Best Tools Resource Manual

67 of the Best Planning Tools for Asset Protection, Business Income, Business Succession, Capital Gains, Charitable, Estate, Executive Benefit, Insurance, Lifetime Wealth Transfer, Portfolio, and Retirement Income Planning Provided by Wealth Strategy Counselors

By Tim Voorhees, JD, MBA, AEP®

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Income Planning Provided by Wealth Strategy Counselors

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This book is dedicated to the hundreds of wealth advisers who have helped us develop and refine our wealth planning methodologies and services over the last 35 years.

Tim Voorhees is an attorney and investment adviser based in Orange County, California. He is the president of the Registered Investment Advisory firm described at www.vfos.com and a principal partner of its affiliated law firm, Matsen Voorhees Mintz LLP. A complete bio is available at MVMLawyers.com and www.TimVoorhees.com.

Tim's software company, Family Office Technologies, Inc., maintains a broad array of software modules used by financial and legal professionals nationwide for developing tax planning schematics and implementing advanced portfolio and estate design strategies. Serving clients as a wealth adviser, Tim has led teams that have developed hundreds of Family Wealth Blueprints® for high-net-worth clients.

Tim teaches a variety of Best Tools Workshops for advisers interested in learning how to integrate the most effective zero tax planning tools into financial and estate plans. He also conducts Best Practices Workshops for advisers who seek to integrate advanced wealth planning strategies into their practices. He regularly speaks at national conferences and contributes to a variety of industry publications. Tim and his wife, Darci, live in Mission Viejo, CA.

Table of Contents

Asset Protection

Domestic Asset Protection Trust	1	A Domestic Asset Protection Trust (”DAPT”) is an irrevocable trust that may be funded with an incomplete or completed gift, depending on estate tax planning objectives and other goals. Attorneys may design the DAPT to include state income tax and/or federal income tax benefits. The trust may protect against future creditor actions while possibly allowing some protections against preexisting creditor actions. The trust language may include provisions for transfers to a spouse or children. The DAPT jurisdiction choice influences many issues involving the statue of limitations, fraudulent transfer rules, etc.
Foreign Asset Protection Trust	3	A Foreign Asset Protection Trust ("FAPT") is a trust that is set up in an offshore jurisdiction that has enabling trust legislation providing for substantial protection against creditors of the trustor. One of the greatest advantages of the FAPT is that legal attacks against its assets are transferred abroad to a different legal system. The FAPT is generally much more expensive to set up and create than a domestic trust and requires a certain willingness on the part of the Trustor to deal with offshore jurisdictions and trust entities. The FAPTs' greatest value is realized when asset protection planning is done well in advance of any potential creditor problem.

Business Income Tax Planning

Business Income Tax Solutions	5	Business Income Tax Solutions can help clients reduce taxes on income not needed for lifestyle while deferring taxes and/or converting taxable income into more tax-efficient cash flow. Business owners may realize tax benefits related to funding buy-sell agreements, retirement plans, and wealth transfer strategies.
Capital Split Dollar	7	A business owner can advance cash to pay premiums in an estate planning trust using a non-equity private split dollar arrangement. Under the economic benefit regime, the amount the trust owes in consideration of the potential death benefit may be small. The bottom line for the business owner and employees can be much more favorable than what is available from alternative executive benefits programs, such as phantom stock programs.
Captive Preferred LLC	9	The Captive Preferred LLC provides a tax-efficient vehicle for growing assets in a captive insurance company while providing all necessary capital to pay claims. Money not used for claims can grow tax-efficiently and/or make tax-efficient distributions as part of the captive exit strategy. The preferred LLC is designed to comply with a variety of regulatory guidelines.
Cost Segregation Study	11	The Cost Segregation Study can help a real estate owner generate much more favorable after-tax income. Assets in the property are expensed or amortized over a relatively short period to generate more deductions than would be available from straight-line depreciation.
Nevada Incomplete Gift Non-Grantor Trust	13	By moving income producing assets into a Nevada Incomplete Gift Non-Grantor Trust ("NING") Trust, one can avoid state income tax on the income from those assets. The penalty is that the federal income tax shifts to a potentially higher trust tax rate, but this may be of relatively little concern for taxpayers already in the top bracket. This strategy can dovetail beautifully with asset protection planning because NING trust is a DAPT trust.
Net Operating Loss Strategy	15	The Net Operating Loss ("NOL") strategy helps a real estate developer with losses monetize the losses by entering into a transaction with another company that has Net Operating Income that might be offset by the losses.
Intellectual Property Monetization	17	This Intellectual Property Monetization ("IP") can help a business owner monetize intellectual property. The program involves valuing IP before capitalizing it into an LLC. The non-voting interests of the LLC are then donated to a donor directed fund. The client can generate income or other benefits from the IP while establishing the value of the IP for possible future liquidity events. While the benefits can be great, the strategy requires careful compliance with a variety of guidelines.
Sale to a Beneficiary Defective Irrevocable Trust	19	The Beneficiary's Defective Irrevocable Trust ("BDIT") allows a grantor to move assets out of the taxable estate while having income taxed at the beneficiaries' lower rates
Section 79 Plan	21	Section 79 plans give employers a 100% income tax deduction on reasonable compensation to employees. Such plans provide a cost-efficient way to attract, retain and incentivize key employees. Plans may have minimal documentation and reporting requirements. Section 79 plans give employees the option to use cash value life insurance that can generate supplemental retirement income. The insurance coverage can last beyond the date of their retirement or separation from service.
Tax-Deductible Buy-Sell Funding	23	This strategy allows a business owner to fund a tax-efficient transfer of a business to successor owners and managers. Unlike most buy-sell agreements, which are funded with after-tax dollars, this solution can use partially or 100% deductible dollars. (The fully deductible solution involves redirection of some tax money to charity.)

Business succession

Capital Gains Planning

Charitable Planning

Estate Planning

Executive Benefit Planning

Insurance Planning

Lifetime Wealth Transfer Planning

Portfolio Planning

Retirement Income

Annuity Income Maximization	99	Also known as annuity arbitrage, this concept involves the purchase of a single premium immediate annuity and life insurance policy. The annuity generates income and the life insurance serves to provide a return of capital at the death of the insured.
Defined Benefit Combo Plan	101	The Defined Benefit Combo plan helps a business owner generate greater benefits from a retirement plan. By combining defined benefit and defined contribution plans, it is possible to produce bigger income tax benefits as well as greater accumulations for retirement. Advanced versions of this technique can provide very large tax benefits.
Equity Appreciation Sharing	103	The Equity Appreciation Sharing Solution indicates how individuals can monetize illiquid real estate while generating large tax-efficient retirement income streams. Advanced versions of the Equity Solution facilitate tax-free transfer of real estate to heirs. The benefits of the strategy are illustrated with before and after bar charts, customized flow charts, annual after-tax cash flow tables, and pages of customized text.
Family Retirement Account	105	The Family Retirement Account ("FRA") can transfer assets from an IRA or other retirement account into an insurance policy that grows tax-free outside of the taxable estate. The policy can make tax-free "wash loans" during retirement years. Depending on the client's goals for income and/or wealth transfer, the FRA can significantly improve after-tax benefits during retirement or at death.
IRA Maximizer	107	This strategy involves taking taxable distributions from a qualified plan that the client does not need. The client makes tax-deductible annual gifts of the plan distributions to an ILIT to buy insurance. The IRA maximize does not require a profit sharing plan, as does the IRA Dynasty LLC and the Family Retirement Account.
Retirement Rescue Strategy	109	The Retirement Rescue strategy transfers funds from a retirement plan to a profit sharing plan that invests capital tax efficiently in a high cash value life insurance policy. After the policy is funded over several years, the policy is transferred to an irrevocable trust outside of the taxable estate. The trust can provide tax-free retirement income and/or greater benefits for heirs. The Retirement Rescue strategy includes a program for the tax-free transfer of Required Minimum Distributions ("RMDs") or other annual IRA distributions into an LLC that facilitates purchase of the policy from the profit sharing plan. The strategy also includes a "safety net" to protect tax-free benefits in case of a premature death. (Clients using this tool need not be over 70 1/2 years old; nor must they keep their contributions under $100,000 to satisfy the strict IRA Charitable Rollover guidelines for 2013.)
Roth IRA Conversion	111	By converting a traditional IRA to a Roth IRA and changing beneficiaries, it is possible to show accumulation of additional millions of dollars of assets in the names of grandchildren. Whereas assets distributed from normal stretch IRAs are subject to ordinary income taxes, payments from Roth IRAs are currently tax-free.
IRA Trust	113	The IRA Trust helps protect retirement plan assets from taxes and creditors. At the death of the owner of the IRA, the IRA Trust will divide into smaller sub trusts for each intended beneficiary. Each sub trust can be structured as a conduit trust for maximum tax deferral and protection of principal. If greater asset protection is needed, the conduit trust can be changed to an accumulation trust before death. The IRA Trust is compatible with more advanced techniques to convert ordinary income into tax-efficient retirement income or wealth transfers.
Statutory Retirement Rescue	115	The Statutory Retirement Rescue strategy relies on the integration of long-standing qualified plan and charitable techniques to convert involuntary philanthropy into voluntary philanthropy. An insurance policy is funded within a profit sharing plan using seasoned money from the client's IRA and/or other retirement assets. Then the policy is distributed tax-efficiently to a Super CLAT, which ultimately transfers an investment grade insurance policy to a trust that can generate tax-free retirement income and/or tax-free transfers to heirs.
Tax-Sheltered Retirement Distribution	117	This flyer presents a very simple example of how an ILIT can borrow premiums to buy life insurance and then receive cash tax-efficiently to pay off the loan. This method of acquiring life insurance potentially avoids the use of annual exclusions and lifetime exemptions and does not require the client to liquidate investments to pay premiums.

Wealth Counseling