

# YOU BET YOUR LIFE:

## The High Stakes of Personal Insurance

An Interview with Stephen Ziniti  
by Barbara Connors

**IN A WAY**, insurance is the ultimate side bet. And like any wager, if it isn't thoroughly understood, it will be a losing proposition.

"In my 29 years of experience, I've learned that the general public does not trust insurance companies," says financial planner Stephen Ziniti. "So they rely on experienced agents with integrity to help them out. And if they can't find that agent, they just go along their merry way sometimes, and that's why so many people are under-insured...or they have something that's not appropriate, or they're paying too much for their coverage, or it's inadequate or nonexistent."

Ziniti acknowledges that no one ever really likes to discuss the possibility of death, disease or catastrophe. "People sometimes think: 'I can do without it.' That's the attitude sometimes...But insurance is necessary for successful, long-term financial planning.

"That's what I try to tell clients who are asking me: 'What is it and why do I need it?' And I say: 'Insurance shifts all or part of the risk of a financially negative occurrence onto the insurance



*Stephen P. Ziniti is a certified financial planner, currently with MAP Estate Planning. In addition, he is also a certified senior adviser with a master's degree in business administration and a bachelor's degree in psychology. But his two main passions are poker (his favorite game is five-card stud) and insurance. Mr. Ziniti recently spoke with **Poker Pro** about the importance of personal insurance, specifically with regard to the needs of professional poker players.*

company for a given cost, which is called the premium.'

"So after I tell the client that, now he knows what he is doing and why. And some people like to shift only a small portion of the risk, others a larger portion, and some all of the risk. It just depends on what the client is willing to pay in premiums."

So who needs life insurance? "As a general rule, people who have dependants, meaning spouse and children, or possibly dependant parents, are the best candidates for life insurance. Someone who is single has little need for it."

Debt is another important factor. "If you have children, and you want to provide a college fund for them in the event that you die before you save enough money, life insurance can be used for that, or to pay off mortgages or to pro-

vide a stream of income to a surviving spouse."

### Wild Cards

What about professional poker players? Certainly people in this profession have rather unique personal finances, so shouldn't that translate into unique insurance needs? Ziniti emphasizes that pro players should always set aside some money in a contingency fund.

"Anyone, not just a poker player, who is self-employed, with erratic income—I use the word erratic because it's more than just fluctuating—needs to establish an emergency fund that is used for all his living expenses, and insurance will be one of them. So when he has a payment for either life, health, long-term care or disability, it can be withdrawn from this contingency fund without it hurting his bankroll. He can

pay his premiums and other living expenses without it negatively affecting his poker playing. He needs to have his poker bankroll separate. Otherwise, he's not going to be providing for himself and his family's needs."

Ziniti continues: "I would think that a poker player's insurance needs would be similar to any other self-employed individual with a similar income. The aspect I believe is different is that if you took the average after-tax net income of a professional poker player over a five-year period, and came up with a number, that wouldn't necessarily be indicative of his standard of living. He could be living a more modest lifestyle, or even a more extravagant one. So it's his standard of living—how much he brings home—that would really dictate his insurance needs."

### **Dedicated to the One I Love**

Which type of insurance—term or cash value (also known as permanent insurance)—is better for poker pros?

"Because of a poker player's erratic income, he would be better off with permanent life insurance," Ziniti says. "That means universal life or variable universal life, because as the cash value builds up over the years, premiums can be automatically paid for by the cash value in the policy, in the event that the poker player needs to skip premiums for periods of time."

In other words, if a pro player should hit a long, nasty losing streak, then his insurance cannot be canceled for non-payment of premiums. "On the other hand, term insurance is like renting an apartment. If you don't pay the rent, you're out on the street. Term insurance is a fraction of the cost of cash-value life insurance, but cash-value insurance builds up equity."

Ziniti does add the caveat that permanent insurance takes some time to sufficiently accumulate cash. "The cash value slowly builds up over the years...and it can be used to pay premiums, but not in

the first few years. It doesn't usually build up quick enough." But even so, he remains convinced that "the poker player and his family would be safer if they had that internal cash value to be used to keep the policy in force in the event that they can't make the premium payment due to a sustained losing streak. It's a higher

## **'Anyone who is self-employed with erratic income needs to establish an emergency fund'**

out-of-pocket cost to purchase permanent insurance, but I think it would be safer and better in the long run."

How much life insurance should you purchase?

"One ground rule that I've always used is that I speak to the spouse. Because obviously insurance is for the benefit of the spouse and/or the children, and if the spouse is more nonchalant about the desire for insurance, then you may recommend a bit less coverage. But if the spouse expresses a desire for a higher level of protection, then you talk about more insurance."

More specifically, Ziniti continues: "As a general rule, if I had to pick a number, I would say five times the net after-tax income of the poker player—but I want to clarify that, because the net income of a poker player isn't necessarily what he lives on. So the income he brings home to his family—five times that income—I would say that would be a minimum. Because if that money is invested and systematically spent down by the surviving spouse, it would last approximately six years, giving the spouse and the children that amount

of time to adjust their style of living."

### **When Your Body Goes on Tilt**

What about other types of insurance?

"You have two types of health plans. There are health maintenance organization type plans, where the doctors that the individual can go to have to be in the plan in order for him to be covered. And there's what they call a POS, or point-of-service plan, where the insured can pick almost any doctor and pay only the co-payment. Needless to say, with the HMO-style plans, the premiums are cheaper than the point-of-service plans."

So does Ziniti recommend the HMO-style plan over the other type? "If you want a smaller premium, sure, and especially if your particular doctor is on the HMO plan that you've chosen. You can check that out in advance." As for the level of total benefits for a self-employed individual: "You want to have at least \$1 million for hospitalization."

What about disability insurance? "Disability is not a very popular or common insurance with self-employed individuals. The underwriting is stricter, and for a poker player, it would be difficult to determine that a poker player can't play poker. And not only that, but his chances of becoming disabled to the degree that he is not able to perform the duties of his occupation, are slim...It's extraneous insurance, especially for a professional poker player."

As for long-term care, Ziniti explains, "I would say, somebody who's over age 55 would be a candidate for long-term-care insurance. And to be eligible to collect benefits, you must be unable to perform at least two out of the six Activities of Daily Living. That would be easier to determine in the case of a poker player than the way to collect disability benefits. The requirements to collect benefits with long-term care insurance are more clearly defined, more concrete, than they are with disability—especially in the case of a pro poker player." ♠