investment does not offer homeowners insurance policies. This article is for informational purposes only.

¹ Mertz Esswein, Pat. '4 Ways to Disaster-Proof Your Homeowners Insurance Policy.' Kiplingers.com. September 2016.

² Insurance Information Institute. 'What Is Covered by Standard Homeowners Insurance?' Cited October 25. 2016.

³ Homeownersinsurance.org.

⁴ Insurance Journal.

⁵ National Association of Insurance Commissioners. 'Up, Up And Away.' Consumer Alert. 2015. Cited October 27, 2016.

Dealing With Gift Cards



People like giving gift cards, and purchased \$130 billion worth in 2015.⁶ The good news is that the Credit Card Act of 2009 eliminated junk fees and set expiration dates at five years minimum, so the unused value of gift cards has fallen from seven percent to 0.75 percent

since 2008.⁷ The bad news is during 2015 almost \$1 billion of gift card value wasn't spent.

Here are a few things to consider as you select gift cards for your loved ones.

- **Plastic or electronic?** Plastic cards can be tucked in a wallet or purse, while electronic gift cards can be stored and spent via smartphone. Either can be lost or stolen (hacked). E-cards have the advantage of making last minute gift giving easy, especially if the recipient doesn't live nearby.⁸
- **Retail or payment network?** Payment network cards—Visa, American Express, Discover, MasterCard—tend to be more versatile than retail gift cards, which can be spent only at the retailers or restaurants that issued the cards.⁹

• **Is the retailer solvent?** The U.S. Federal Trade Commission (FTC) suggests that buyers, "consider the financial condition of the retailer or restaurant," before purchasing a card. Also, make sure there are multiple stores near the recipient. If there is a single store, and it closes, the card may not be used.¹⁰

Before making a final decision, read the fine print. Is there a fee to buy the card? If you buy digitally, is there a shipping and handling fee? When the terms and conditions don't meet your needs, look elsewhere. ■

Gift Cards Are Popular

A National Retail Federation survey found that during the 2015 holiday season:

- 73% of Americans purchased one or more gift cards
- 34% bought restaurant cards
- 34% bought department store cards
- 23% bought Visa, Master Card, American Express, or Discover gift cards

Source: www.nrf.com

⁶ Riley, Brian. 'Gift Cards 2015: Digital Tipping Point and the P2P Shift.' CEB. November 2015.

⁷ CEB. 'Gift Cards State of the Union: Growth & Risk in 2015.' 2015. Cited October 26, 2016.

⁸ Sullivan, Bob. 'Are E-Gift Cards Safe? Here's What to Know.' Credit.com. December 15, 2015.

⁹ FTC.gov. 'Consumer Information: Gift Cards.' Cited October 26, 2016.

¹⁰ Ibid.