

## 5 Year-end Planning Approaches

Year-end discussions are a great way for financial professionals to reinforce their credibility as trusted advisors. What decisions should be made before year end to avoid leaving dollars on the table? Will any benefits be lost because of delay or lack of information? Should an action be taken in 2009, or deferred until 2010?

A smart year-end review should address a number of factors unique to each client's situation, such as the tax bracket of the individual or business, current and projected income and personal circumstances.

### Succession Planning

Every small-business owner should review his succession or exit strategy at year end. Is there a buy-sell agreement? Is it current? When was the last business valuation? Is the buy-sell agreement funded? Has the owner selected a method for rewarding and retaining his/her top people with bonus arrangements, retirement plans and/or NQDC? Is the business protected financially against the loss of its key people?

### Family Gifts

Clients may be interested in closing out this year and ringing in the New Year with gift ideas. These may include setting up a family gift program and making use of the \$13,000 annual gift tax exclusion. With married couples, the non-donor spouse's consent enables the gift to be "split" so the donor can give twice as much (\$26,000 per donee per year) on a gift tax free basis.

Remember that direct gifts to educational and medical providers do not count against the annual exclusion amount. Clients may consider making a "Double Holiday Gift," using a \$13,000 gift in December 2009 and a second \$13,000 gift in 2010.

For higher net worth clients, the advisor should also address possible gifts to ILITs, leveraging gifts with life insurance death benefits, and gifts to Dynasty Trusts for multi-generational leverage.

### Charitable Gifting

Charitable gifting is another important topic for year-end discussions and decisions. Charitable gifts using life insurance involve a variety of techniques, including:

- Naming the charity as beneficiary of a client-owned life insurance policy
- Transferring an existing policy to a charity
- Buying a new policy owned initially by the charity, and perhaps pledging premiums as cash contributions by the donor for future years
- Charitable Remainder Trusts, Private Foundations and more advanced techniques

**Direct IRA transfers to a charity**

December 31, 2009 is the "last shot" for individuals who are over age 70½ to make a direct transfer of their IRA account balance (up to \$100,000) to a charitable organization without an increase in the donor's Adjusted Gross Income (AGI). While the transfer doesn't create a charitable income-tax deduction, it also doesn't increase the donor's AGI when the IRA account is contributed to the charity.

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