

# Addressing the Six Key Areas of Capital Accumulation and Protection

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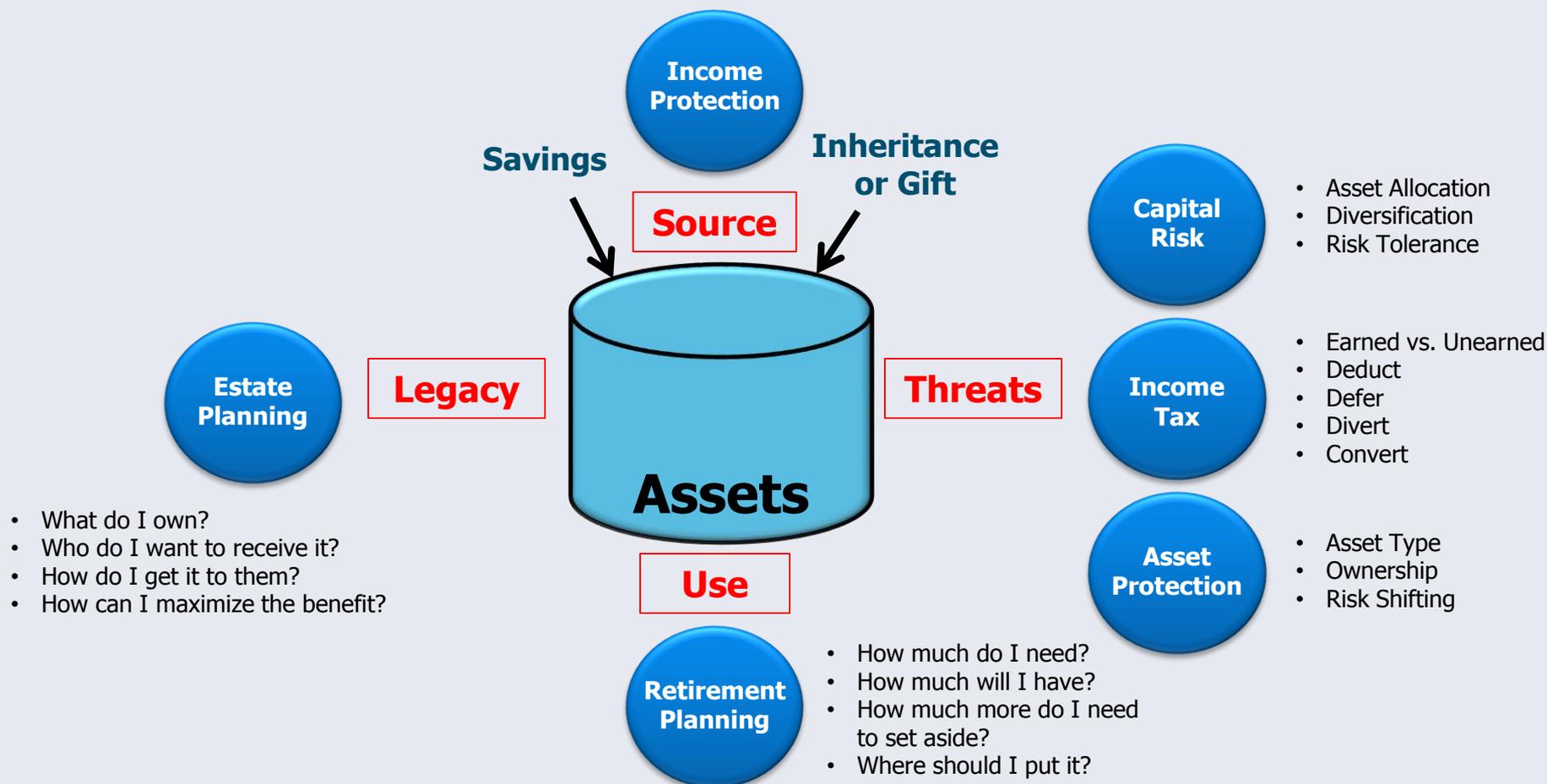
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# Six Key Areas

## Optimizing, Protecting and Directing Assets

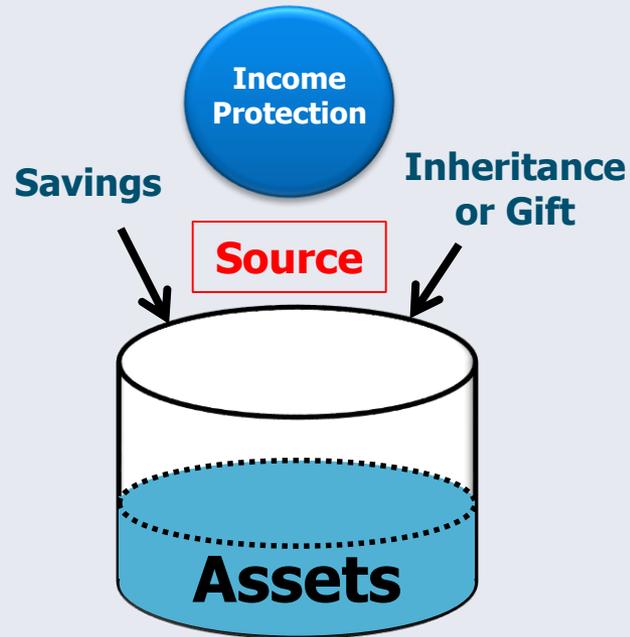


# Six Key Areas



**It's All About Assets!**

# Six Key Areas



**If my income is taken away, I am left with my assets to provide for me and my family.**

**Income  
Protection**

# Six Key Areas

## Protect the Source of Your Assets

### **Are you finished accumulating assets?**

- Most of us need to keep adding funds
- Those funds come from earned income

### **If your income was reduced or eliminated what would result?**

### **What are the greatest threats to your income?**

- Death
- Disability



# Six Key Areas

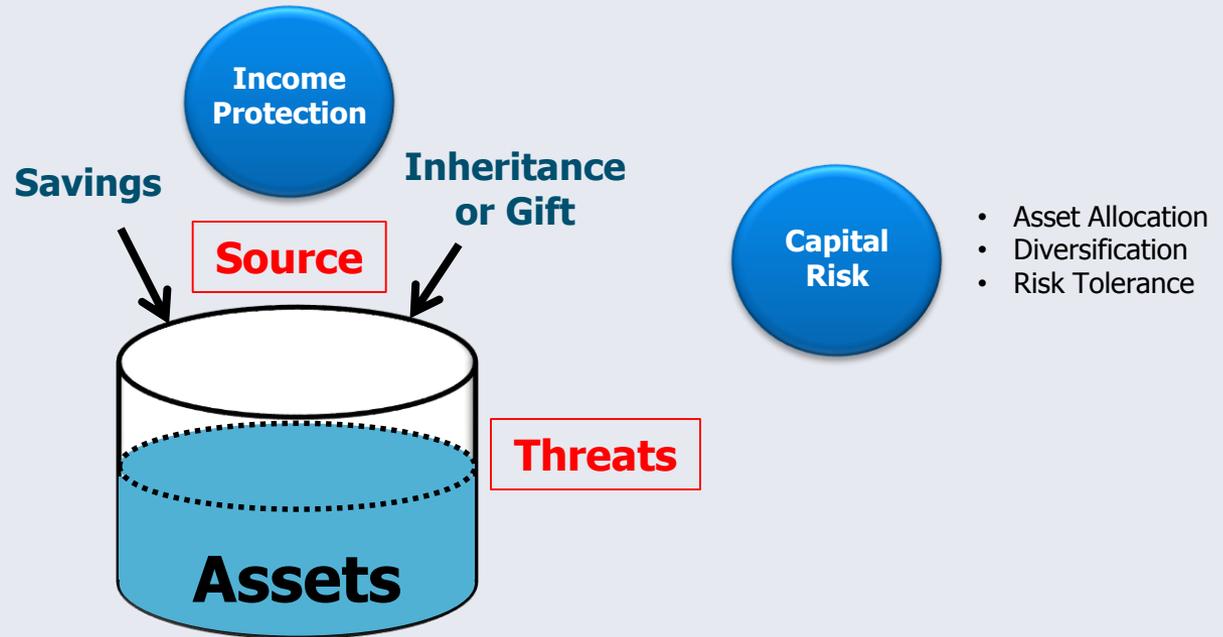
## Protect the Source of Your Assets

### Can you answer these key questions?

- How much assets would it take to replace your future income for the benefit of your family?
- How much assets do you currently have?
- If you are short...
  - Would your family's standard of living drop?
  - What other sources could provide the necessary income?



# Six Key Areas



**Most people create a plan to grow their assets in order to meet their future objectives.**

**Capital  
Risk**

# Six Key Areas

## Protect Your Assets from Threats

### Can you answer these key questions?

- Do you have a specific strategy to grow your assets?
- Do you monitor and review your strategy on a regular basis?
- Do you work with a qualified financial professional that helps you with your plan?



Capital  
Risk

# Six Key Areas

## Protect Your Assets from Threats

### A Business is a Unique Asset

Unlike owning other assets most business owners are:

- Active in their business
- Trying to build an asset that can be:
  - **Used now** – for income
  - **Used later** – for retirement
  - **Passed on** – as an inheritance



**Capital  
Risk**

# Six Key Areas

## Protect Your Assets from Threats

### **A Business is a Unique Asset**

#### **Unlike other types of assets:**

- The business owner's death impacts the asset
- The asset value is influenced by key employees
- Most businesses are illiquid so special care and preparation must go into selling or "exiting"



**Capital  
Risk**

# Six Key Areas

## Protect Your Assets from Threats

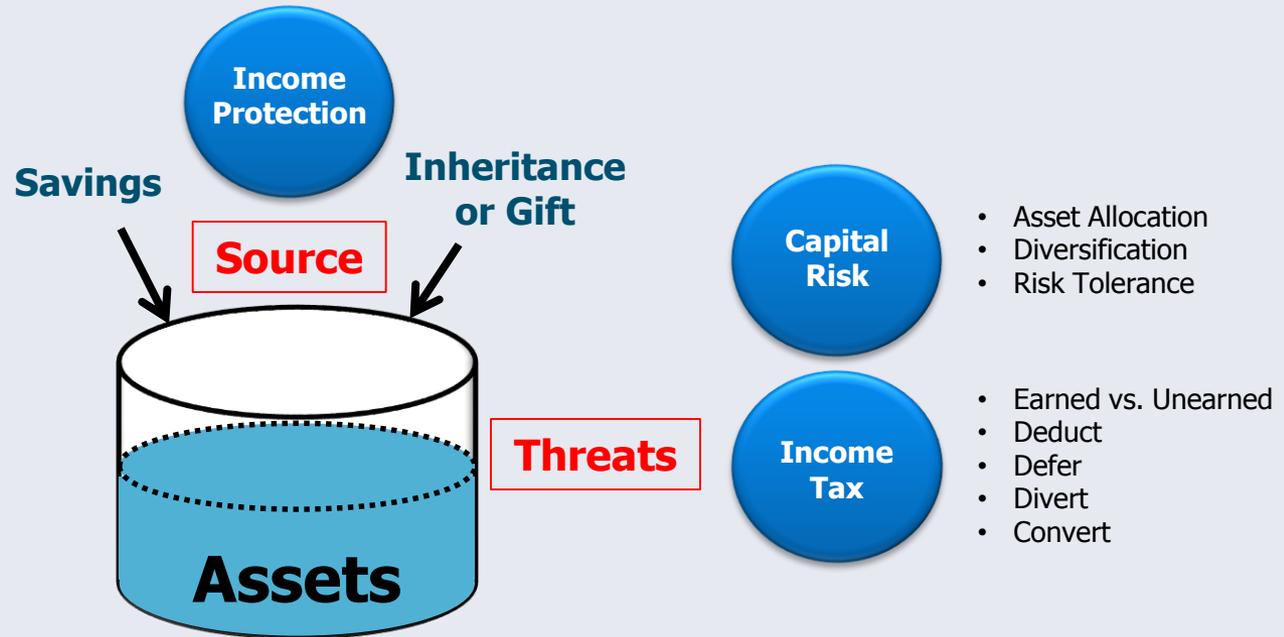
### A Business is a Unique Asset

#### Can you answer these key questions?

- How would your death impact:
  - The continuation of the business?
  - Your family that depends on the income that comes from the business?
  - Co-owners or partners of the business?
- How would your business be impacted if your best employee died or left?
- What is your strategy to exit or transition out of the business?



# Six Key Areas



**Income tax planning uses various techniques to reduce taxable income and minimize taxes.**

## Income Tax

# Six Key Areas

## Protect Your Assets from Threats

### Income Tax Planning is:

- Not trying to predict future tax rates; but, rather
- Designing strategies that:
  - Minimize current taxation
  - Provide tax diversification in order to maximize future flexibility



# Six Key Areas

## Protect Your Assets from Threats

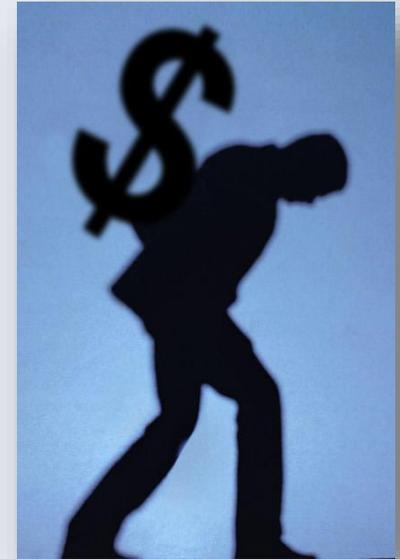
**Which direction do you think income tax rates are headed?**

What factors could impact that direction?

- Budget deficit or surplus
- World events
- Demand for government spending

Here's the challenge:

"I know the income tax rules today; BUT, I need to plan for the next 40 years!"



**How Do I Prepare for What's Ahead?**

# Six Key Areas

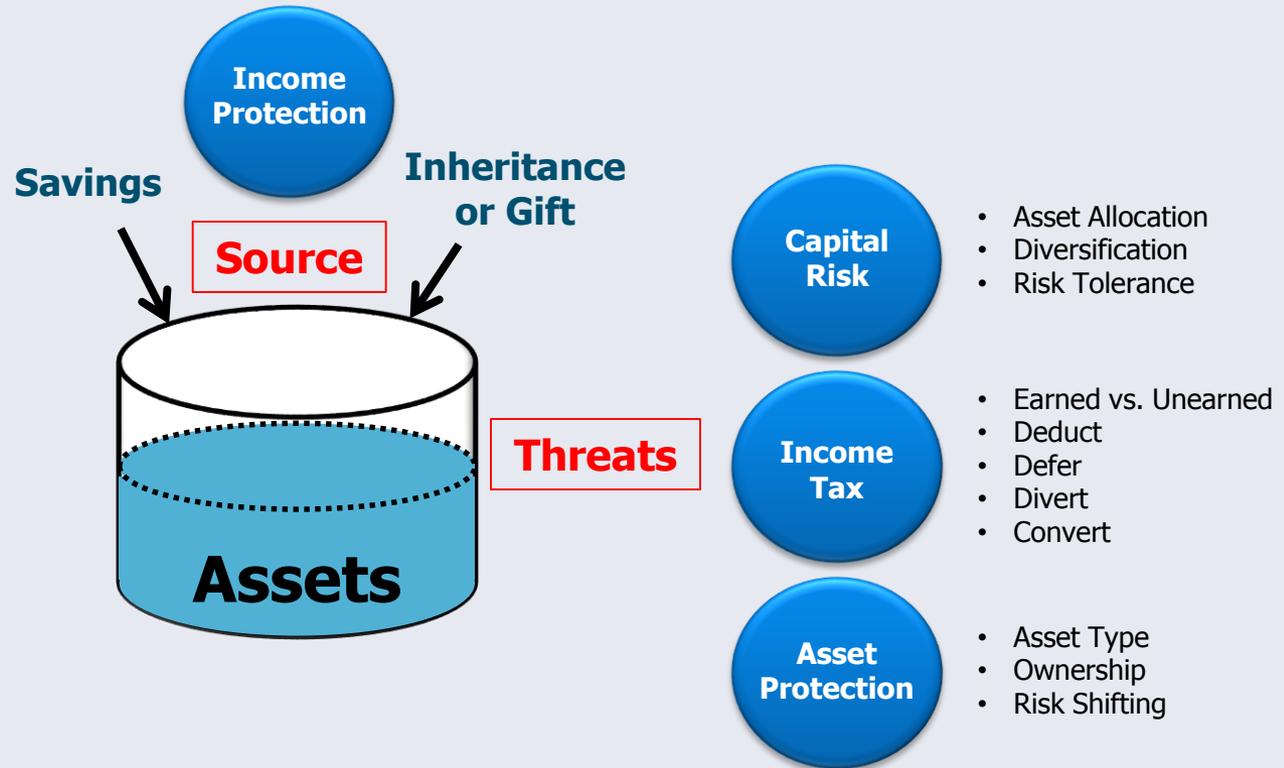
## Protect Your Assets from Threats

### Can you answer these key questions?

- Do most of your income tax concerns come from earned income or unearned income?
- Of the assets you own, are you heaviest in:
  - Value that has already been taxed; or,
  - Value that has yet to be taxed?
- What strategies do you have for a rising income tax rate environment?



# Six Key Areas



**Asset Protection is using legal methods to protect assets from creditors and predators.**

# Six Key Areas

## Protect Your Assets from Threats

**What are the most common threats to the asset that can be protected?**

- Lawsuits and judgments
- Creditors
- For heirs
  - Divorce and remarriage
  - Mismanagement or wasteful spending
  - Estate taxes



# Six Key Areas

## Protect Your Assets from Threats

**There are three basic strategies to protect assets . . .**

- **EXEMPT ASSETS:** some assets are exempt from creditors under bankruptcy provisions
- **CHANGE OF OWNERSHIP:** Most common third-party ownership would include
  - Corporations and limited liability organizations
  - Irrevocable trusts
- **INSURANCE**



# Six Key Areas

## Protect Your Assets from Threats

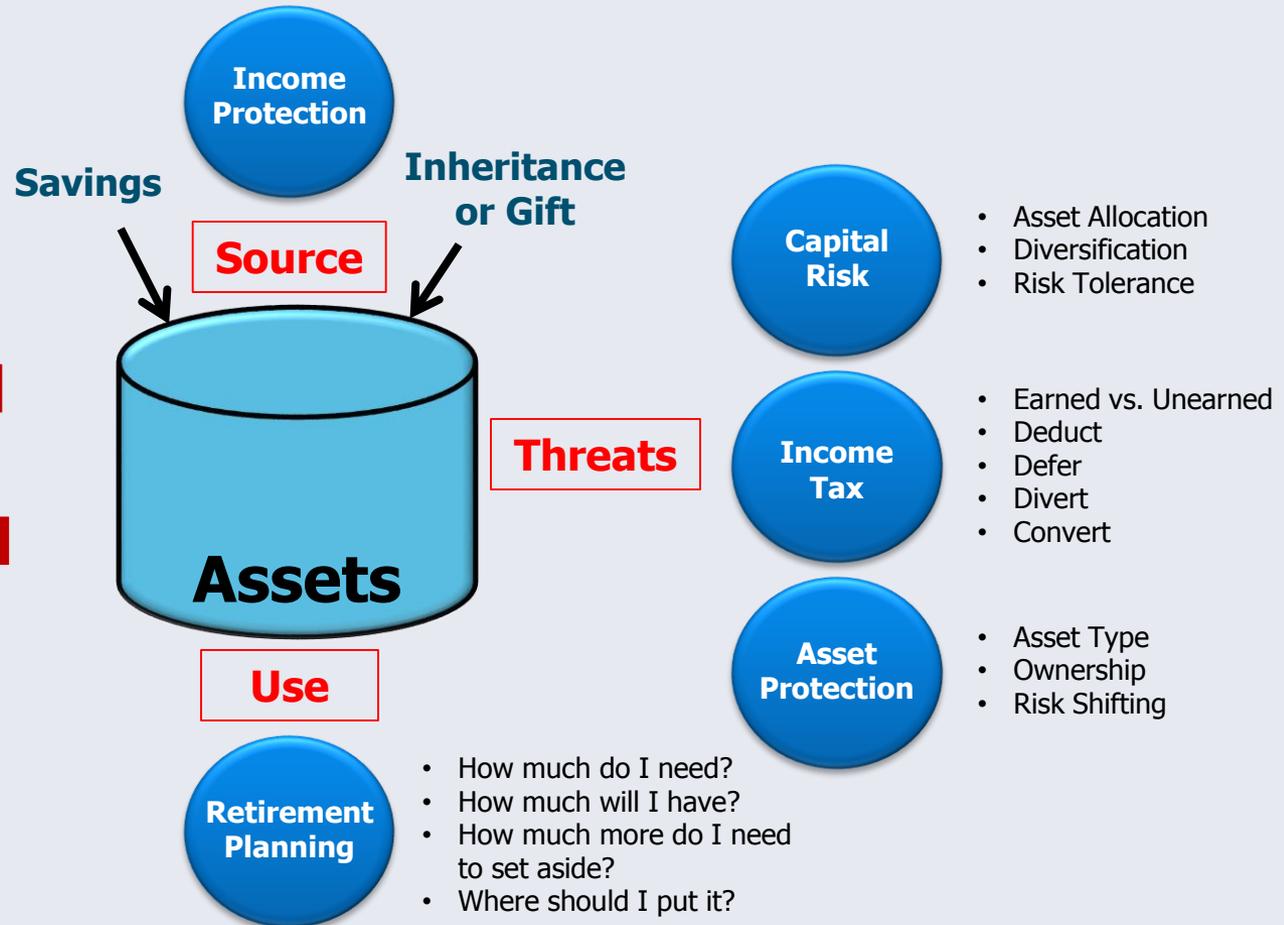
### Can you answer these key questions?

- What is your greatest threat in this area?
- What options do you have to use exempt assets with assets that are not currently protected?
- Have you considered forming an entity such as an LLC to provide additional protection?
- Do you have assets you do not think you will need that you can shift to a different owner (e.g., trust)?



# Six Key Areas

**Retirement used to be the time I quit working and lived off my savings.**



# Six Key Areas

## Plan for the Enjoyment of Your Assets

- Retirement is the largest financial concern for 70% of the working population. Source: Gallup, April 22, 2014
- 81% of the working population plans to keep working after retirement. Source: Gallup, April 2013
- Factors which are impacting these statistics:
  - Shift away from employer-sponsored retirement benefits
  - Difficulty many have in saving enough
  - Mixed investment results over the past years
    - Relatively low interest rates
    - Volatile stock market



# Six Key Areas

## Plan for the Enjoyment of Your Assets

### Key Trends in Retirement Planning

**Objective:** Accumulate enough assets to allow income to stop

**Challenges:**

**LOWER INTEREST RATES**

- May mean larger asset pool required
- Potential rising interest causes uncertainty

**HIGHER INCOME TAX**

- Could take longer to accumulate and
- Larger asset pool may be required

**DISAPPEARING SAFETY NETS**

**STAGNANT PRIMARY RETIREMENT SOURCES**

- Stock market
- Housing values



# Six Key Areas

## Plan for the Enjoyment of Your Assets

### Can you answer these key questions?

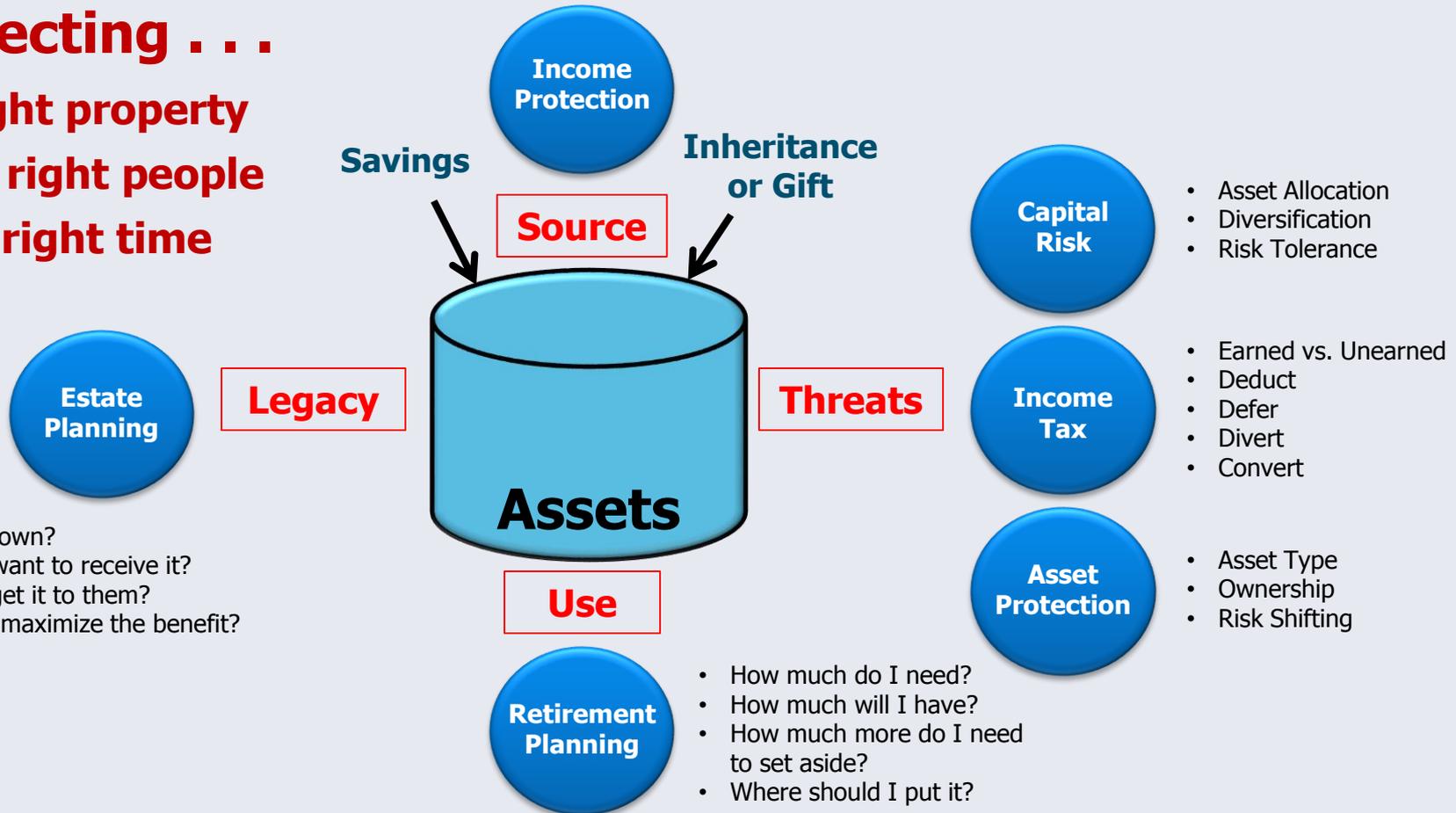
- How much do you need?
- How much will you have?
- How much more do you need to set aside?
- Where should you put it?



# Six Key Areas

## Estate Planning is directing . . .

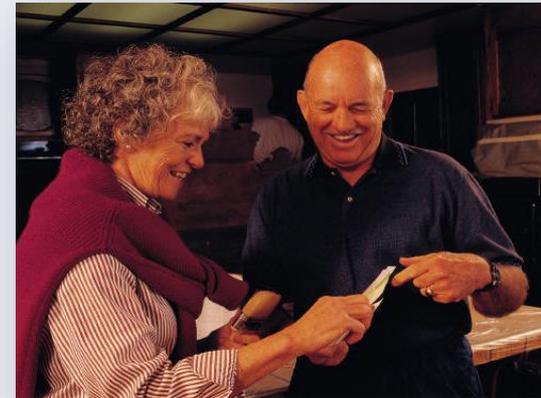
- The right property
- To the right people
- At the right time



# Six Key Areas Plan for Your Legacy

## Directing

- Drawing up legal documents while you are able
  - That can speak for you if you are unable;
  - And, which can continue to speak for you after your death.
- Regardless the size of your estate, you already have an estate plan; but, did YOU draft it?
- The vast majority of Americans will not need to worry about estate taxes



## What can happen if you do not direct your assets?

- They most likely will not end up with the right person at the right time

# Six Key Areas

## Plan for your Legacy

### Why don't more people direct their assets?

- It can be difficult and complicated
- Planning becomes difficult when . . .
  - There are second marriages with children from a prior marriage
  - You're not sure if your heirs are capable
    - Financial mismanagement
    - Children's divorce and inheritance split
    - Grandchildren growing up
- Results are not as you intended if . . .
  - Beneficiaries are not up to date
  - Heirs cannot access assets when needed



# Six Key Areas

## Plan for your Legacy

### Can you answer these key questions?

- What do you own?
- How do you want heirs to receive it?
- How do you get it to them?
- How can you maximize the benefit?



# Six Key Areas

## Optimizing, Protecting and Directing Assets

