ARK ROYAL
WEALTH MANAGEMENT

*Helping Successful People Make Smart Decisions About Money*

FALL 2020

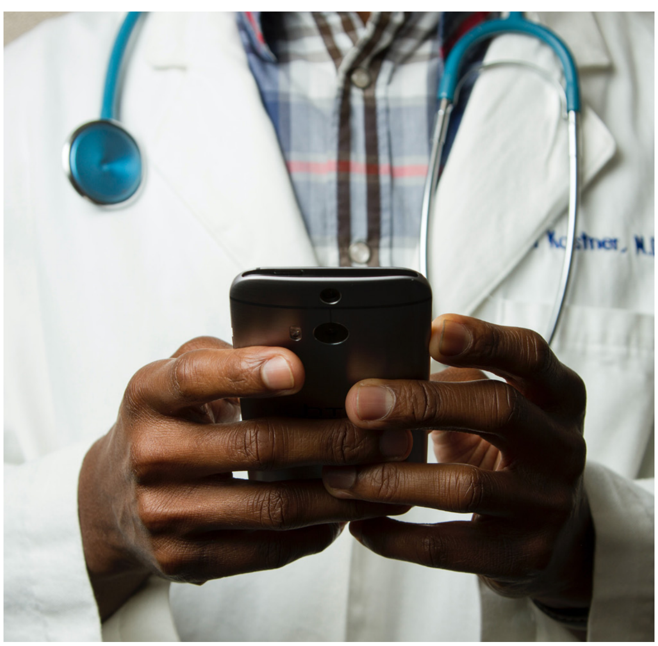
# SHOP FOR HEALTH CARE LIKE YOU WOULD A CAR

More and more people are covered under "high deductible" health insurance. These plans typically have lower monthly premiums, but also carry high annual deductibles. In my case, we have an $8,000 annual deductible for my family. Since consumers are increasingly responsible for covering the cost of health care, we all need to be better consumers.

A friend recently shopped the price of a CAT scan and found that the procedure was $2,100 at a local hospital, but at a private radiology clinic the price was just $600. After conferring with his specialist to confirm the radiology clinic was reputable, he elected to have the procedure at the clinic and saved $1,500.

Last year I had to undergo a repair of skin cancer surgery that required anesthesia. The surgeon who did the repair explained I could either go to a local hospital or a surgical clinic. The cost savings using the latter was over $1,000.

Another friend recently mentioned that she was due to have a colonoscopy. The cost for the procedure varies within Wake County from $4,400 at a hospital to $2,200 at clinics. Interestingly, just 45 minutes away in Nash County, the cost is just $1,300.



As with any service, cost is not the only consideration. However, it is wise to cost compare. A great resource for cost comparison is *www.healthcost.com*. In addition, the cost can vary by insurer, as some providers are "preferred" or "in-network" while others are not. The important takeaway here is it pays to be a savvy consumer.

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# THE FINANCIAL PERILS AND PITFALLS OF REMARRIAGE

Remarriage is on the rise for Americans ages 55 and older. According to research from the Pew Research Center, 67% of previously married adults ages 55–70 have remarried. Anytime remarriage is contemplated, there are financial considerations both parties should address. Often there are children from a previous marriage that also factor into the equation.

Earlier this year a relative (Louise) of my wife, passed away. She was in her early seventies and had remarried a few years ago. What happened with her offers a cautionary tale for others. Prior to her remarriage Louise enjoyed her teacher pension and had been thrifty with her money. She owned a nice home worth $600,000. Upon her remarriage, Louise revised her will to leave her home 1/3 to her new husband, Bill, and 2/3 to her two children from her first marriage. A year or so later, Bill and Louise decided to make some renovations to her home totaling around $100,000 which Bill funded. In exchange for this, Louise agreed to retitle her home jointly with Bill.

Unfortunately, when she retitled the home it rendered the bequest of the home in her will void. Jointly owned real estate passes by operation of law to the surviving joint tenant, in this case Bill. Louise unintentionally disinherited her two children as a result. None of this came to light until after her death, and regrettably Louise's children and Bill are now in litigation over the matter.

> "A little planning at the outset can save money and anguish down the road."

**In order to avoid a similar situation, we offer the following tips to folks considering remarriage:**

- Consider the impact of remarriage on existing or potential Social Security benefits.
- Both parties to the marriage should seek legal representation prior to marriage.
- Both parties should fully disclose their respective financial condition, and agreements should be made on how expenses will be paid once households are combined.
- Make sure all beneficiary designations and asset titles (including real estate) accurately reflect what is agreed to at the outset of the marriage.
- Prior to making any changes in ownership of accounts or beneficiary designations, consult with a financial advisor or legal professional.
- Share your plans and intentions with family members.

As Louise's family has learned, unintended consequences can be both painful and expensive. A little planning at the outset can save money and anguish down the road.



ARK ROYAL WEALTH MANAGEMENT
2626 GLENWOOD AVE. SUITE 485 ~ RALEIGH, NC 27608 ~ P(919)710-8665 ~ WWW.ARK-WEALTH.COM

# A SLAM DUNK INVESTMENT

Several weeks ago I watched ESPN's 30 for 30 film *Free Spirits* (available on Amazon Prime) about the Spirit of St. Louis basketball team of the old American Basketball Association (ABA).

From 1969–1974, the Carolina Cougars were a team in the upstart ABA, playing games in Raleigh (Dorton Arena) and Greensboro. Trying to compete with collegiate basketball in our market proved to be a challenge, so after the 1974 season the Cougars were sold and moved to St. Louis.

In 1976 the NBA and ABA merged, but only four of the remaining ABA teams found a home in the NBA. The Kentucky Colonels accepted a $3.3 million buyout and folded. The St. Louis owners, brothers Ozzie and Dan Silna, negotiated a $3 million buyout, plus 1/7th of the four surviving ABA teams' new television revenue… in perpetuity.

At the time, the NBA television contract was a mere $10 million per year. "The first few years our check was like $200,000. It never entered our minds how high it might get," said Ozzie Silna, "we just wanted a piece of the action."

In 2014, the NBA finally agreed to a buyout of the Silnas' rights for an estimated $500 million. Over the course of 38 years, the Silnas are believed to have received a total of nearly $750 million. Not a bad return for an initial investment of $1.5 million. That's an investment slam dunk!


# WHAT ARE SPACS?

The world of finance is full of acronyms; CMOs, CDOs, ETFs, IRAs—it seems navigating money can be a proverbial alphabet soup. One of the latest to gain media attention is SPAC, or special purpose acquisition company.

A SPAC allows a shell company to raise money from retail investors, then buy a privately owned company making it public. Investors essentially provide an investment manager with a blank check to pursue investment opportunities, usually with private equity or companies that might otherwise do an initial public offering (IPO). To oversimplify—normally with an IPO the company comes first, then comes the money to bring it to market. With a SPAC it's a bucket of money first, which searches out a company to acquire.

While SPACs have been around for over thirty years, they have gained attention of late as several notable investors have used the structure. Famed activist investor Bill Ackman raised over $4 billion in a SPAC earlier this year, and hopes to use it to buy several venture capital backed tech companies.

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Additionally, Oakland A's GM Billy Beane (of *Moneyball* fame) is part of a SPAC *(Redball Acquisition Corp)* that is set to be acquired by *Fenway Sports Group*. If completed, Beane is expected to leave his GM role and focus on European soccer opportunities.

And in a sign that Wall Street has never met an idea it can't sell, in early October, a SPAC exchange-traded fund (ETF) was launched, the Defiance NextGen SPAC (SPAK). Interestingly, the fund is only about 20% invested in SPACs; with 80% of the fund invested in companies that went public via SPAC mergers.

So should you invest in SPACs? SPACs aren't an asset class and at present there are no SPACs in the mutual funds of our managed portfolios. Often funds are created in search of investors, rather than the other way around. As we've seen with previous iterations of Wall Street's "financial machinery" while Ackman and Beane enjoy rides on their yachts, it's unlikely main street investors will reap a similar reward. We would recommend deploying your investment funds elsewhere.


## *The* CORNERSTONES *of* ARK ROYAL WEALTH MANAGEMENT

To nurture a culture that puts our client's interest first—always

To be truthful at all times, to be intellectually honest with ourselves and with our clients, even if it isn't what they want to hear

A commitment to lifelong learning, and a passion for applying our wisdom efficiently and effectively every single day

Align what you say, what you do and what you think to honor yourself, your family and our firm