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Compelling Results — Integrating Tax/Financial Disciplines



Webster's dictionary defines ALCHEMY (al-che-my) as a power or process of transforming something common into something special. By combining the professional disciplines (Tax Attorney/ CFP®, CPA), our clients enjoy a unique and rewarding relationship with our office. As a practicing Tax Attorney, we address our clients' needs for estate planning, tax planning and asset protection strategies. As a CFP® Professional, we provide independent, objective, investment management advice. As a C.P.A., we implement tax reduction strategies and assist our clients with their tax return preparation. In essence, we assist our clients in properly planning their estates, we manage their investments on a fee-basis and we properly prepare our clients' taxes. If coordinating these activities with a qualified firm/ professional makes financial sense, we welcome the opportunity.

Sincerely yours,

Tax Attorney
 Certified Financial Planner™ practitioner
 Certified Public Accountant
 Registered Investment Advisor
 Adjunct Professor

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Financial Alchemy

Monday, October 31st, 2011 at 11:45 am

Comments (16,304)

Multi-Discipline Professional Case Study: \$417,000 Increase in Spendable Dollars

Client objectives:

Let's refer to her as "Mary".

Mary, a widow, is over age 70 ½ and taking Required Minimum Distributions

(RMDs) which were not needed for monthly retirement needs. Actually, Mary wanted to pass this IRA to her kids. She was worried about long-term care expenses, yet did not want to pay long-term care insurance premiums which might be wasted if the care was not necessary and also, due to Mary's age, the premiums for a policy would be rather high. Mary, like many of our clients, had "identified" funds that would be used for long-term care since she did not have long-term care insurance.

The following were Mary's issues:

- 1) No long-term care coverage
- 2) Possible estate tax exposure
- 3) IRA – estate and income tax exposure

The chart below summaries what position Mary was in after combining our financial/tax/estate planning strategies —**Financial Alchemy**—An increase of \$417,000 in spendable income and Mary gained coverage for long-term care.

No Long-Term Care Coverage	Mary had savings of \$129,219 earning less than 2%. She had to include the interest income as taxable income even though she never spent it. We repositioned this and \$13,000 from her brokerage account into AssetCare®. This would provide her with \$4,200 / month for 50 months of long-term care coverage. The \$142,000 deposit would earn 4% guaranteed tax-deferred. If Mary instantly died of a heart attack: a death benefit of \$210,000 would be paid to her children tax-free. So no matter what, Mary or Mary's heirs would get a benefit.
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IRA Account: \$410,441 net spendable to heirs After taxes(fed/state) \$283,204	Mary's stockbroker had all this money invested in the stock market – all subject to stock market risks. We won't comment on this right now. We moved her IRA to a fixed annuity to dramatically reduce her risk. We took distributions from this annuity for a period of 10 years. The annual payout secured a \$476,014 permanent life insurance policy. In 5 years: Her annuity would still be guaranteed to be worth \$208,125 and a life policy with a death benefit of \$476,014.
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If Mary died of a sudden heart attack in 5 years after implementing this strategy, her children would receive \$829,620 spendable dollars. If Mary did not implement this plan, her children receive only \$412,423.

A net increase in spendable dollars of \$417,197. This is the true effect of our **Financial Alchemy**.

The above client scenerio illustrates how through the combination of our financial, estate and legal tax planning strategies, we create real value in our client relationships. Interested in what we can accomplish for you?

Call our office at 404-250-9798.