

California Orthopaedic Association

Impacts to your Wealth

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Impacts to your Wealth

- Income loss
- Taxes
- Divorce
- Death
- Market loss
- Decisions/Advice/Planning
- Lawsuit: Professional or Personal



Planning Basics

- Don't be house poor
- Don't overspend on vehicles
- One spouse / Pre-nup
- Engage cash flow analysis: inflows, outflows (variable & fixed), & surplus
- Goal setting



Team of Advisors

- Contract review attorney
 - CPA
 - Estate review attorney
 - Asset protection attorney
 - Financial advisor
- ❖ *Coordination among advisors is critical!*



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Risk Management

- Protecting your income
 - *Disability Insurance
- Protecting your family
 - *Life Insurance
- Personal Liability Umbrella Insurance
- Evaluate high-level asset protection s



Debt Management

- Financial sensibility
- Emotional sensibility
- School loans
- Home loans
- Consumer debt



Legal Planning

- Medical Power of Attorney
- Durable Power of Attorney
- Advanced directives
- Custodial issues
- ILIT (Irrevocable Life Insurance Trust)



Appropriate Risk Profile

- Have you engaged a risk analysis of your current portfolio?
- More importantly, is your portfolio's risk profile in sync with *YOUR* personal risk tolerance?



Tax Free Planning



- Congress & expectations about future tax rates
- Tax-managed non-retirement
- Long-term balance to hedge and control tax risk
 - *Roth IRA
 - *Properly structured permanent life insurance



Long Term



Pre 59 1/2

- Early exit strategy
- Death benefit
- Estate benefit
- Living benefit

*Tax free growth

*Tax free distribution

Post 59 1/2

- Retirement
- Pre tax contributions
- Taxable contributions
- Potential penalties

*59 1/2- 10%

*70 1/2- 50%



Parameters

- Person A & B earn \$600k

Person A- 100% in pre-tax plans

Person B- 50/50 in pre/post tax



- Tax Bracket 1 - \$0-300k - 25%
- Tax Bracket 2 - \$301-600k - 50%
- Age 55 each desire half time
- Age 60 each full time retirement



Outcomes

Person A

- At 55 - A - earns \$300k taxed @ 25% and pulls \$300k from pre-tax taxed @ 50% plus 10% penalty.
- At 60 - A pulls \$600k--\$300k @ 25% and \$300k @ 50% for a tax liability of 37.5%

Person B

- At 55 - B - earns \$300k taxed @ 25% and pulls \$300k from post-tax, tax-free.
- At 60 - B pulls \$300k from pre-tax @ 25% and \$300k from post-tax @ 0% for a tax liability of 12.5%



Would you rather pay tax on the seed or the harvest?
The key is to maintain tax diversification.



Types of Advisors

- Insurance agents
- Brokers
 - ❖ Generally they don't have the licenses or certifications to engage in financial planning
- Investment advisor representatives (*ideally independent*)
 - ❖ Planning is first objective
 - ❖ Followed by implementations



What is the most important question to answer?

AM I ON TRACK?!



- Do you know the answer to this question?
- Do you have the tools in place to quantitatively address this?

The goal of an advisor should be to answer this question and increase your opportunity for success!



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