

From Tax Preparer to Financial Planner: The Road Best Traveled

**Step 2: Moving from Tax Planning to Integrated
Financial Planning for Individuals, Families and
Business Owners**

**The Practical Side of
Insurance & Risk Management
Planning**



About the Series

Build your financial planning knowledge with this learning series and discover the necessary steps to transition from tax preparer to personal financial planner.

Step 1

Understanding the
Value of Personal
Financial Planning

Step 2

Moving from Tax
Planning to
Integrated Financial
Planning for
Individuals, Families
and Business Owners

Step 3

Implementing PFP
Services: A Plan for
Success

Learn more at aicpa.org/pfp/taxtopfp.

About the PFP Section & PFS Credential

- ▶ The **AICPA Personal Financial Planning (PFP) Section** is the premier provider of information, tools, advocacy and guidance for CPAs who specialize in providing estate, tax, retirement, risk management and/or investment planning advice to individuals, families and business owners. (Learn more at aicpa.org/PFP.)
- ▶ The **Personal Financial Specialist (PFS) program** allows CPAs to gain and demonstrate competence and confidence in providing estate, tax, retirement, risk management and/or investment planning advice to individuals, families and business owners through experience, education, examination, and a resulting credential. (Learn more at aicpa.org/PFS.)

A CPA Financial Planner is a trusted advisor who...

- ▶ Operates at the highest professional level when delivering PFP services to clients, acting in the clients' best interest.
- ▶ Adheres to high standards as required by the Code of Professional Conduct and the Statement on Standards in PFP Services through the application of objectivity, integrity, due care and competence required by CPAs.
- ▶ Is regulated by state boards of accountancy.
- ▶ Integrates advanced planning concepts, including tax and business considerations, with the entire financial plan.

Agenda

- ▶ Overview: Expand Your Financial Planning Practice through Your Client's Tax Return
- ▶ The Practical Side of **Investment Planning**
- ▶ The Practical Side of **Estate Planning**
- ▶ The Practical Side of **Retirement Planning**
- ▶ The Practical Side of **Risk Management & Insurance Planning**
- ▶ Comprehensive Personal Financial Planning Case Study

Earning CPE



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Ask your questions

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- Someone is available to assist with your technology and CPE related questions as well.



Download your materials

- Access today's slides and learning materials by clicking this green 'Resources' button at any time during this presentation
- If you need help accessing these materials send a message through the Q&A application

Speakers



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Learning Objectives

- ▶ **Develop an understanding of the role of “risk” in holistic financial planning**
- ▶ **Understand the compensation disclosure requirements under the Statement on Standards**
- ▶ **Understand how to perform due diligence for:**
 - Insurance companies
 - Advisors: Agents, Brokers, Registered Representatives
- ▶ **Identify, assess and propose solutions for:**
 - Property & Casualty
 - Health
 - Disability
 - Long-Term Care
 - Life

Responses to risk

- ▶ **Avoid**
- ▶ **Retain**
- ▶ **Reduce**
- ▶ **Transfer**



Risk Management

High Risk Low Frequency Transfer Risk - insurance	High Risk High Frequency Avoidance Control Losses
Low Risk Low frequency Captive insurance company Higher deductibles	Low Risk High Frequency Prevention Reduction

Statement on Standards

2014 Statement on Standards

- ▶ **Making a recommendation as to the appropriateness of an insurance product, whether compensated by fees or commissions, is a personal financial planning service**
- ▶ **All compensation must be disclosed: member, member's firm or affiliates**
- ▶ **Disclosure to include:**
 - Method of direct and indirect compensation
 - Amount of compensation
 - Timing of compensation
 - Non-cash benefits
- ▶ **Alternative compensation models must be disclosed**

Compensation

- ▶ **Commission**
- ▶ **Asset Management Fee**
- ▶ **Commission + Asset Management Fee**
- ▶ **Fee for advice**

Licensing, Part I

- ▶ **NAIC Model Act provides an exception for financial planning and investment advisory services**
- ▶ **Not all states follow the model act - Illinois is an example**
- ▶ **Some states are hybrid - Florida allows for self appointment**

Licensing, Part II

- ▶ **Life Insurance license**
- ▶ **Health Insurance License (Disability & Long-term Care)**
- ▶ **Life and Variable Products License**
- ▶ **Series 6 & Series 63**

Due Diligence

Insurance companies

▶ Four independent rating services

- Standard and Poor's / <http://www.standardandpoors.com/>
- AM Best / <http://www.ambest.com/>
- Weiss Ratings / <http://weissratings.com/>
- Fitch Ratings / <http://www.fitchratings.com/>

Advisers

- ▶ **Agent or Broker**
- ▶ **Local State Department of Insurance**
- ▶ **FINRA BrokerCheck®**
- ▶ **Investment Adviser Public Disclosure (IAPD)**

Life Insurance

Life Insurance – Needs Analysis

- ▶ **Capital Retention**
- ▶ **Capital Depletion**
- ▶ **Income Replacement**
- ▶ **Human Life Value**

Life Insurance – Product Design

- ▶ **Term – rhymes with burn**
- ▶ **Whole Life – the good stuff**
- ▶ **Universal Life – you have to be kidding me**
- ▶ **Variable Universal Life – adding insult to injury**
- ▶ **All Kidding aside . . .**

Term

▶ Debt Cancellation

- Level Premium | Declining Death Benefit

▶ Association Plans

- Level Premium | Level Death Benefit | Association Controls

▶ Adjustable Premium Term

- Increasing Annual Premium | Level Death Benefit

▶ Level Term

- Level Premium for Fixed Number of Years | Level Death Benefit

Whole Life

- ▶ **Guaranteed Premium | Guaranteed Death Benefit**
- ▶ **Cash Values | FIFO Taxation**
- ▶ **Dividends – Refund of Excess Premium**
- ▶ **Non-Forfeiture Options**
 - Cash
 - Extended Term
 - Reduced Paid-up

§ 7702 - Life insurance Contract Defined

- ▶ Premium
- ▶ Cash Value Corridor
- ▶ Material Change
- ▶ Modified Endowment Contract
 - LIFO
 - 10% Penalty

Universal Life

- ▶ **Premium | Death Benefit is not Guaranteed**
- ▶ **Cash Values | FIFO Taxation | Fixed Account**
- ▶ **Insurance Company's General Account**
- ▶ **Death Benefit Option**
 - A – Level Death Benefit
 - B – Level Death Benefit + Cash Value

Variable Universal Life

- ▶ **Premium | Death Benefit is not Guaranteed**
- ▶ **Cash Values | FIFO Taxation | Variable Account**
- ▶ **Insurance Company's Separate Account**
- ▶ **Death Benefit Option**
 - A – Level Death Benefit
 - B – Level Death Benefit + Cash Value

Property & Casualty

Property & Casualty – Personal Lines

- ▶ Automobile
- ▶ Homeowners
- ▶ Umbrella
- ▶ Personal Articles Floater



Automobile

- ▶ **Liability issues**
- ▶ **Uninsured / Underinsured Motorist**
- ▶ **Pizza Delivery**



Homeowners

- ▶ **HO-3 / HO-5 Broad or Open**
- ▶ **What is a tenant?**
- ▶ **Liability**
- ▶ **Condos and Loss Assessment Coverage**

Umbrella

- ▶ **How much do you need?**
- ▶ **Why have it in the first place?**
- ▶ **Assets + Income**
- ▶ **Integration with existing coverage**

Personal Articles Floater

- ▶ Used to cover scheduled personal property on an all risks basis
- ▶ Appropriate for property that receives limited coverage under the homeowners forms, such as cameras, fine arts, furs, jewelry, musical instruments, silverware, stamp and coin collections, etc.
- ▶ Coverage is also sometimes afforded in homeowners policies by endorsement.

Health Insurance

Patient Protection and Affordable Care Act

▶ Ended Pre-existing Health Conditions

▶ Ended Lifetime Limits on Coverage

▶ Essential Health Benefits

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental Health & Substance-abuse
- Prescription drugs
- Rehabilitative & Habilitative Services
- Laboratory Services
- Preventive & Wellness Services
- Pediatric Services (including oral and vision care)

Health Insurance

- ▶ HMO
- ▶ PPO
- ▶ POS
- ▶ HDHP

Health Savings Account

▶ Contributions

- \$3,300 / \$6,550
- Catch-up \$1,000

▶ Eligible Expenses

▶ Long Term Care Premiums

▶ Medicare Premiums

Disability & Long Term Care Insurance

Disability

- ▶ **Social Security**
- ▶ **Employer Provided**
- ▶ **Individually Owned**
- ▶ **Needs Analysis**

Long Term Care Insurance

- ▶ **The industry continues to be in turmoil**
- ▶ **Too much too good to be true . . .**
- ▶ **Who needs it?**
- ▶ **Government Programs**

Useful Information

- ▶ **[The CPA's Guide to Financial and Estate Planning](#)**
 - aicpa.org/PFP/estate
- ▶ **The Professional Association for Chartered Property Casualty Underwriters**
 - <http://www.cpcusociety.org/>
- ▶ **National Association of Insurance Commissioners Consumer Information Source**
 - <https://eapps.naic.org/cis/>
- ▶ **Publications.USA.gov**
 - <http://publications.usa.gov/USAPubs.php>

Questions?

AICPA PFP Section Member Resources

PFP Section members, inclusive of CPA/PFS credential holders, have access to resources on the latest planning strategies and trends in personal financial planning services so that they can practice competently and profitably. Visit aicpa.org/pfp/resources.



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Resources to Transition from Tax to PFP

▶ aicpa.org/pfp/pathway

- PFP Practice Center: a guide to adding or expanding PFP services in your practice
- Whitepapers and guides, including *Roadmap to Developing and Managing a CPA PFP Practice*
- Checklists, including *Analysis of a Tax Return for Personal Financial Planning* and *Personal Financial Outlook*

▶ [Member communications](#)

- [Financial Planning Digest](#) (twice a week digest summarizing PFP news, trends, legislation & more)
- [PFP News](#) (weekly e-newsletter featuring member-exclusive resources, news & events)
- [Bob Veres' Inside Information newsletter, e-columns & media reviews](#) (\$349 value for FREE)

▶ [Forefield Advisor](#) (\$449 value for FREE)

- Client education and communication tool
- Written by CPAs, attorneys and other subject matter experts
- More than 3,000 resources covering personal financial planning, including estate, tax, retirement, investment and risk management planning

▶ Visit joinpfp.org to become a member

Related Resources for PFP/PFS Members

▶ **Insurance & Risk Management Planning (aicpa.org/pfp/insurance)**

- *The CPA's Guide to Financing Retirement Healthcare*
- *The CPA's Guide to Financial & Estate Planning*
- Forefield Advisor's Protection Planning Page
- Forefield Advisor's Healthcare Reform Resource Center
- Listing of Insurance/Risk Management Learning Opportunities

PFP Learning Opportunities

▶ AICPA Conferences

- Advanced PFP Conference (January)
- Tax Strategies for High Income Individuals (May)
- Advanced Estate Planning Conference (July)
- Sophisticated Tax Planning for Your Wealthy Clients Conference (November)

▶ Webcasts and podcasts led by experts from around the country

CPA/PFS News and Events

▶ PFS Exam

- Register for Summer or Winter window
- Discounts, sponsorships and volume pricing available

▶ Education Opportunities

- In-depth courses in estate, retirement, tax, investments, insurance, and PFP process
- In-person and online PFP Boot Camp
- Self-study PFS exam review course

▶ Learn more at aicpa.org/pfs