FRONTIER
WEALTH MANAGEMENT

COMPONENTS OF COMPREHENSIVE FINANCIAL PLANNING

Many components and variables go into creating a comprehensive financial plan. In addition to the basic or stereotypical parts of a financial plan, Frontier Wealth Management prides itself in thoroughly analyzing several components in its detailed financial plans.

ESTATE PLANNING

One aspect of the comprehensive financial plan includes **ESTATE PLANNING**. Estate planning consists of reviewing how assets are titled, who the beneficiaries are or should be (either via a beneficiary designation or a Transfer-on-Death/Payable-on-Death registration), as well as thoroughly reviewing existing estate planning documents (Medical Directive, Medical Power of Attorney, Durable Power of Attorney, Will, Trust, etc.). This helps to ensure assets will bypass Probate, as well as be bequeathed to the appropriate person(s) at the appropriate time and in the appropriate manner, without disinheriting any heirs. Additionally, because trusts can create some unwanted tax ramifications and tax complexity upon death, special attention is given to trust documents to help ensure current tax and estate settlement compliance.

For circumstances in which specific irrevocable trusts are recommended, Frontier works closely with the estate attorney to collaborate and discuss the available options and goals. The most recommendations in a financial plan are typically made in estate planning, which surprises most clients. However, this is valuable information that clients appreciate knowing now, while there is still time to make corrections.

RETIREMENT PLANNING

Most frequently, clients' primary concern is **RETIREMENT PLANNING**. Retirement planning is maximized by incorporating income planning, tax planning and implementing a proper asset-spend-down strategy. Depending upon clients' ages and income histories, a Social Security analysis is done to determine if a Social Security claiming strategy can or should be implemented, as well as determining which spouse should file for which Social Security benefit at which specific time. Another frequent question clients have is what to do with their pension.

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By conducting a pension analysis, Frontier will first make a recommendation on whether it is prudent to elect a pension payout versus rolling the pension into an IRA by determining break-even ages (the age you and/or you and your spouse would have to live in order to make both options equal).

The second step of the pension analysis then involves illustrating the various ages of death for both spouses and, consequently, highlighting the optimal pension payout. By visually seeing the optimal pension payouts over various ages of death, clients are then better educated to make an appropriate pension election. Finally, an asset-spend-down strategy is analyzed in order to determine which account type (e.g., taxable, tax-deferred, or tax-free) should be spent/liquidated in order to be the most tax-efficient. This varies among financial plans depending upon spending, types of assets, relative amounts of each type of assets, age(s) and other income. Therefore, careful income tax planning in retirement could add several years to the assets' longevity.

INCOME TAX PLANNING

The final component of a financial plan that is thoroughly analyzed is **INCOME TAX PLANNING**. While this is important for creating an asset-spend-down strategy in retirement, income tax planning is just as important each year, especially while working (when income tax rates are generally higher). Though income taxes cannot be looked at only in one specific year, several income tax planning strategies can be implemented to reduce income taxes.

First, the most recent income tax return is reviewed to identify any tax planning opportunities or recommendations. Tax planning derived from the income tax return may include using investment carry-forward loss to offset future capital gains, contributing to a Health Savings Account (for the potentially triple tax-favored benefit and retirement benefit), business income tax planning (i.e., S-Corp dividends versus C-Corp or self-employment income), amending a state income return to take advantage of a new tax law, and even how fees should be most optimally paid from an account.

Some specific tax planning strategies that are implemented include:

- Making an 83(b) election for stock options in order to potentially maximize long-term capital gains and minimize ordinary income.
- Implementing a Net Unrealized Appreciation (NUA) strategy (which is also meant to minimize ordinary income and maximize long-term capital gains).
- Using life insurance cash value to potentially purchase an annuity (in order to receive tax-free appreciation but also potentially greater tax-free distributions).
- Making "back-door" Roth IRA contributions (which, in certain circumstances, a non-deductible IRA is funded but then converted to a Roth IRA without incurring an income tax liability).
- Implementing Roth IRA conversions (typically implemented upon retirement and generally before Social Security is begun but almost certainly before Required Minimum Distributions are begun) when marginal income tax brackets are generally lower.

While this summary is not meant to be all-encompassing, this helps identify the thoroughness and depth associated with a Frontier comprehensive financial plan.

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