Financial Planning Guidance for CPAs in the Wake of COVID-19
Today’s speakers

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Introduction
Introduction

• For CPAs personal planning
• Practical and actionable ideas
• Don’t be the shoemaker with barefoot children – get your personal planning in place
• Agenda – what will cover
• Goals for this hour webinar
Basic Estate Planning Steps for CPAs Now
Basic Estate Planning Steps for CPAs Now

• Locate documents
• Review them – still relevant?
• Prepare new docs if needed
• Tell your family and agents
• Provide a copy to agents
• Make a Grab ‘N Go envelope
• Document electronic passwords and online banking access
Jane Smith
123 Central Ave
Anywhere, US
(c) (203) 987-1133

Primary Physician:
Dr. Lisa Doe
(212) 111-2234

Emergency contact:
James Smith (husband)
(c) (203) 123-4567

Pastor: Greg Doll of Naples Church
(203) 123-4555

Medical Grab'N Go
April 2020

Enclosed:
1) Living will
2) HIPAA
3) Insurance card
4) List of medications
5) DNR? Not for COVID (see addendum)
6) Dietary restrictions

Allergies: None
Back of Grab ‘N Go envelope

Medical Grab’N Go
Please torn over
Core Estate Planning Documents
Core Estate Planning Documents

- Get documents in order
- Living wills – statement of health care wishes
  - Intubation provisions unique implications with COVID
- Health care proxies – Authorize agent to make medical decisions
  - Authorize remote decision making
- HIPAA releases – Authorize agent to access health info
  - Authorize remote decision making
- Power of Attorney
  - If “springing” revise urgently to an immediate power
  - Update for remote approval and actions
- Revocable Trust/Will
  - Use revocable trust and pour over will not a “regular” will.
- Irrevocable Life Insurance Trust (ILIT)
Asset Protection and Wealth Transfer Planning
Opportunities for CPAs
Wealth Transfer and Asset Protection Planning Opportunities

• Why you should plan now
  – Asset protection vital (suits rise in difficult economic times)
  – Taxes will likely rise to pay for the bailouts

• Maintaining access to assets
  – You likely won’t transfer assets for asset protection or estate tax minimization if you cannot access them if you need

• Marty’s plan
Planning Techniques CPAs Should Consider - SLATs

Non-Reciprocal Spousal Lifetime Access Trusts (“SLATs”)

• Each spouse creates an irrevocable trust for the other spouse and descendants.

• Each spouse as beneficiary of the other spouse’s SLAT has access so together both spouse’s may have access to each other’s trust or all of assets transferred.

• Consider using an institutional trustee in one of the 19 states that permit self settled trusts.

• This can provide a means to protect the CPAs assets from malpractice and other claims, remove assets from the taxable estate in case the laws change, and yet permit access, e.g. in retirement.
Domestic Asset Protection Trusts ("DAPTs")

• Could be used by single individual since SLATs are not an option.

• Trust must be formed in one of the 19 states that permit them and must name a trustee, typically an institution, in that state.

• There is some uncertainty as to whether the technique will succeed if you live in any other state.

• If that concern worries you consider a so-called Hybrid DAPT in which you are not initially named as a beneficiary but a person, acting in a non-fiduciary capacity, can add you as a beneficiary.
Communications and Family Dynamics Opportunities
Communications and Family Dynamics Opportunities

Meet with YOUR agents and fiduciaries

• Via Zoom, GoToMeeting, Skype
• Discuss what they need to know/do

Teachable Moments

• Look for opportunities to educate family
• Discuss your estate plan
• Charity and other family values
• Budgeting for children (fixed, discretionary)
Resources to help family/agent conversations

https://www.aicpa.org/interestareas/personalfinancialplanning/resources.html

https://www.igrad.com/

aarp.org_advance-directive_resource
Fresh Fun Idea: from a WSJ journalist

• Call a “kitchen table” family meeting

• Place dollar bills in a pile equal to family monthly income on the table and then separate $$ for income taxes, FICA, etc… and then…

• Next separate $$ for primary “Needs”: Shelter, food, clothing…Pile depleted? No…then

• Prioritize and separate $$ for “Wants” next…

• Anything left? No? Increase earnings or decrease spending! Don’t borrow unnecessarily.
Investment Planning Considerations
Investment Planning Considerations

• Start with a budget and plan
• Liquidity and emergency fund
• Review your investment plan
  – Asset allocation is not a default
  – Benefits of asset allocation
  – Rebalance regularly
• Planning opportunities in market downturn
Timing the market is risky

- Market timing is difficult. Investors who allow their emotions to get the best of them can suffer lower returns.
- We do not advocate market timing, but we do believe that modest tactical shifts have the potential to take advantage of short-term investment opportunities or help mitigate short-term risks.
Diversification may reduce downside risk

- A diversified allocation may not experience losses as sharp as an all-equity position during an equity correction or bear market.

- Attempting to reduce downside volatility is critical to long-term performance, as it can allow a portfolio to recover much quicker in the event of a catastrophic event.

**Key Takeaways**

- A diversified allocation may help limit losses in down markets.

- Diversification may reduce downside risk.

**Sources:** Morningstar Direct and Wells Fargo Investment Institute, as of March 24, 2020. Performance results for the Moderate Growth and Income 3AG Portfolio is hypothetical and is presented for illustrative purposes only. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. Hypothetical and past performance does not guarantee future results. Composition of the Portfolios provided at the end of the report. Diversification strategies do not guarantee investment returns or eliminate the risk of loss.

**Note:** Corrections are declines of 10% or more. Bear markets are declines of 20% or more.
Bull markets—strong comeback each time

<table>
<thead>
<tr>
<th>Starting Date</th>
<th>Starting Price</th>
<th>End Date</th>
<th>Ending Price</th>
<th>Duration of Recovery (Months)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/1/1932</td>
<td>4.4</td>
<td>3/10/1937</td>
<td>18.7</td>
<td>57.3</td>
<td>324%</td>
</tr>
<tr>
<td>4/28/1942</td>
<td>7.5</td>
<td>5/29/1946</td>
<td>19.3</td>
<td>49.0</td>
<td>158%</td>
</tr>
<tr>
<td>6/13/1949</td>
<td>13.6</td>
<td>7/15/1957</td>
<td>49.1</td>
<td>57.3</td>
<td>263%</td>
</tr>
<tr>
<td>10/22/1957</td>
<td>39</td>
<td>12/12/1961</td>
<td>72.6</td>
<td>49.0</td>
<td>86%</td>
</tr>
<tr>
<td>6/26/1962</td>
<td>52.3</td>
<td>2/9/1966</td>
<td>94.1</td>
<td>43.4</td>
<td>80%</td>
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<tr>
<td>10/7/1966</td>
<td>73.2</td>
<td>11/29/1968</td>
<td>108.4</td>
<td>25.7</td>
<td>48%</td>
</tr>
<tr>
<td>5/26/1970</td>
<td>69.3</td>
<td>1/11/1973</td>
<td>120.2</td>
<td>31.5</td>
<td>74%</td>
</tr>
<tr>
<td>10/3/1974</td>
<td>62.3</td>
<td>11/28/1980</td>
<td>140.5</td>
<td>73.8</td>
<td>126%</td>
</tr>
<tr>
<td>8/12/1982</td>
<td>102.4</td>
<td>8/25/1987</td>
<td>336.8</td>
<td>60.4</td>
<td>229%</td>
</tr>
<tr>
<td>12/4/1987</td>
<td>223.9</td>
<td>7/16/1990</td>
<td>369</td>
<td>31.4</td>
<td>65%</td>
</tr>
<tr>
<td>10/11/1990</td>
<td>295.5</td>
<td>3/24/2000</td>
<td>1527.5</td>
<td>113.4</td>
<td>417%</td>
</tr>
<tr>
<td>10/9/2002</td>
<td>776.8</td>
<td>10/9/2007</td>
<td>1565.2</td>
<td>60.0</td>
<td>102%</td>
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<tr>
<td>3/9/2009</td>
<td>676.5</td>
<td>2/19/2020</td>
<td>3386.2</td>
<td>131.3</td>
<td>401%</td>
</tr>
</tbody>
</table>

| Mean          | 63.4           | 182%         |
| Median        | 57.3           | 126%         |

Sources: Bloomberg and Wells Fargo Investment Institute; as of March 24, 2020. Starting price is the closing price of the previous low before a bull market starts. For illustrative purposes only. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.

Key Takeaways

- Historically, recoveries after each bear regained the lost amount and much more.
Financial Planning Opportunities
Financial Planning Opportunities

• Capital loss harvesting
  – Wash Sale rule and planning

• Make retirement plan contributions

• Roth conversions
  – Why
  – Tax consequences
  – Advantages include asset protection

• Life insurance coverage and options
Life Insurance Review: It’s time!

- Annual Check-up time! Treat Life insurance like any other asset in your portfolio
- In-force Illustrations with the well-defined parameters are critical
- Do economic changes suggest additional coverage?
- Too much or can’t afford? Don’t drop before considering current health/need/life settlement
## Insurance Summary and Review Roadmap

**Client Name(s):**
**Date:**

<table>
<thead>
<tr>
<th>Insured</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Death Benefit</td>
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<tr>
<td>Insurance Company</td>
<td></td>
</tr>
<tr>
<td>Policy Type</td>
<td></td>
</tr>
<tr>
<td>Policy Number</td>
<td></td>
</tr>
<tr>
<td>Annual Premium</td>
<td></td>
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<tr>
<td>Premium due date</td>
<td></td>
</tr>
<tr>
<td>Cash Value/Surrender Value</td>
<td></td>
</tr>
<tr>
<td>Owner* (all trust, estate, trustee)</td>
<td></td>
</tr>
<tr>
<td>Primary beneficiary</td>
<td></td>
</tr>
<tr>
<td>Contingent beneficiary</td>
<td></td>
</tr>
<tr>
<td>Risk Class of purchase</td>
<td></td>
</tr>
<tr>
<td>As-Set Date vs. Current Date</td>
<td></td>
</tr>
<tr>
<td>Policy Loan/Rate</td>
<td></td>
</tr>
<tr>
<td>Scheduling Agent</td>
<td></td>
</tr>
</tbody>
</table>

*Owner: H=Husband, W=Wife, J=Joint with Spouse, C=Community Property, T=Trust - if trust please include trustees*  
*Type: T=Term, W=Whole Life, UL=Universal Life, VUL=Variable Universal Life, Indicate ownership policies with an “*”*

**BEST PRACTICES:**
- Contact an insurance agent or insurance consultant to review your policies annually. For trust owned policies, it is a fiduciary responsibility!
- For all policies other than term insurance, request an “in force ledger” annually to illustrate the policy’s health and compare to the “As-Set” ledger.
- For any insurance over age 70, a life expectancy curve should be obtained to determine intrinsic value of policy.
- Understand the life settlement as an option before terminating any contract! Your policy may be more valuable than you think!

Prepared by Susan Evans 305.991.1133 sevans@bawynwealth.com
Life Settlement Policy Quiz

https://ashargroup.com/policy-value-quiz/

Age/remaining life expectancy, current health and policy pricing are the key factors
Life Insurance: Save $$

Underperforming?

• Consider your current life expectancy vs. the “duration” of the policy. Could SAVE $$!

NOTE: Most life insurance policies are sold to “full duration” which is typically age 121(max commission) BUT who will (wants to??) live that long?? Silver lining in every cloud…
Selling or going out of business? CASH Opportunity for business owners

Convertible term insurance may have much greater intrinsic value than unused premium

• IMP planning opportunity: Buyer pays future premiums paid by third party in exchange for cash! Could be worth MORE than the business itself for the older or unhealthy business owner!
Planning for your Practice
Planning for your Practice

• Forecast revenues
• Determine what changes are needed
• Apply for Paycheck Protection Program?
• Apply for Economic Injury Disaster loan?
• Ensure lines of credit and sources of cash
  – Have in place before needed
Conclusion and Additional Information

What you can do now
Conclusion

• Review, revise and discuss health care and estate plans
• Create Envelope for Emergencies
• Evaluate asset protection strategies
• Find teachable moments
• Review and update investment plan
• Consider financial planning opportunities
• Forecast your financial and business issues
• Take advantage of PPP and EIDL if applicable
Additional information

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shenkman@shenkmanlaw.com
Advocacy efforts
AICPA initiatives
Virtual learning
Topical resources:

• Tax
  aicpa.org/covid19tax

• Personal financial planning
  aicpa.org/pfp/covid19

• Forensic and valuation services
  aicpa.org/covid19fvs

• Paycheck Protection Program
  aicpa.org/sba

• Technology
  aicpa.org/covid19tech

• GAQC alerts

• Financial reporting considerations

• Peer review impacts

• State Society information
Coronavirus Personal Financial Planning Resource Center

aicpa.org/pfp/covid19

- Client facing content
- Planning strategies
- On demand learning
- And more
AICPA PFP Section
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Thank you