Chapter 2 Checklist

The One Way Out Planning Process

Questions—"Am I OK?"

- ☐ What are your major life goals (retirement, travel, career, and leisure goals)?
- ☐ What are your planned sources for retirement income? Have you stress-tested them to make sure you won't outlive them? (Have you assumed different assumptions for inflation, tax rates, rates of return, and life expectancy?)
- ☐ Have you prepared some type of forecasting tool, such as a financial independence model, to prepare for the future? When was it last updated to reflect recent changes in the markets? Consider changes to your:
  - ☐ Assets (growth and income assumptions)
  - ☐ Liabilities (interest rate and terms)
  - ☐ Sources of income
  - ☐ Uses of income
  - ☐ Income taxes (current and future)
  - ☐ Inflation assumptions
  - ☐ Specific objectives, i.e., cost of children's education, long-term care of parents, etc.
- ☐ Financial independence means different things to different people; how do you define it?
  - ☐ For you
  - ☐ For your spouse
  - ☐ For your children
- ☐ Have you followed a comprehensive, holistic process to defend your business and personal wealth and determine your One Way Out, or is it piecemeal, fragmented, and lacking coordination?
- ☐ Is your plan in writing?
- ☐ When was your plan last updated? Does it consider and react to all of the recent tax law changes?
- ☐ Does your plan address and answer all of the threats to your personal wealth, including the following?
  - ☐ Financial independence?
  - ☐ Income tax reduction
  - ☐ Retirement planning
  - ☐ Disability (the effects of sickness or injury)
  - ☐ Long-term care
  - ☐ Defensive investment strategies Has anyone ever tested your portfolio for its probability of success

- ☐ Extended life expectancy and the need for your investments to last longer
- ☐ Inflation and loss of purchasing power
- ☐ Property and casualty exposure
- ☐ Financial support needs of family members who depend on you

- ☐ What are your greatest fears concerning achievement and maintenance of your financial independence?
- ☐ Where do you plan to be financially in five years?
- ☐ What are your three major financial priorities? Why?
- ☐ When do you plan to accomplish these priorities? How?
- ☐ What's keeping you up at night? Any financial concerns or opportunities (anything goes here)?
- ☐ How have your overall financial needs changed as a result of recent economic turmoil?
- ☐ Time horizon: When do you want to exit from your business and become more liquid?
- ☐ How have your current or future income needs changed?
- ☐ Has your tolerance for risk changed?
- ☐ What is going on with you and your family List recent and expected significant events or changes in situation for you, your spouse, children, parents, grandchildren, and others?
- ☐ Have any significant financial events occurred or are they likely to occur soon? A significant inheritance? A sale of your home, business, or other major asset?
- ☐ What techniques are you using to help reduce your income tax exposure?
- ☐ How have you planned to pay for the cost of long-term care for yourself, your spouse, or other family members?

Document Audit

Documents Needed for Business Owner Planning

1. Financial Information
   - ☐ Corporate financial statements (3 years plus interim) – balance sheet, income statement and statements of cash flows
   - ☐ Capital expenditure projection schedule, if applicable
   - ☐ Recent (within 1 year) business valuations, if any

2. Three Most Recently Filed Income Tax Returns with K-1s
   - ☐ Corporate income tax return (1120 or 1120s)
   - ☐ Partnership income tax return (1065)
   - ☐ Personal income tax return if a disregarded entity (1040)

3. Executive Compensation Information

- ☐ Census of key people (name, DOB, position, start date, salary, bonus, ownership percentage, if any)
- ☐ Employment contract

- ☐ Deferred compensation agreement
- ☐ Description of any verbal agreement
- ☐ Description of any special perks

4. Insurance Policies (copy of contract or most recent statement)
   - ☐ In-force ledgers or authorization to request information
   - ☐ Corporate or entity-owned life insurance
   - ☐ IRS sec. 101(j) notice and consent compliance history, if applicable
   - ☐ Shareholder-owned life insurance (cross purchase or other purpose)
   - ☐ Disability buy-out insurance
   - ☐ Disability carve-out insurance

5. Employee Benefit Information (Plan Descriptions and Statements)
   - ☐ Employee census
   - ☐ ERP-IRA or Simple IRA
   - ☐ 401(k)
   - ☐ Profit sharing plan
   - ☐ Stock options/grants
   - ☐ Defined benefit summary plan description
   - ☐ Long-term care insurance (group or personal)
   - ☐ Group coverages (life, LTD, STD, health, dental)

6. Agreements
   - ☐ Buy/sell agreement
   - ☐ Partnership agreement (with listing of assets owned)
   - ☐ Articles of organization, if buy/sell provisions are present
   - ☐ Stock option/grant agreement
   - ☐ Salary continuation agreement
   - ☐ Operating agreements