

Impacts to your Wealth

Anthony Williams, ChFC, MRFC, CLU
Mosaic Financial Associates



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 strategies



Debt Management

- Financial sensibility
- Emotional sensitivity
- 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!



Anthony Williams and Marcus Ortega

960 W Elliot Rd #111 Tempe, AZ 85284
480-776-5920 | www.mosaicfa.com

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