

“Asset Protection” Introduction



The Wealth Preservation Institute

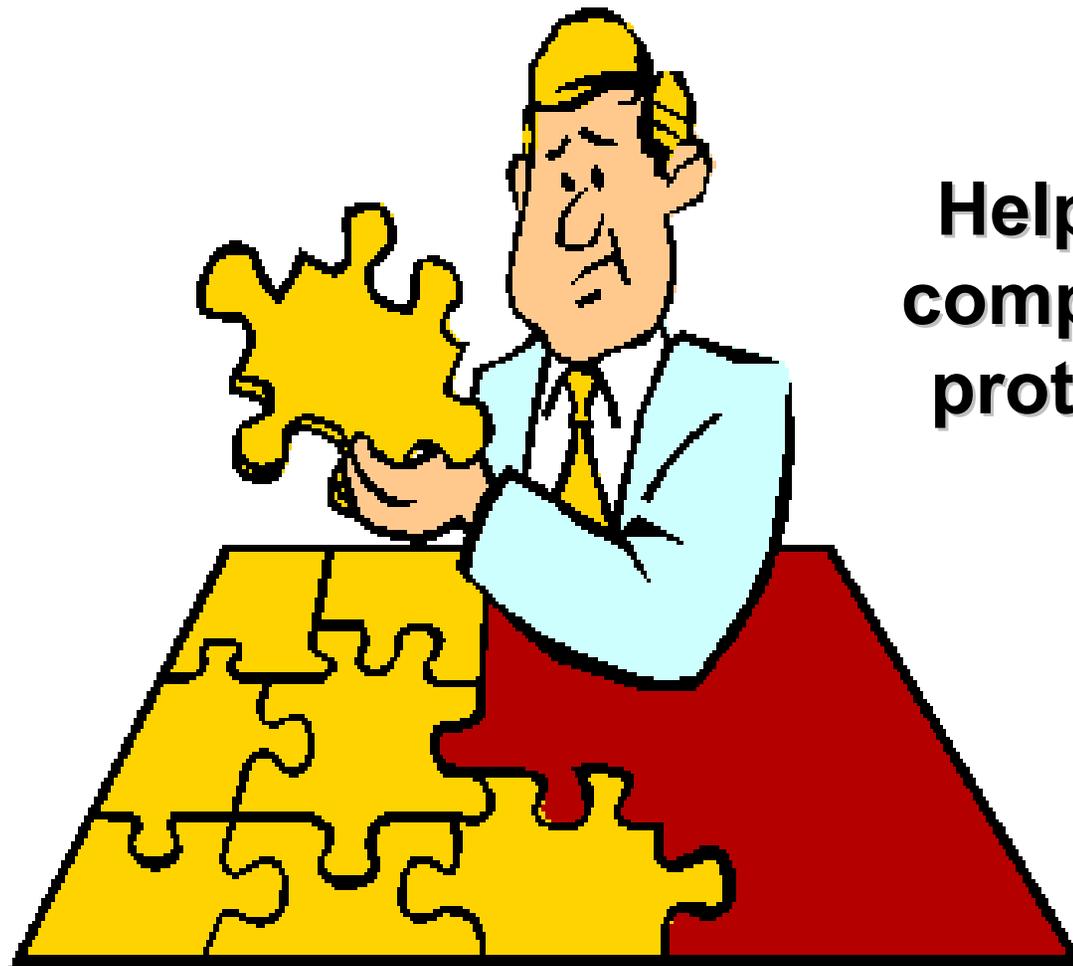
378 River Run Dr.

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www.thewpi.org

Are your clients asset protection plans put together?



**Help your clients
complete the asset
protection puzzle**

Asset Protection as a client gathering tool



- Most clients are not asset protected.
- All physicians and most other professionals (CPAs, attorneys, financial planners (CFPs), insurance agents) are also worried about asset protection because of “personal” lawsuits.
- Many “advisors” tout themselves as asset protection guru’s (even though they know very little about the topic and pitch junk to clients).
- If you can deal with the topic in a credible manner and in a manner that is easy for the client to understand, the topic will be a great client gathering tool.

Asset Protection Makes Friends



- When you can show a client why their assets are not protected and;
- Show them what the devastating financial consequences of not being asset protection can be and;
- Show them how simple it is to fix the problem with your help;
- **YOU WILL MAKE FRIENDS OF YOUR CLIENTS WHO WILL LOOK TO YOU FOR OTHER INCOME GENERATING BUSINESS.**

Don't let your clients Put all their Eggs in One Basket



- Multiple Entity Approach
- Debt shields
- Segregation techniques
 - AR
 - Real Estate
 - Valuable Equipment

Personal Protection Tools



By Law

- Homestead
- Life Insurance, Annuities
- Wage account

By Action

- FLPs/LLCs
- Offshore
- Irrevocable trusts
- Debt shields

What is Asset Protection Planning?



- Helping clients protect their wealth from creditors that arise from **negligent actions** of our clients.
- Asset protection is helping clients **avoid** paying too much in **taxes** (estate, capital gains and income).
- Asset protection is helping people avoid losing money from **downturns in the stock market** (the **Maximizer** as an option).

CWPP™



- The material in asset protection modules I, II and III will focus on protecting assets from creditors.
- A good portion of the rest of the CWPP™ course will focus on the how to protect assets from the IRS and from downturns in the stock market.

CAPP™



- The CAPP™ has 8 hours of education from the CWPP™ course, and;
- 8 hours of other CAPP™ only modules.
- 5 of those modules were created by one of the nation's leading asset protection planners, Robert Lambert.
- Rob is the asset protection planner of the rich and famous out in LA.

What is good asset protection planning?



- Good asset protection:
 - is NOT about “hiding” assets.
 - uses existing laws to put up barriers in front of creditors to discourage creditors from attacking personal assets.
 - is legal.
 - can be complicated or simple.
 - can be expensive or not.
 - can be domestic or offshore.
- Good asset protection CAN NOT prevent lawsuits.
 - The majority of claims filed against physicians are without merit.
 - Anyone can be sued for anything (although the claim might get dismissed, a defendant still has to deal with it).

Who needs asset protection?



- Anyone with Money (the simple answer).
 - High income/net worth clients
- Anyone who can not hide behind the asset protection of a corporation.
 - Physicians
 - Attorneys
 - CPAs/accountants, EAs
 - Financial Planners
 - Stock Brokers
 - Insurance agents
 - Architects
- Even if a professional is acting as an employee of a company, he/she can not hide behind the limited liability of the company and can be sued personally.
- Therefore, if you are in one of the above listed fields, you too need asset protection.

Reasons non-professionals need asset protection



- If your clients have or own the following, they have asset protection problems:
 - Residence.
 - Teenage children.
 - Boat, automobile, waverunner, snowmobile (protect the estate from the asset not the asset from creditors)
 - Vacation rental.
- Why?
 - Slip and fall at the home, bad handrail, party at the house and someone drives home drunk and gets into an accident.
 - Teenage children who have parties when parents are away (**The parent is liable** when a friend drives home drunk and is injured).
 - Negligent driving (drunk driving).
 - Defective condition of the property and the owner has a higher duty to take care of the property.

What assets should be protected?



- Family Home or Condominium
- Rental Property
- Non-Rental Property
- IRAs
- Stocks or Mutual Funds
- Life Insurance
- Bank Account or CD's
- Planes, Boats, Automobiles, Wave runners or Motorcycles
- Other business entity (especially S or C-Corp stock)
- Collectible items that have significant value
- **Accounts Receivables (at the medical practice) ***
- Other personal real property of value
- Future Inheritance for Family

Corporate Entities



- Sole proprietorships (2nd worst)
- Partnerships (worst)
- C-Corporations (not great)
- S-Corporations (not great)
- LLCs (tool of choice domestically)
- FLPs/LPs (tool of choice domestically)

Difference for **Asset Protection** The “Charging Order”



- The Charging Order.
- A charging order is the only remedy a court of law can award a creditor who is trying to get (obtain) the assets of a debtor when the assets are in an LLC (or limited partnership).*
- A charging order DOES NOT allow creditors to sell assets of the LLC, or to force distributions of income.
- *_This assumes the LLC or FLP is setup in a state with a statute that states a charging order is the sole remedy. (Always check your state statute to make sure there have been no changes in the law)
- *_This assumes the LLC or FLP is a “multi-member” entity.

What A “Charging Order” Means



FLP

**Your
Assets**



Doesn't become partner (ULPA sec 27)

Can't touch Assets

Gets no FLP voting rights

Can't force FLP distributions

Charging Order

CREDITOR

**Creditor gets the K-1 (Rev. Ruling 77-137)
on phantom income**

IRS no longer pursuing charging orders

Topics not covered today

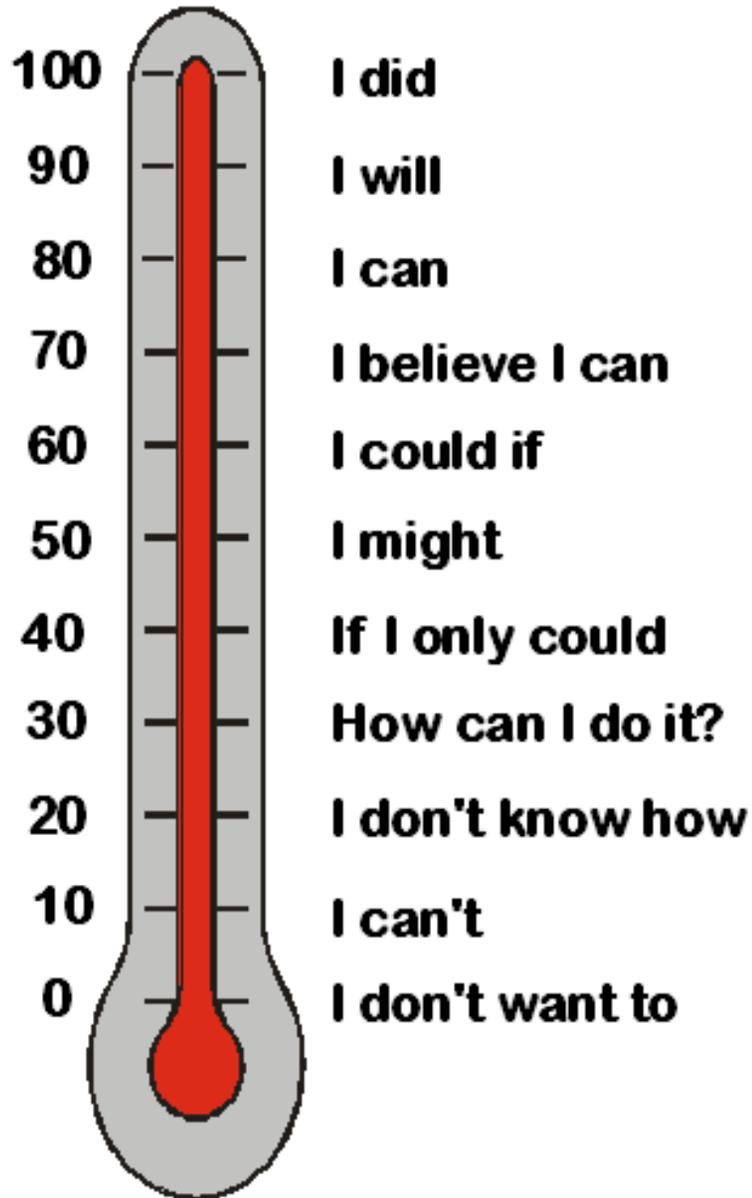


- **Divorce Protection**
- **Long Term Care Insurance**
- **Estate Taxes**
- **Use of Life insurance and annuities**
- **Protecting the personal residence**
- **Type of tenancies which are poor asset protection tool**
- **Community property states**
- **Trustee and D&O liability**
- **Self settled asset protection trusts**
- **QPRT**
- **Debt Shields**
- **A/R protection**
- **Offshore planning**
- **CICs (and the list goes on)**

There is only one way to help a client reach their asset protection goals.



Commitment to Action



Summary



- If you are not approaching your clients about asset protection, you can be one of your competitor will.
- Learn global asset protection from The WPI and increase your ability to benefit your current and new clients.
- A great way to help motivate your clients to take action to protect themselves is to use the C.A.L.M. Plan.

C.A.L.M.
Comprehensive
Asset &
Liability
Management



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What is C.A.L.M.



- Fundamentally speaking C.A.L.M. is a sales platform for advisors looking to:
- Market to high income/net worth clients. (C.A.L.M is a great door opener)
- Be unique in their local marketplace.
- Really be able to show a benefit to clients vs. just selling the garbage “gurus” are selling today.
- Be compensated when a client purchases the platform (compensated the right way when most are being paid for the unauthorized practice of law).
- Create long lasting relationships with wealthy clients.
- Sell more insurance and annuity products through advanced sales (if you are licensed).

Four (4) Levels of C.A.L.M.



- **Level 1**-Client pays \$495, fills out a client questionnaire and receives a 3-6 page summary of his/her asset protection, estate planning/tax planning, and financial planning problems (and the potential solutions).
- If the client purchased such a summary from an estate planning/asset protection expert billing hourly, it would cost approximately \$1,500,
- This summary is created either by me or by the selling advisor IF the advisor is a CWPP™ or CAPP™ advisor (in which case it would be reviewed by me before going to the client).
- Client receives e-newsletters for a year and access to educational webinars.
- Client receives discount on legal fees from “approved” attorneys who understand the topics covered in the CWPP™ and CAPP™ courses (team member attorneys).

Continued



- **Level 2**
- Revolves around the bread and butter domestic asset protection tool, the LLC or FLP.
- Clients who buy level 2 will be charged \$2,000.
- In order to buy level 2 the client has to sign up for level 1 and become a member of the CALM plan.
- An approved attorney will create this FLP or LLC.
- The client understands that an FLP or LLC created by the national guru's would typically cost \$2,500-\$3,500.
- Therefore, Level 2 is a discounted legal fee concept with real value monetarily and in the form of an approved attorney who actually knows what he/she is doing.

Continued



- Level 3
- This level is for clients who also want help with putting their financial, estate and tax plans together.
- Level 3 is an A-Z platform where a client fills out a questionnaire (60+ questions) and where a 30-60 page report is given to the client.
- The goal is to get a client to critical capital mass (can retire anytime without the worry of money) and have as little estate tax consequences as possible. (Done with topics from the CWPP™ course).
- The normal cost of such help is \$10,000-15,000, clients through C.A.L.M. can buy Level 3 for \$7,500.
- This is a key level for financial planners and insurance agents because out of this level will come significant product sales which fit properly in the client's plan.
- Level 3 will create a lasting relationship with any client.

Continued



- **Level 4**
- This level is based off the golden rule: When assets are in an offshore asset protection trust, the gold is protected from any creditor.
- Any client with \$500,000+ in liquid assets should have their money protected in an offshore asset protection trust (OAPT).
- Normally these trusts run \$20,000-\$50,000.
- Through C.A.L.M. clients can purchase one for \$17,500.
- Plus the team members who setup these trusts are the best of the best in the industry with ethics (unlike most of the advisors setting up these trusts).

Continued



- **Level 5** is for clients with a net worth of \$15,000,000 or more and will include for them an A-Z estate plan done by the top law firms in the country. This kind of planning at many “downtown” firms costs \$50,000-\$75,000+. Level 5 is designed for the majority of \$30,000,000 and below clients with typical fact patterns and the cost for a complete estate plan will cost \$35,000.
- Level 5 includes burning all of the client’s legal, accounting and financial documents to disc and to a hard drive on secure server.
- Level 5 will be overseen by The WPI educational board member, Jarrett Bostwick, JD, LLM. Jarrett is listed by Worth Magazine’s one of the top 100 estate planning attorneys in the country and formerly directed the Advanced Wealth Design Center for National Financial

Continued



- With all levels the client also receives
 - Alternate Dispute Resolution tools to help mitigate future claims through forced mediation or arbitration.
 - Forms
 - Processes
- With all levels, advisors will be compensated without violating the rule that non-attorneys can not be compensated for legal referrals.
- A key to the C.A.L.M. plan is credibility which comes from The WPI and its founder and unmatched educational board.

Why should you use C.A.L.M?



- It will be a great client gathering tool.
- Asset protection is a hot topic and with good education of your clients, they will see the value and want help.
- Having a comprehensive and professional asset protection sale's platform with teeth and real benefits is absolutely unique in this industry.
- The WPI is really the driving force behind making sure that the C.A.L.M. platform is always client first in its approach.

Continued



- For insurance licensed advisors, the C.A.L.M. plan is a way to sell life insurance and annuities to clients when it fits in their recommended plan.
- For security licensed advisors, the C.A.L.M. plan is a way to be the money manager of current clients for a long long time and a way to pick up new money to manage when selling C.A.L.M. to new clients.
- For attorneys, C.A.L.M. is a great way to generate legal fees. C.A.L.M. is a way to motivate clients (new and old) to take action on asset protection and estate planning legal work.
- For non-licensed CPAs, it is a way to show more value to your client (new and future) and a way to pick up more hourly business (tax returns).

Continued



- Don't forget that when you sell a C.A.L.M. plan (Levels 1-5) you will receive a check for a portion of what the client paid for their C.A.L.M. plan.
 - Level 1—\$125
 - Level 2—\$250
 - Level 3—\$1,000
 - Level 4—\$2,500
 - Level 5—\$2,500
- Plus you get to have input and will be the one presenting the recommendations from C.A.L.M. (therefore, you will be seen as the valued advisor for you clients who purchase C.A.L.M.)

Summary



- C.A.L.M. is needed by all high income/net worth clients.
- C.A.L.M. is a unique process that is patent pending (meaning there is no other one like it out there and won't be anytime soon).
- C.A.L.M will make you more credible and unique in your marketplace (meaning it is a great client gathering tool).
- C.A.L.M. will significantly improve your ability to earn more money whether it be through product sales, money management, or from hourly legal or accounting fees.
- If you are not using C.A.L.M. to help your client you are missing out on a golden opportunity to help your practice, your clients and earn more money in the process.



Questions?

For more information on how you can start selling the C.A.L.M. plan, please e-mail

info@thewpi.org

269-408-1841

You can visit the C.A.L.M. web-site at

http://clslegalplans.net/page/sqr6/CALM___Asset_Protection.html

**Overview for the
Professional Designation:
CWPP™
(Certified Wealth
Preservation Planner)**



The Wealth Preservation Institute

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What do Advisors want?



- To earn more money?
- To have more knowledge than other advisors?
- To provide better advice to clients on multiple topics?
- To be more credible than other advisors?
- A team of advisors for support and back office when dealing with “advanced” planning.
- The ability to market to CPA, Attorneys and physicians through continuing education credit.
- Are these of interest to you?
 - If so you are a candidate to become an APP™ or CWPP™

The WPI and CWPP™/CAPP™



- What is the Wealth Preservation Institute (WPI)?
 - The **only** educational entity in the country devoted to provide education on “**advanced**” **planning** (asset protection, tax and estate planning)
 - The **only** entity in the country focusing on topics that apply mainly to the **high income/net worth client**.
 - Certifying entity for the CWPP™ designation.
- The CWPP™ course is a 24 hour certification program which can be taken all online or in person.
- The Certified Asset Protection Planner designation is for those simply want to deal with AP (18 hours).¹⁵

Are you an “Asset Protection” specialist?



- Why learn asset protection?
 - 99% of your current and future clients are not asset protected.
 - Most clients with wealth, once made aware of this fact, will want help.
 - Once you learn the topic you can help.
 - You are not talking “product” with a client and therefore will not be seen as pitching product.
 - Of all the topics you would deal with, asset protection is best client gathering tool.

Marketing



- The WPI helps is certified advisors market in several very unique ways.
- 1) The ability to become an instant author through a 340+ page “ghost book.”
- The WPI will allow CWPP™ advisors to give CPE continuing education courses on a local level to CPAs and accountants.
- Ability to give CME seminars to physicians.
- The WPI has a number of articles that CWPP™ advisors can use to place in local medical, accounting, legal and other business journals.

Marketing continued



- **Ghost Web-Site** for those who want a web-site which tells your clients about your special knowledge.
- **E-newsletters** The WPI creates for you to send out to your clients.
- **E-newsletter blasting system** so you can drip on your client's with Educational newsletters.
 - This system is setup to track who opens your newsletters and how many times they open them.
 - Can you imagine calling a client and telling them that you noticed they opened the last e-newsletter 5 times and you wondered if you could answer any questions for them.

Topics



- What topics are covered in the CWPP™ course?
- **Asset protection (3 hours)**
 - Domestic
 - Offshore
- **Deferred Compensation (4 hours)**
 - WealthBuilder® Annuity; Traditional NQDC and the Leveraged Bonus Plan®
 - Qualified plans/412(i) plans (“carve-out” planning)
 - ESOPs
 - IRAs
- **Business Planning (6 hours)**
 - Account Receivables (A/R) Leveraging
 - VEBAs and 419A(f)(6) Plans
 - Section 79 Plans
 - Closely Held Insurance Companies
 - Corporate Structure

Continued



- **Estate Planning (8 hours)**
 - Basic
 - “Advanced”
 - Life Insurance
 - Qualified Pension Insurance Partnership®
(Mitigating the 75% Tax Trap)
 - Charitable planning
 - Long Term Care Insurance
- **Personal Finance (4 hours)**
 - Annuities
 - Life Settlements
 - Reverse Mortgages
 - Private Annuity Trust

WealthBuilder Annuity (WBA)



- Would you like to learn a plan where clients can:
 - Income tax defer \$50,000-\$5,000,000 a year
 - Have no ongoing funding commitment
 - Have no required funding for employees
 - Be able to tax defer the money for up to 30 years
 - **Have the investment vehicle be an EIA**
 - Advisors can create a book of business for the advisors via ongoing administration fees.

Do you know what a Leveraged Bonus Plan (LBP) is?



- With recent law changes, traditional NQDC is dead (and current plans must be frozen or replaced prior to the end of 2005).
- The general market will gravitate to the “double bonus” plan.
 - Employer bonuses EE and then makes another bonus to cover the income taxes on the first bonus.
- With the LBP, the EE take out a NON-RECOURSE loan to pay the tax (which the ER pays for).
- Funded with equity Indexed Life.



	§162 Bonus	LBP	LBP Savings
Plan Bonus	(100,000)	(100,000)	0
Tax Deduction	40,000	40,000	0
Net Cost of Bonus	(60,000)	(60,000)	0
Double Bonus	(66,667)	(4,000)	62,667
Tax Deduction	26,667	1,600	
Net Cost of Double Bonus	(40,000)	(2,400)	37,600
Gross Cost:	(\$166,667)	(\$104,000)	\$62,667
After-Tax Cost:	(\$100,000)	(\$62,400)	\$37,600

Equity Harvesting



- Learn how to use the equity in a client's home the correct way to help them build wealth.
- **Don't blindly follow** Doug Andrew's Missed Fortune 101, the Infinite Banking System or Circle of Wealth.
- Do it right, benefit your clients, make good money and you won't get sued.

1% CFA Mortgages



- Learning the 1% CFA mortgage will help you raise money for your clients to invest.
- **DO NOT** sell this loan to clients who do not have the discipline to invest the saved money. It is a negative amortization loan which will work out fine for the client IF they invest the saved money.
- This concept is for a more affluent client not for the every day client as many advisors believe.
- By the way, if you are not making money selling mortgages, you are missing out on a huge profit center and you will do a better job for your clients than their local mortgage broker/banker.

Example (\$400,000 loan)



-The payments of the arm increase at the rate of 7.5% a year.

-You raised \$73,395 for this client to invest in life insurance and did NOTHING to alter their cash flow.

Option Arm Cash Flow Analysis	30 Year @ 6.000%	Option Arm @ 1.000%	Option Arm Cash Flow Over Other
Year 1	\$28,778	\$12,137	\$16,641
Year 2	\$28,778	\$13,047	\$15,731
Year 3	\$28,778	\$14,026	\$14,753
Year 4	\$28,778	\$15,078	\$13,701
Year 5	\$28,778	\$16,209	\$12,570
5 Year Totals	\$143,892	\$70,497	\$73,395

Are you dealing with **Charitable Planning?**



- Charitable planning can be client focused.
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Donor Advisor Funds
- Family Foundations

Charitable Gift Annuity (CGA)

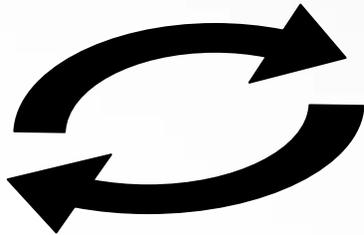


1. Client transfers asset to Charity.
Receives immediate income tax deduction.

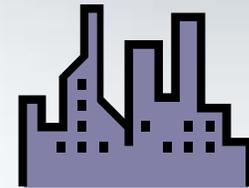
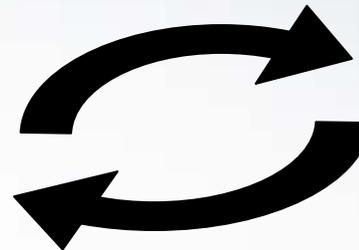
2. Charity uses a portion of funds to purchase a commercial annuity and (assuming insurability) a life insurance policy.



Client



Charity



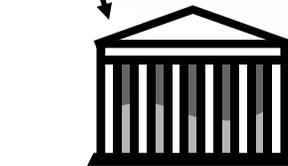
Insurance Company

3. Commercial annuity pays Charity.

4. Charity pays income beneficiaries.



Chosen Heirs



Donor Advised Fund at Charity

5. At death, insurance policy will distribute funds to client's DAF at Charity. (Heirs can be advisors)

4a. (Optional) Client may elect to use part of the income for guaranteed inheritance (Wealth Replacement). An ILIT is typically used.

Do you know how to use a “Freeze” Partnership?



- Many people think they know “advanced” planning.
- The Freeze partnership is known only by a handful of advisors and is a dynamite for the \$5 million dollar plus client.
- Would you like to show your high net worth clients how to obtain discounts in an FLP or LLC of up to 90%?
- Would you like this topic if the main funding vehicle is life insurance.

Private Annuity Trust (PAT)



Property
Owner
(annuitant)

1) Property transferred
to the PAT



PAT
(Assets sold
without capital
gains and
proceeds
invested)

2) Trust issues to owner
a lifetime annuity

Heirs /
Beneficiaries

3) Heirs receive assets
capital gains and
estate tax free upon
owner's death

Continued



	Taxable Sale	PAT Deferral
Selling Price	\$2,000,000	\$2,000,000
Basis	\$200,000	\$200,000
Profit From Sale	\$1,800,000	\$1,800,000
Capital Gains Taxes	\$360,000	Deferred
Cash Available to Invest	\$1,640,000	\$2,000,000
Deferral Period	20 years at 6%	20 years at 6%
Client's Current Age	40 years old	40 years old
<u>Annual Payments for</u> 20 years starting at age 61	\$246,000*	\$354,400*
Total Payout	\$4,920,000	\$7,088,000
Gain to client		\$2,168,000

- He sets up a PAT and transfers the asset for a deferred annuity which will start to pay him when he turns age 61 where let's assume it will pay for 20 years in equal installments.
- *After tax payments



IDGT and life insurance (family bank)

Marty & Sylvia

**Real Estate Property
\$7 Million**

Marty and Sylvia transfer to FLP

**FLP Discounted Value
\$4,550,000**

Sale of FLP interest to IDGT for installment note

Installment Payment to Marty and Sylvia of \$266,175 a year.

**Defective Grantor Trust
\$4.5 Million Life Insurance
\$7.0 Million Real Estate
Cash Flow of \$420,000 from investments**

Income Taxes On the \$420,000 earned from the IDGT investments

Marty and Sylvia pay income taxes

Should you become a CWPP™?



- YES. IF you are looking to learn several new topics which:
 - can help high income/net worth clients;
 - can help position you as the client’s trusted advisor and team leader;
 - are very insurance and annuity friendly.
- If you are looking to become better educated on topics you currently deal with.
- If you would like keep updated on law changes, new concepts and have access to PowerPoint presentations, articles and the ability to have your own “Ghost” book.

Upcoming seminar



- If you would like to take the CWPP™ course in person, the following are the times and place for the next seminar:
 - August 2-4, 2006, Los Angeles, CA.
 - Radisson LAX
 - LSW licensed advisors can take the course for a special discounted price of \$1,000.
 - You can earn CPE, CFP and PACE credits for attending.
 - For more information, please call Roccoy at 269-408-1841 or e-mail at rocco@thewpi.org.
 - The course can also be taken completely online or started online and then completed in person.

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- The Asset Protection Planner designation is for those simply want to deal with AP (12 hours).

Marketing



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- 1) The ability to become an instant author through a 340+ page “ghost book.” You can read the table of contents at <http://www.thewpi.org/newindex.php?dept=51&pid=495>
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 - Basic
 - “Advanced”
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 - Premium Financed Life Insurance
 - Medicaid Planning
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Next Seminar?



- The next in person seminar is in NJ on the 15-17th of November.
- The course can be taken completely online.
- Check the CWPP™ web-site www.thewpi.org for posting of when the next in person seminar will take place.
- Group discounts. If you have 5 or more advisors who want to take the course, please contact The WPI for information on course discounts.



Questions?

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info@thewpi.org

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