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# QUARTERLY THOUGHTS

Compliments of Berkshire Money Management

# '17

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🐾 SPECIAL PET EDITION 🐾

## If You Love Your Pet Like Family, Protect Your Pet with a Pet Trust

What happens to your pet if something happens to you? If you have been avoiding a visit to an estate planning lawyer, despite the pleading of your spouse, your kids or grandkids consider this: your pet's future well-being could be in jeopardy without a legal safeguard. I implore you that if you are one of the 70% of the population that considers their pet a member of their family, review your estate planning documents. Otherwise, there is the possibility that your pet will end up in the pound or worse. Planning and securing the well-being of your pet will put a smile on your face. I'm certain of that.

This hits close to home for many of us. Too close. New legislation is surfacing in a number of states that recognizes our concern for our pets. Even though we consider our pets part of the family, legally, your pet is not considered a human. Instead, they are considered tangible property and, generally speaking, tangible property cannot be named beneficiary of a trust. In other words, you cannot leave property to property.

Many states, however, are allowing legally enforceable documents that can guarantee a pet's continuing care. In some cases, pet provisions in your will may only be "honorary." That means the person who receives the funds decides whether or not to use them for your pet's care. There is nothing to prevent that person from dumping your pet and taking a vacation with your \$5,000. Forty-six states and the District of Columbia have passed

specific pet trusts, according to the Animal Law Review. In Massachusetts, legislation was passed in 2011 to provide for pets' welfare after their owner's demise.

"The definition of tangible personal property hasn't changed," according to a local legal friend of mine, "but legislatures have recognized a compassionate exception when it comes to our pets." This local attorney advises that "the primary legal document required to safeguard your pet is a pet trust." It can be as simple as "I leave \$20,000 to my sister, Marilyn, for the care of

my dog, Jackson."

The pet trust can be a stand-alone document, inserted into your will, or worked into your existing revocable trust. And, as I always discuss with my





*Best of friends!*

You may recall the now-famous case of Leona Helmsley, who left \$12 million in trust to Trouble, her white Maltese, while giving nothing to her four grandchildren. In 2007, a year after she died, a judge reduced the dog's wealth by \$10 million. Still, the \$2 million was enough for Trouble to live a life of luxury, until she died at age 12 in 2011.

For those of us that want more than a simple directive, a pet trust can

be drafted with any amount of complexity. Contact me (Peter Coughlin) at (413)997-2006 and I can advise you on an estate planning attorney that can properly design a pet trust.

Trusts can be created that have multiple layers of contingencies. The trust can name trustees and caretakers both appointed within the document, in which the trustee insures that the

clients, everyone should have a will or trust. A trust is especially important if minors or adults who can't care for themselves are involved. A trust allows your beneficiaries and your pets to avoid probate, which is time-consuming, public and expensive. Trusts also allow for tax-planning if you are leaving a substantial inheritance to your beneficiaries.

pet is cared for and disburses money to the appointed caretaker. Responsibilities can be broadly defined depending on the owner's wishes.

The person to whom you entrusted your pet could be a loving, caring person, but what if the person is allergic to your pet, or already has pets of their own and conflict develops between them? The person may live or move to a rental apartment or community that excludes pets. As you now realize, there is a lot to consider here.

But there are avenues you can pursue to protect your pets. There are legally enforceable documents that can guarantee a pet's continuing care.

How much can you expect to pay for a pet trust? It varies based on who you go to and the level of complexity that you demand. A local attorney estimates a range of \$250 for an amendment to add a simple pet trust to your will or trust to as much as \$1,500 for a soup-to-nuts drafting of an estate plan for you and your family in which your pet trust is part of the package. 🐾

## Pet Insurance and Why You Should Have It

Whether you are adopting a pet or buying that pure blood breed, the first thing you should consider is pet insurance. Skipping this step could cost you several times the purchase price of your new pet each year. Better to be safe than sorry.

Pet insurance is like any other insurance, human or otherwise. The cost of coverage is based on your pet's age, health profile, breed and however much insurance you want to purchase. You will pay a yearly premium, have a deductible, co-pays and a maximum cap on how much your insurance covers per year.

The best time to take out insurance is before your pet develops health problems. Case in point are my colleagues Barbara and Bill Schmick. Titus, their eight-year-old, Chocolate Lab, developed arthritis in his right shoulder

two years ago. It is a common and chronic health problem among labs (as is arthritis of the hips), and has cost them several times his purchase price over the years. Even though they could still buy insurance for him, it would make little difference since the policy would not cover pre-existing conditions such as his arthritis.

If you plan to adopt an animal, my advice is to get a clean bill of health from the shelter, adoption agency or veterinarian prior to bringing it home. Otherwise, you may be stuck with an existing condition that will drain your bank account for as long as you own the pet. A common mistake would-be pet owners make is ignoring the emotional attachment that develops between man and beast.

Bill is a dollars and cents kind of guy and convinced himself that once



*You know you need pet insurance when your dog starts climbing ladders!*

Titus's health bills passed a certain plateau, it would be time to put him down from an economic point of view. That plateau has come and gone many, many times and Titus is still very much part of their "family." According to Bill, Titus will be with us no matter the cost until he dies. So much for his cold calculated strategy, "I just wish I was smart enough to buy insurance seven years ago when it made sense." Barbara and Bill truly love Titus.

You need to decide how much insurance is right for you. Skin problems are the largest source of health claims for dogs with minor issues averaging \$210 a visit while benign skin masses were higher at \$347 per visit, according to a 2015 analysis of pet insurance claims. Diabetes (\$862/visit)

and urinary tract infections (\$441/visit) led the list for health claims for cat owners.

Like every insurance policy, there is a ton of fine print that you must wade through. Your job is to identify and understand what is excluded from coverage. Be sure you identify any waiting periods before the particular insurance policy kicks in. For example, some dogs develop ligament injuries quickly, but you may find that those kinds of injuries have much longer waiting periods than other health issues.

Every policy has "extras" and most of them concern wellness issues — annual check-ups, vaccinations, even teeth brushing. Carefully compare what those services would cost on their own outside of insurance before buying them.

Finally, make sure you comparison shop before settling on one plan. Every insurance company charges different rates for coverage. Some offer discounts if you cover more than one pet, for example. Deductibles may be lower on one plan, but check what kind of reimbursements you will be receiving. Some companies reimburse a certain percentage of what your vet charges you, but others only give you back what they deem to be 'usual and customary' for the cost of a particular treatment.

Bottom line: pet insurance can save you a lot of money, if it is purchased properly and at the right time. It should be your number one agenda right out of the gate after acquiring your pet. 🐾

## Pet Care Remains Recession Proof

This year we will spend approximately \$48 billion on our pets, vaulting the pet care sector to the seventh or eight largest retail sector in the U.S. That's an almost 5% increase versus last year's spending, and revenues are expected to top \$56 billion by 2014. What's fueling this steady growth is the 62% of American households who now own one or more pets that squawk, bark, whinny, meow or otherwise make their wishes known to us.

It's not simply about food bowls, water dishes and rubber balls either. Spending has expanded into new areas. Pet services, from doggie daycare and pet sitting to grooming and spa emporiums, have sprung up in every city in the nation. The purchase of OTC medicines, nutritional products, insurance, veterinary and other services have also fueled the start-up of countless small businesses while making the larger players even larger. Even pet cemeteries are on the rise.

Internet sites have also joined the pack with blogs and websites covering everything from pet health, adoptions, food, non-profit charities to social net-

working sites like "Dogster", where owners of pets can bond, exchange information and post photos of their pets.

The pet care phenomenon is not only confined to the U.S. The global pet food market, for example, is growing strongly this year with cat treats, premium dog and cat food, and dietary and health supplements leading the charge. Brazil is the largest food market for pets behind the U.S. while India and Russia are the fastest growing countries. Euro monitor, a respected research organization, is predicting that global pet shops and superstore outlets will grow 13% between this year and 2014.

So what is fueling this pet-centric spending mania? Despite a struggling economy, high unemployment and a consumer who is largely on a spending strike everywhere else in the landscape; our tendency to humanize our pets supersedes all these drawbacks.

"Humanization", according to



scholars (and marketers) who study the human-animal bond, is the modern tendency to see our pets as junior members of the family rather than in their traditional role as animals or beasts of burden. These fur babies have become so important in our lives that we would no more consider a serious cut-back on spending for them than we would for our human kids.

In many ways this phenomenon is more a comment on how we humans have changed. Although we have our cell phones, our e-mail, our Facebook pages and a hundred other electronic means of communication, the awful truth is that we are becoming less

connected from our communities with every passing day. More of us live alone, get divorced, opt out of having children, move long distances from our family and spend more time at work and less in community involvement. For many of us, instead of hugging another person, we hug our cats, dogs or iguanas.

Over 83% of pet owners call themselves their animals “mommy” or “daddy” and 56% of dog owners buy their pets Christmas presents. The biggest boost in spending is coming from empty nesters, Baby Boomers, who have transferred their money and attention from grown-up children to their pets.

My colleagues Barbara and Bill Schmick fit this profile. They have an eight-year old Lab named Titus who costs them a bundle each year. They both work and until recently dropped him off at a daycare center five days a week. When they planned their trip to Maine last summer, Titus was included. When they called around for reservations, they were surprised at the number of pet friendly hotels they found. Best Western, the world’s largest hotel chain, for example, now offers more than 1900 pet friendly hotels around the world.

Now that they live in Pittsfield during the week, they initially hired another pet sitter, Renee, the proprietor of Love-Us-and-Leave-Us, who got started as a canine sitter/walker in 2006.

“I’ve handled over 200 different dogs over that time,” she said, “and I have a steady client base now of over one hundred.”

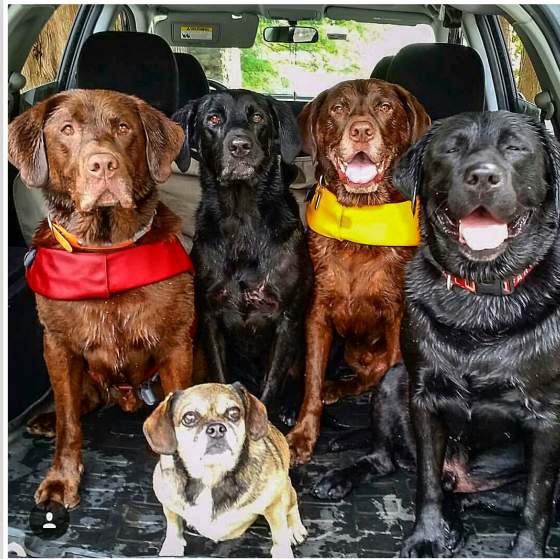
They also use Bri Schnopp who makes a pretty good living taking Titus and other dogs on adventure hikes for a couple of hours a day.

For those who are unemployed or looking to start a new business, you might want to look at pet sitting. Pet sitters can earn between \$12 and \$22 a visit with the national average at \$16 an hour. In many cases, dog sitting may only involve visiting a house, give the pet a bathroom break, feeding him and maybe throwing the ball a few times. That takes half an hour tops.

If you build your clientele until you are making 10 visits a day, that’s 160 a day or \$4,880 per month. That’s not pocket change, especially if you are out of work. There are no expenses, nor certifications required and few barriers to entry. All you need do is love animals. So far, Love-Us-and-Leave-Us has been good to Renee.

Renee has bought a home and is often shocked at the success of her business.

“I feel like a rock star in the dog world,” admits Renee, who was a restaurant cook before her new career, “the dogs love me, but it is the pet owners that you need to know how to handle. This career does require good customer skills.” 🐾



*“Are we there yet, Mom?”*

*Thank you to my friend and colleague Bill Schmick for his substantial creative contribution.*