



**Asset Protection
&
Estate Planning Strategies**

CPI International Advisors, LLC

Truly customized solutions to the myriad financial issues faced by executives running the world's largest and most successful companies are few and far between. The same can be said about family offices and ultra-high net worth individuals. It's rare to find truly bespoke financial products and even more of a rarity to find them outside the world of large investment banks and the somewhat less imaginative consulting firms that cater to them.

CPI International Advisors, LLC endeavors to break that mold by combining the seasoned sagacity of CPI's founding partners, Ron Sussman, Tricia Pilone and Gary DeVicci, MSFS, CFP with the unique talents of a global team of independent specialists and advisors dedicated to ultra-high net worth, and often iconic individuals and families.

From its inception in January 1991, CPI's partners made it their mission to provide honest, intelligent and successful financial strategies and products to their unique set of clients. CPI Companies represent the best of the life insurance, securities and financial planning industries. Utilizing their unparalleled skill sets in tandem with those of advisor associates in the legal and accounting trades, CPI Companies provides unrivaled, carefully constructed and scrupulously monitored financial products and services.

CPI International Advisors, LLC brings together all of its team's significant talent on an international scale to deliver a tailor crafted design experience to an extremely select clientele.

Over the years we have found that the following are key reasons clients lose their wealth. These reasons can be categorized as:

- 1) Loss to taxes;** income, estate, gains, gift taxes
- 2) Litigation and/or divorce.** 55% - 60% of business owners are subject to lawsuits at some time. Plus a 50% divorce rate.
- 3) Loss of wealth by poor investment results,** or need to use the assets at the wrong time (i.e. 2009).
- 4) Over spending**

Today's Discussion

Based on the four areas outlined, we have narrowed down our strategies to deal with the two major items where clients lose most of their wealth. Utilizing carefully planned strategies we can:

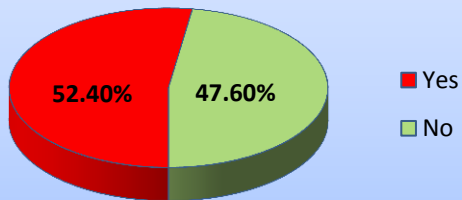
- Help with the reduction of taxes
- Protect assets from litigation and/or divorce

Selected Asset Protection Statistics

**Excerpted from "Fame & Fortune:
Maximizing Celebrity Wealth" by Russ Alan Prince,
Hannah Shaw Grove & Richard J. Flynn,
Universal Media.**

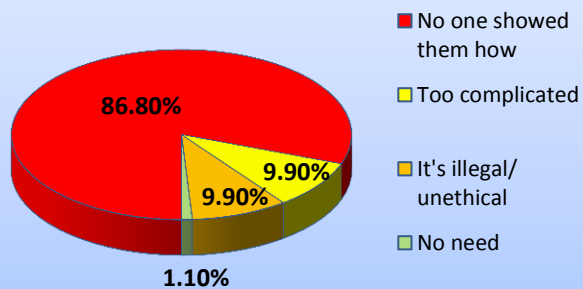
Asset Protection: Statistics

Involved in Unjust Lawsuits and/or Divorce Proceedings



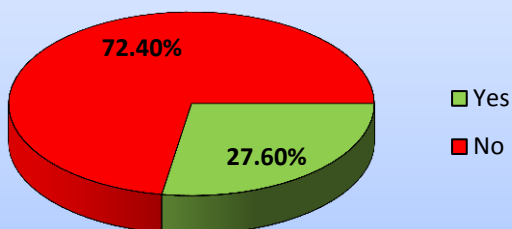
“The data presented in this section was collected with the assistance of entertainment attorneys from more than 1,000 celebrities.” “The average net worth of the individuals surveyed was \$37 million and the median net worth was \$25 million.”

Why No Asset Protection Plan?



“Even though 86% of celebrities feared future law suits, only 28% had taken the steps to protect their assets.”

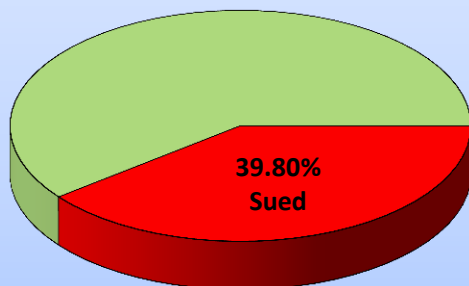
Have an Asset Protection Plan



“By and large, the main reason most celebs didn’t have plans was because no one with the expertise had introduced the topic and shown them how.”

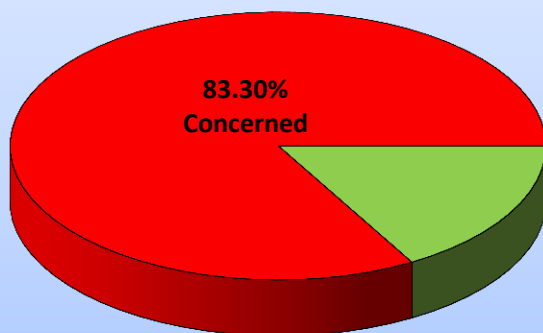
Asset Protection: Statistics

Involved in Unjust Lawsuits and/or Divorce Proceedings



“Hedge fund professionals generally echo the sentiments of celebrities when it comes to asset protection. The data presented in this section was collected from 294 executives at hedge fund or hedge fund-of-fund firms. The average net worth of the principals surveyed was \$197 million and the median net worth was \$62 million. About 40% of the wealthy professionals we surveyed had been involved in unjust lawsuits or divorce proceedings.”

Concerned About Being Involved in Unjust Lawsuits and/or Divorce Proceedings



“We also found that most hedge fund executives understand the consequences of such situations as 83% of them are concerned about future involvement in such cases.”

Asset Protection Strategies

“It’s possible to manage risks in ways that will protect clients and their assets from unwanted attention and unfounded legal action. The key is to do it in a timely and effective fashion that has little to no downside – and that’s the role that asset protection can play.”

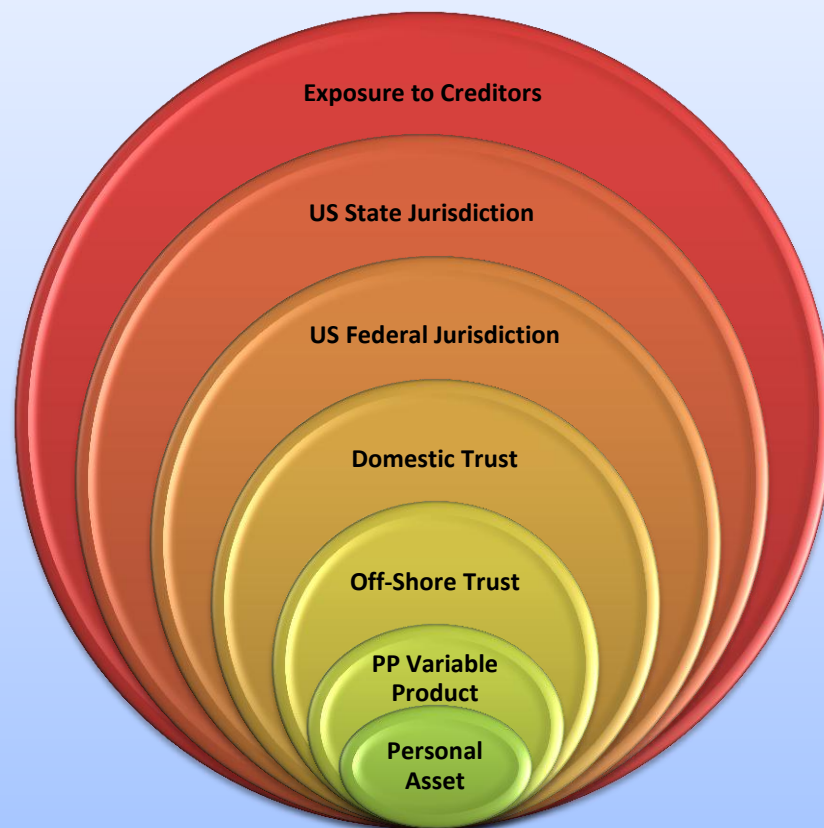
-Russ Alan Prince

Asset Protection: Defined

In general, asset protection is about putting up as many barriers as possible in front of creditors to make it more difficult for them to get to these personal and/or business assets. It's possible to manage risks in ways that will protect clients and their assets from unwanted attention and unfounded legal action. ***The key is to do it in a timely and effective fashion that has little to no downside.***

- Family home or condominium, vacation or second homes
- Rental property
- IRAs, stocks and investment accounts, hedge funds
- Life insurance death benefit and cash value
- Bank accounts and CDs
- Cars, boats, planes, wave runners, motorcycles
- Business entities (especially S- or C-Corporation stock)
- Valuable collectible items
- Other personal real property of financial value
- Future inheritance for family
- Accounts or notes receivable

The best asset protection plans are never even tested in court; after reviewing the way assets have been structured, creditors and litigants conclude that going to court would be too costly and difficult, and they choose not to litigate and settle.



Building a Wall of Protection

Where should you be?

Level 4

Build off of the prior levels and consider international planning:

- International Business Corporations or assets
- US Compliant International trusts for protection and for future generations
- Offshore Financial Products – *with asset protection features*

Level 3

Build off the prior two levels and take advantage of all the domestic asset protection available:

- Domestic Asset Protection Trusts (DAPT)
- Favorable state laws on charging order judgment
- Proper titling of all assets
- Domestic Financial Products – *with asset protection features*
- Domestic trusts for protection and for future generations

Level 2

Build off of level one and add:

- Pre or post nuptial agreements
- Trusts and co-trustees that are independent
- Buy/sell agreements dealing with divorce, or partnership suits
- LLC operating agreements dealing with divorce and distributions to members
- Review of Qualified Plans for Asset Protection (ERISA & Non ERISA)

Level 1

Establish basic planning documents to include:

- Review of balance sheet and ownership (state specific)
- Power of Attorney, health care, living wills
- Wills and trusts with distribution ages
- Buy/sell agreements
- Jointly held assets – Individually held assets
- Review of exempt assets based on state of residency
- Property and casualty insurance umbrella policy review

Domestic Asset Protection Trust

- A DAPT is a US asset protection trust in which the trust grantor is a permissible beneficiary
- After a period of time (the statute of limitations or crystallization period), those assets are protected from the grantor's creditors
- Thirteen states currently allow DAPTs
- Thirty-seven states & Washington, D.C. do not allow them

Crystallization Period

- Fraudulent conveyance laws – transfer with the intent to hinder, defraud or delay
- Pre-existing creditors vs. non-pre-existing creditors

The Big Four Asset Protection Trust States:

State	Crystallization Period	Available to Spouse Creditor?	Available to Pre-existing Tort Creditor?	State Income Tax?
Nevada	2 Years	No	No	No
Alaska	4 Years	Yes	No	No
S. Dakota	3 Years	Yes	No <i>(as of 7/2011)</i>	No
Delaware	4 Years	Yes	Yes	No <i>(residents only)</i>

Problem: Not tested in Courts to date

Combine Asset Protection with Investment Tax Planning

Generic Private Placement Insurance Concepts

➤ Policies conform to US law

- Meet §7702 definition of life insurance
- May be MEC or Non-MEC:
 - MEC (Modified Endowment Contract)
 - Single premium
 - Lowest ratio of face amount to cash value
 - Distributions taxed 'First In Last Out'
 - Non-MEC
 - 7 premiums (minimum)
 - Death benefit corridor higher than MEC
 - Distributions taxed 'First in First Out'

➤ Assets placed in §7702 compliant policies acquire the tax characteristics of life insurance

- All gains are tax deferred
- Death proceeds are received income tax free
- Death proceeds receive a step-up in basis
- Policy loans are tax free as long as the policy remains in-force (*non-MEC only*)

➤ Policies are client specific

- The policy is a private offering, *available only to a qualified purchaser*.
- No two policies are alike; a policy is created for you based on your assets, planning, protection, and distribution needs.
- All policies are held in separate accounts
 - No liabilities connected to insurance company or other policy holders
- ***“Import the law, do not export the asset”***
 - Cash Values represent assets held by US custodian
 - May be invested in funds offered by insurer
 - May be assets in-kind (hedge funds, real estate, LLC interests, art etc.)
 - Must meet US diversification rules: (No more than 55% of the value of the total assets of a segregated account can be represented by any one investment; no more than 70% by two; no more than 80% by three; and no more than 90% by four.)
 - Must meet US investor control rules

Generic Private Placement Insurance Concepts

- **Death Benefit protection (life insurance wrapper) purchased through reputable reinsurance market.**
 - Reinsurance is purchased direct and mortality costs passed through without mark up. As an example:
 - Gen Re – A Berkshire Hathaway Company
 - A.M. Best: A++ (Superior)
 - Moody’s Financial Strength Rating: Aa1
 - Standard & Poor’s Clams Paying Ability Rating: AA+
 - Hanover Re – Third largest re-insurer in the world
 - A.M. Best: A (Excellent)
 - Standard & Poor’s: AA- (Very Strong)
- **Amount of protection determined by type of asset used as cash value.**
 - Cash and equivalents (NYSE stocks) provide greater offset
 - Hard to value assets provide little to no offset (i.e. art)
- **Policy owned by asset protection trust in a chosen jurisdiction.**
 - Jurisdiction dictates how difficult it will be for creditors to pierce the trust.
 - All recommended jurisdictions prohibit creditors from attaching a life insurance policy, even if the trust were to be pierced.
 - Each jurisdiction has a stated crystallization period.
- **Policies and trusts are fully disclosed to IRS**
 - Typically handled by an offshore trustee, or your accountants, or attorneys
 - Forms must be filed annually
 - Form 3520-A
 - Form TD F 90-22.1
 - Schedule B (Form 1040A or 1040)
- **Carriers domiciled in offshore jurisdictions**
 - Bermuda, Bahamas, Caymans, and others
 - Puerto Rico (U.S. jurisdiction)

Steps

Steps to Begin Process

1. Retain counsel qualified in asset protection structures
2. Review asset protection planning strategy
 - Identify assets to be held in trust
 - Determine current and anticipated ownership structure
 - Determine current and anticipated US compliant tax structure
 - **Critical Step:** Create a 'Before & After' planning flow chart to show how the assets will be used or passed on in the future
 - Decide on a jurisdiction for the asset protection trust
 - Decide on the use of financial products
3. Sign HIPAA release (*life insurance only*)
 - CPI to obtain medical records
 - Records will be reviewed to determine medical insurability
4. Meet with all advisors at a location to be determined based on jurisdictional decision.
 - Interview potential custodians/trustees
 - Meet representatives from prospective insurance and or annuity carriers and review product offerings
 - Take the physical examination (*If offshore, any findings remain private*)
 - Sign final documents
5. Policy delivered to trustee

CPI International Advisors, LLC

A CPI Company

513 Centennial Blvd.

Voorhees, NJ 08043

P. 800-732-8062

856-874-1250

F. 856-874-1255

www.cpicompanies.com

Principals:

Ron Sussman, CEO*

rons@cpicompanies.com

Tricia Pilone

President – Insurance Services*

pilone@cpicompanies.com

Gary DeVicci, MSFS, CFP®

President – Investment Services*

garyd@cpicompanies.com



**Reg. Rep./Securities offered through CPI Capital, member FINRA/SIPC*