



Financial Planning For Your Pets Really is a Thing

We spend billions annually on our pets, so pet planning really is prudent

Are you a good pet owner? Owning an animal means more than feeding it and loving it. Pets aren't cheap, so doing right by Fido or Tabby involves financial planning.

No question, we Americans love our pets. Many of us view our animal pals as family members, and we derive real physical and emotional benefits from owning them. We spend over \$75 billion per year on our pets and nearly two-thirds of our households have one or more pets.

Yet millions of unwanted pets are euthanized each year because pet owners did not make provisions for pets when the owners became disabled, died or no longer could afford their animal companions.

With so much time, love and money invested in our pets, pet planning is both prudent and responsible. Here are four areas to consider:

Pet ownership and your overall financial plan.

You're already ahead of the game if you engaged a financial advisor to write a plan for you. Aside from your personal and family requirements, your plan could also reference your pets. In addition to food, pets may need toys, training, grooming, boarding,

standard and acute veterinary care and burial or cremation. All of these things cost time and money.

If you work or take trips, boarding costs or traveling with your pet can add up. If you own a dog and you work, dog-walking can be an added expense. Make sure your pet expenses don't harm other financial needs – such as your own housing, food, medical, insurance, transport and family support. Most of all, pet expenses should not reduce the amount you save for retirement. Although these all sound obvious, millions of pets end up in shelters or are euthanized because their owners couldn't afford them.

Pet insurance pros and cons. Pet insurance is best used to fund extraordinary and unexpected veterinary costs, not basic animal health care. Secure insurance when your pet is young (insurance won't cover pre-existing conditions). And usually pet owners incur the expense and submit paid receipts to the insurance company.

But is pet insurance right for every pet owner?

Benefits: Like human medical insurance, pet coverage presents a bewildering maze of deductibles, payout periods after meeting deductibles, payout caps and waiting periods. Pet insurance is helpful if you

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must choose between veterinary care and euthanizing your pet. Pet owners with insurance tend to seek veterinarian care more often and treat their pets' medical issues more proactively than owners without insurance.

Negatives: Like any other catastrophic insurance, you may end up paying far more in premiums than any benefit you may receive for your pet, and reimbursement may be partial. It's not uncommon to hear about policies that cap coverage at \$5,000, leaving committed pet owners to pay additional thousands out of pocket.

Or consider self-funding instead of insurance. For instance, your young pet is anticipated to live 12 years. Calculate how much you want to earmark for serious illnesses (perhaps \$10,000). At 3% inflation (yes, it's much higher than that in 2022), \$10,000 in current dollars grows to \$14,300 – or approximately \$100 per month saved in a separate pet emergency fund. You pay as you go if your pet needs hospital treatment or surgery. If your pet does not need care, you direct these savings elsewhere.

Disability insurance for owners. A disability policy only covers individuals who have earned income, paying you part of your lost earnings because you can't work. If you're a pet owner, do you have sufficient coverage to care for you and your family and your pet if you acquire a disability?

Estate plans that include pet trusts. As a good owner, you know that a pet may outlive you, so it's wise to make provisions that go beyond a simple will or informal handshake agreements with friends and family members. Wills are problematic since they can lack power of attorney provisions, appointing someone else to make legal decisions for you when you can't, and don't cover pet care if an estate is stuck in probate, where a court oversees allocating assets to heirs – or if the owner is still alive, but may be in the hospital and unable to care for a pet.

Discuss adding provisions for your pet to your estate documents with your financial advisor and estate attorney.

Given the millions of dollars we spend on pets, and the millions of unwanted pets that are euthanized, good planning just makes good sense.

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