



The Future of the Entrepreneurial Tax Professional

A Bold Vision for the Future of Tax Professionals



Our Speakers



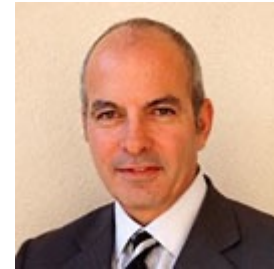
Scott Winters

CEO



Ed Lyon, J.D.

Chief Tax Strategist



Dave O'Rourke

Chief Evangelist





The Future of the Entrepreneurial Tax Professional



Scott Winters

CEO



Family Office Director Plaque Presentation

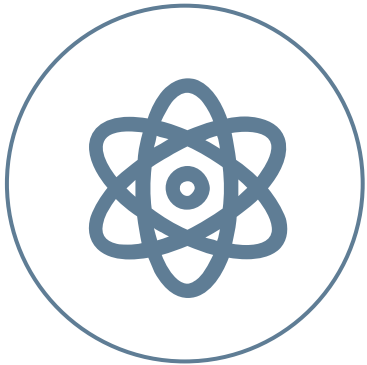
- Erling Brakke
- Scott Terry
- Bill Perlette
- Dean Specker
- Nick Secord
- Chris Middleton
- Shelley Johnson
- John Bell
- Joe Reyes







The Future of the **Tax** Business





The “Big Four” Questions

01

How do you get out of low-value, low-margin transactions?

02

How do you eliminate toxic clients without losing revenue?

03

How do you provide more value to your clients?

04

How do you exit more effectively from your practice?



Destruction





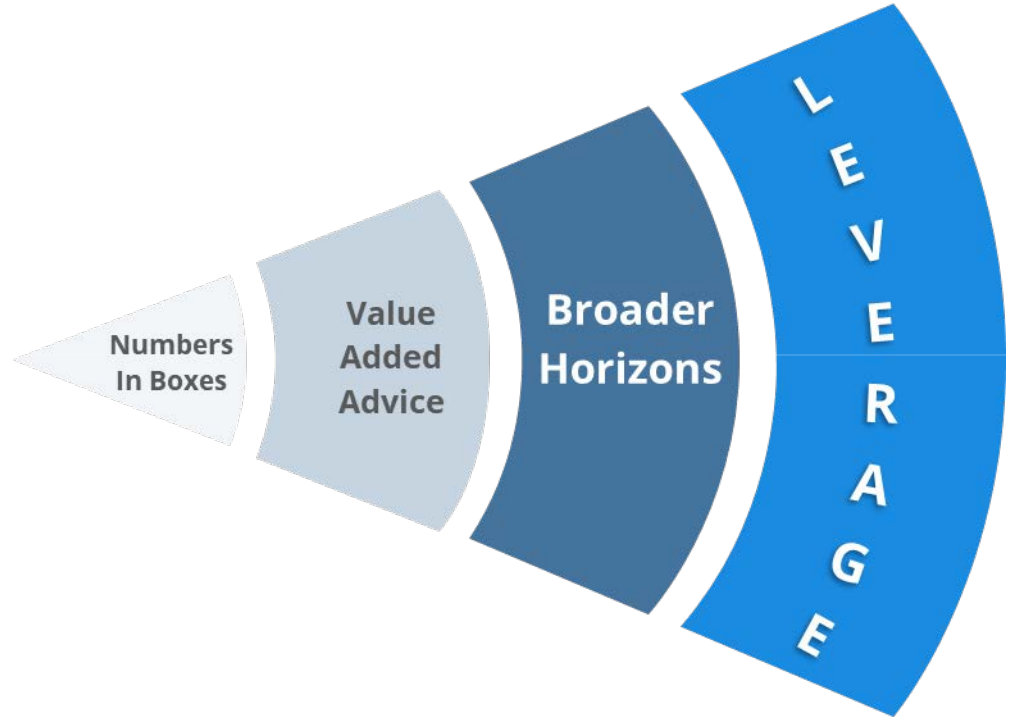
Don't Be the Dinosaur

Be the Mouse!





Circles of Value



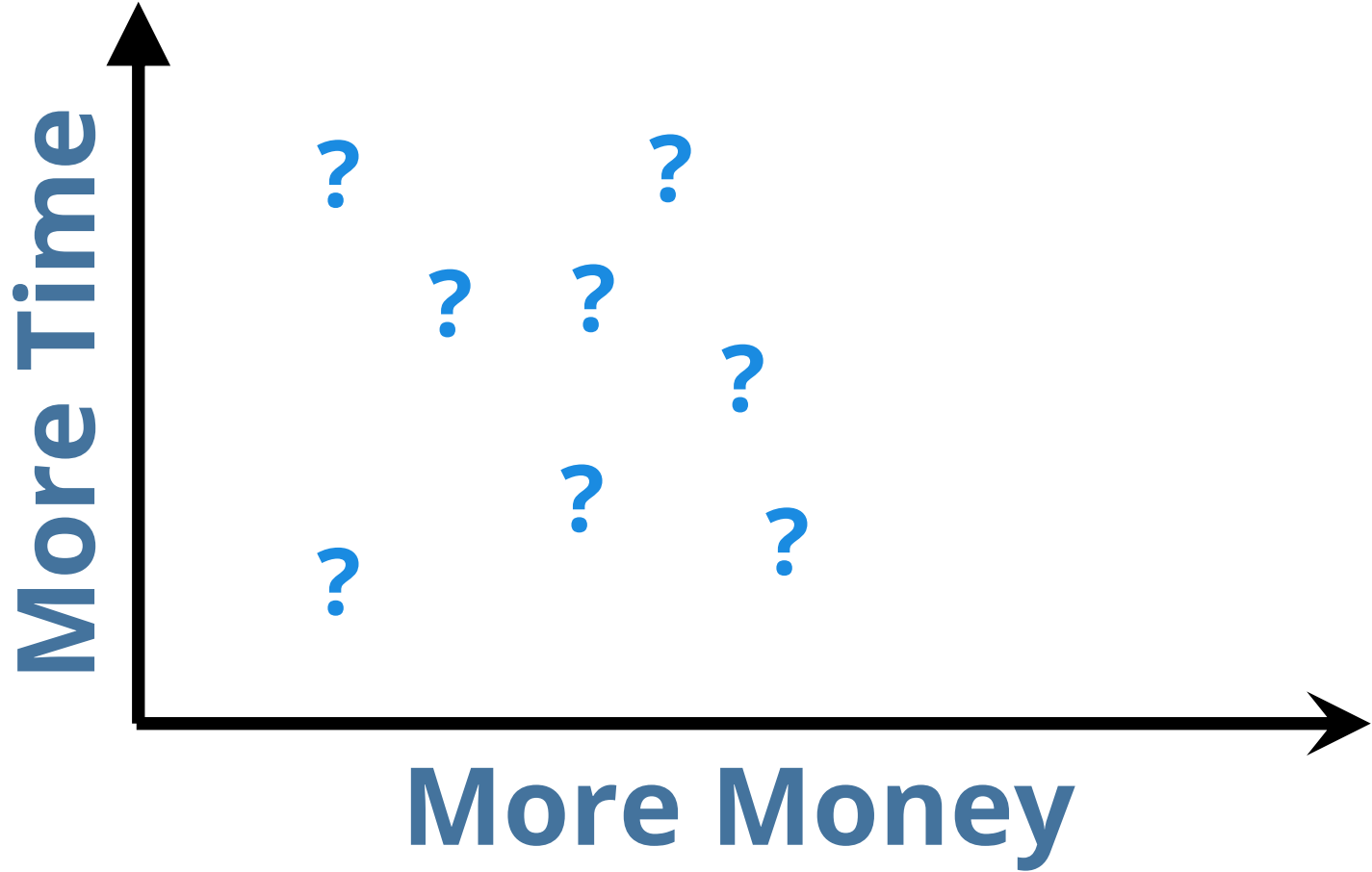


More Time



More Money





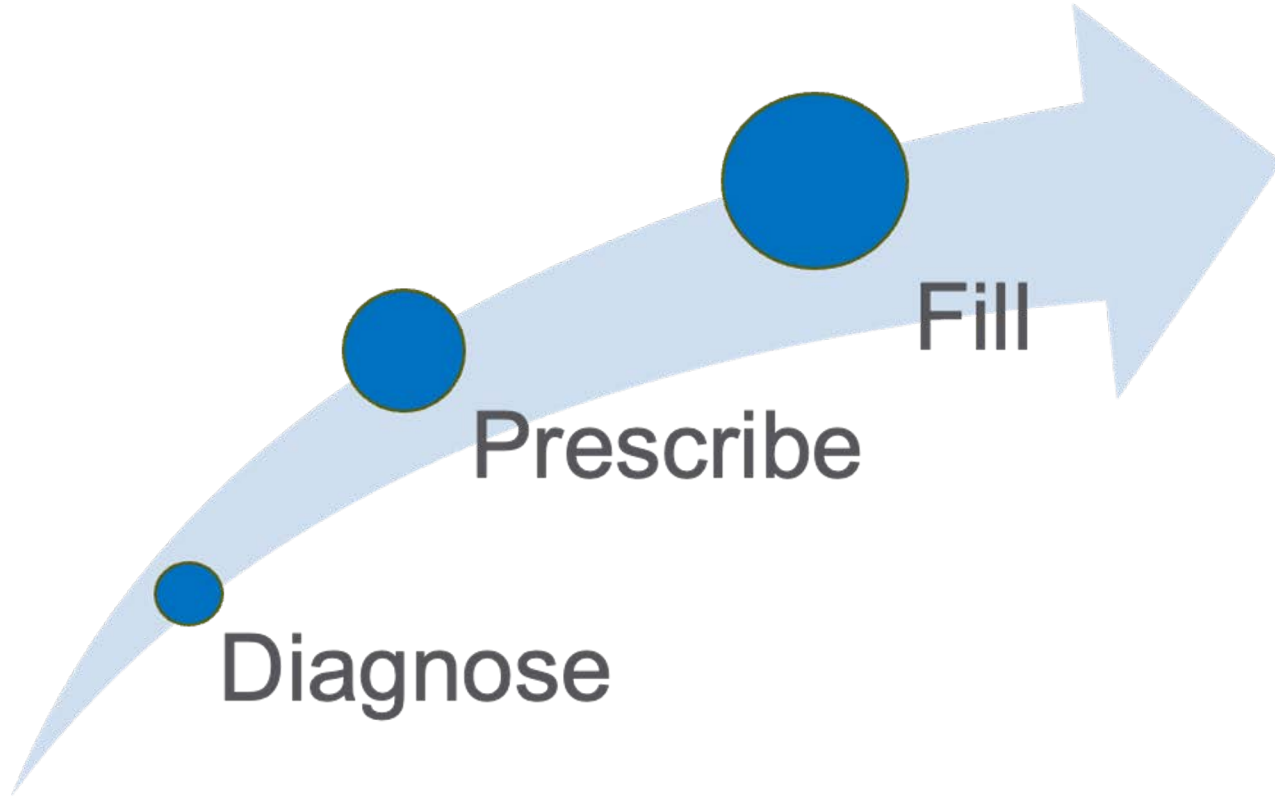


Transforming Transactions into Relationships

Day One | 9:45 am | 45 minutes

Ed Lyon

Process





Overview of the Disc Model

Dominance

- Direct
- Firm
- Strong-willed
- Forceful
- Results-oriented

Conscientiousness

- Analytical
- Reserved
- Precise
- Private
- Systematic



Influence

- Outgoing
- Enthusiastic
- Optimistic
- High-spirited
- Lively

Steadiness

- Even-tempered
- Accommodating
- Patient
- Humble
- Tactful



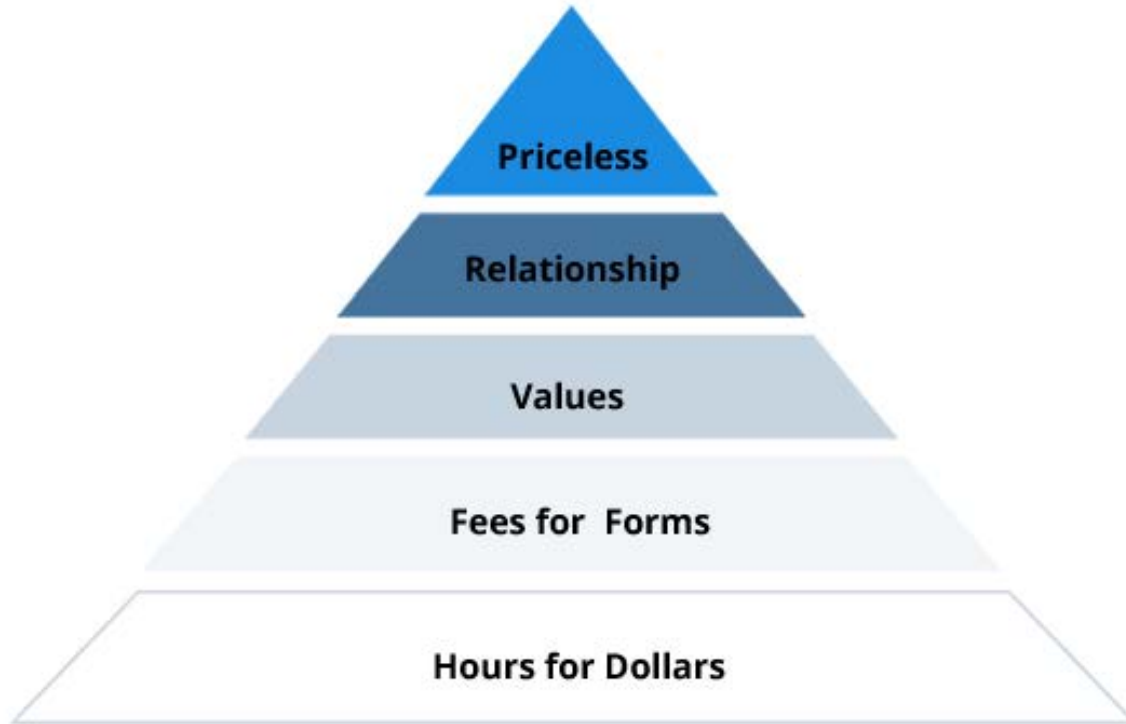


Maslow's Hierarchy of Needs





Apply that to Your Business





The Best-Kept Marketing Secret in Your Business?

The Evolution of the Family Office Starts Here



Kimberly Perry
Family Office Director

What is a Family Office?

The wealthiest Americans are also the most successful investors, and that is neither a secret nor a coincidence. We believe the reason is simple: they are served by Family Offices.

The Family Office focuses on the integration of tax, wealth, and risk management into one cohesive experience. Typically, in financial services, advice is segregated to very specific expertise versus connected across the different financial services disciplines.

Creating a cohesive and integrated plan can have the same impact only reserved for the wealthiest. It is now available to every American family.



WEBSITE

Mutual Funds: High Costs for Long Odds Costs — not the simple thing it seems

Mutual funds are more expensive than many investors realize. Costs are not limited to management and 12b-1 fees, which sometimes total less than half of the costs incurred by the fund—all of which are paid by the fund's investors.

According to the SEC: "As with any business, it costs money to run a mutual fund. There are certain costs associated with an investor's transactions (such as buying, selling, or exchanging mutual fund shares), which are commonly known as "shareholder fees," and ongoing fund operating costs (such as investment advisory fees for managing the fund's holdings, and marketing and distribution expenses, as well as custodial, transfer agency, legal, accounting, and other administrative expenses). Although these fees and expenses may not be listed individually as specific line items on your account statement, they can have a substantial impact on your investment over time."

WHITEPAPERS

fee, assessed by the fund company if the investment falls below a certain, specified level.

All of the costs were reviewed thus far are assessed on an individual basis, and favor the investor committing more time and money to the fund. There are many other costs, however, that are borne by all investors in the fund. Chief among these is the Expense Ratio, which comprises all the management fees and operating costs of the fund.

The incentive structure problem

We need to take a moment to bring up a potentially significant problem that is inherent to mutual funds, and that is the competing interests between the fund company and the investor. The fund company's overarching goal

Control the Controllables™

Request Your Free Taxes First, Then Math™ Analysis

Click the button below to start the process. Use the form to upload all of your investment statements. We will then be in touch with your Taxes First, Then Math Analysis.



LEAD CAPTURE

Upload Investment Statements

Campaign Schedule

Email 1	4/19 (link)
Newsletter	4/28 (link)
n/a	

MONTHLY CAMPAIGNS

Campaign Overview

April's campaign will be abbreviated due to the demands of the end of tax season. This campaign consists of an email and the newsletter to request an appointment with the client to see if a *Taxes First, Then Math Analysis* (FTMA) could be of help. The overarching message being communicated in this campaign is that a prudent person is concerned about taxes — and tax saving — all year round.

I: The Call to Action

This campaign's call to action (CTA) requests clients to make an appointment to see if a FTMA can reduce the client's tax bill for next year. The appointment link will go to the FOD's appointment solution.

Link-click notifications **will not** be used in this campaign. If a FOD receives an appointment or interest from a client, they should inform their Partner as soon as possible.

If you have any questions, please contact **Zach Trimble** (marketing questions) or **Jill Jaglowski** (operational or general questions).

Links to the campaign emails:

Email 1 (4/19)	Newsletter (4/28)
----------------	-------------------

"Successful investing is about managing risk, not avoiding it."

Benjamin Graham



Make a free appointment today

As a tax—planning expert and Family Office Director, I can help protect and grow your wealth.



Tax Strategies

Highly appreciated assets
Business structuring for tax mitigation
Asset location for tax optimization
Tax loss harvesting

Retirement Planning

Risk alignment
Liquidity alignment
Social Security withdrawals
Sequencing of withdrawals optimization

Wealth Management

Cost containment
Concentration avoidance
Risk aligned asset allocation
Control the Controllables™

Risk Mitigation

Income stabilization
Asset protection
Longevity security
Legacy & estate planning



John Calhoun, CPA, CGMA
Family Office Director

Call for appointment
727-698-2598

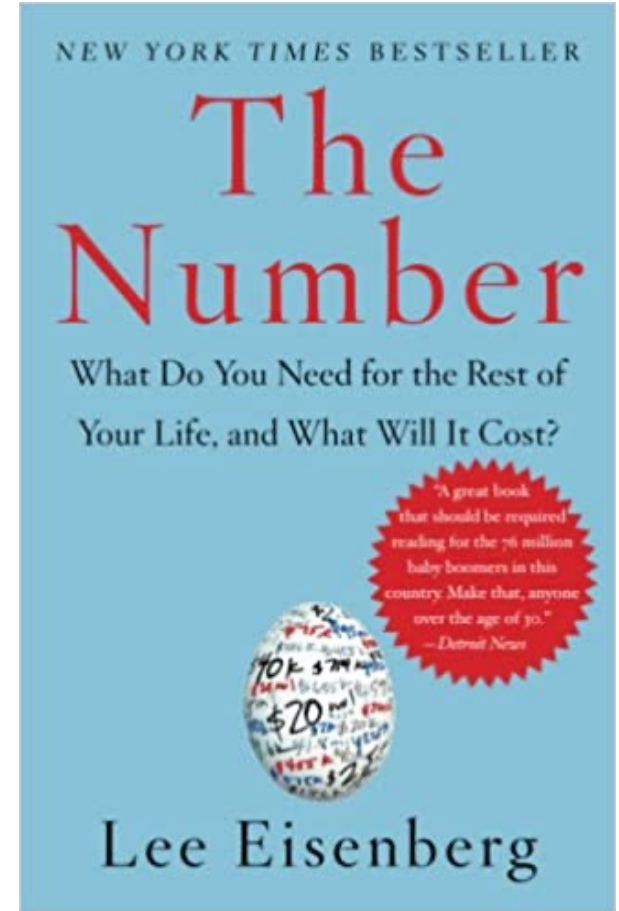
John A. Calhoun CPA LLC | PO Box 40826, St. Petersburg, FL 33713-0826 | <https://www.johnahcalhouncpa.com>
©2023 John A. Calhoun CPA LLC. All rights reserved. High financial services provided by John A. Calhoun CPA, Director of CPA.
Registered Investment Advisor (RIA) Family Office Services does not provide tax or legal advice and is not a certified public accountant.

ADS



Relationship Question

“How much do you need to secure the rest of your life?”





Relationship Questions cont.





Lifelong Relationship

$$\text{Income} - \text{Spending} = \text{Savings}$$



How Long? How Fast?





Keys to Year-Round Income





coffee break





Best Practices: Prescribing and Filling

Day One | 10:45 am | 45 minutes

Ed Lyon



INTRODUCING
intuit
Tax Advisor





Choose Your Pricing Strategy

Low

H&M



Walmart
Save money. Live better.

\$

Premium



Gillette

\$

Luxury



LV
LOUIS VUITTON

ROLEX

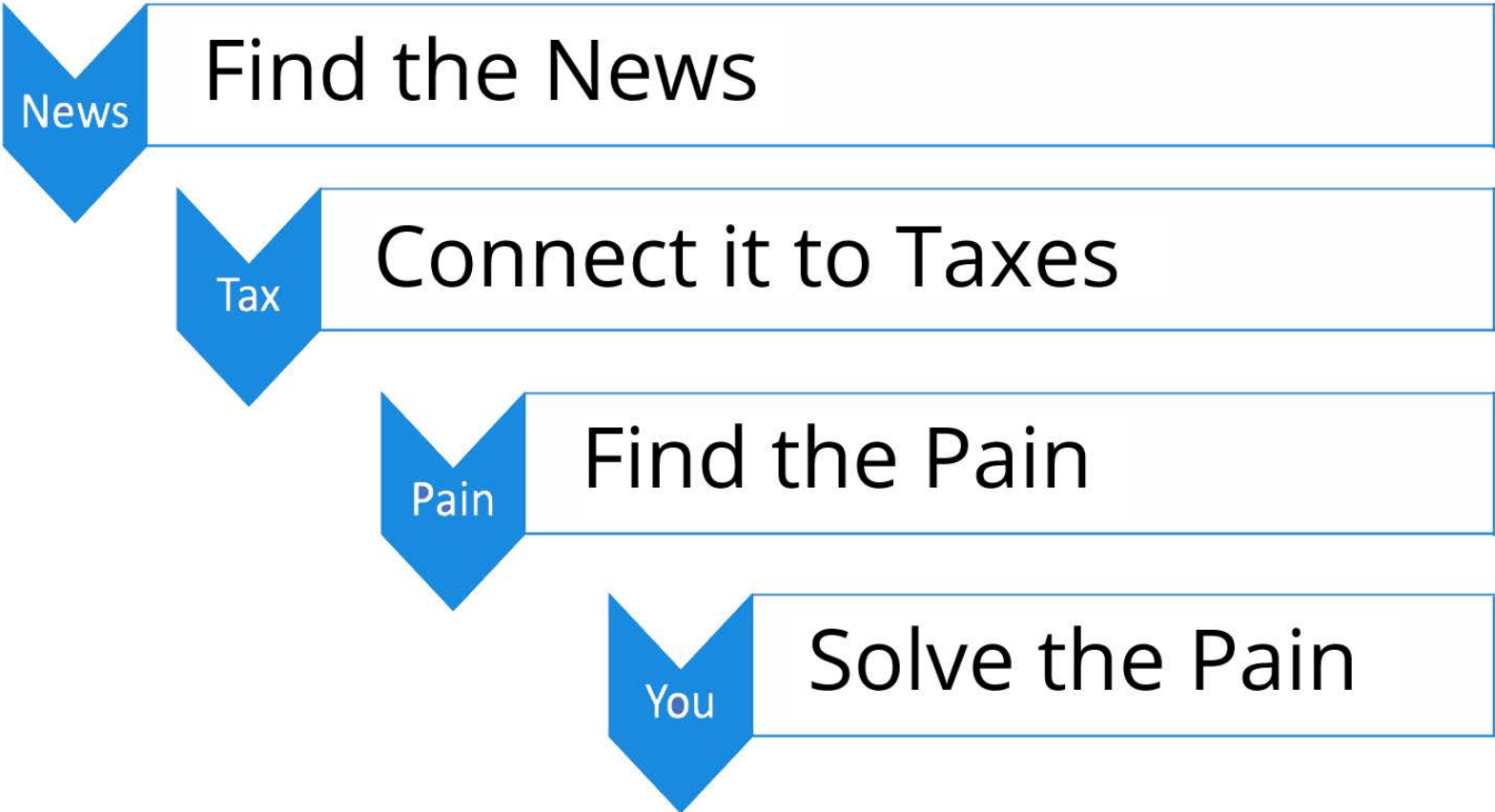
\$



A graphic for breaking news featuring a dark blue background with a faint world map. On the left, there are several concentric, glowing blue circles. A bright blue horizontal light streak cuts across the center. The text 'BREAKING NEWS' is prominently displayed in the center, with 'BREAKING' in white on a dark blue rectangular background and 'NEWS' in large, bold red letters on a white rectangular background.

BREAKING

NEWS









**Internal
Revenue
Service
Building**

UNITED STATES



The client's family:

Add Person

Edit Person

Delete

1. Taxpayer, Barney Beeper, b. 1981
2. Spouse, Mrs Beeper, b. 1982
3. Child, Primo Beeper, b. 2010
4. Child, Segundo Beeper, b. 2011
5. Child, Trey Beeper, b. 2014

Filing status:

- Single
- Head Of Household
- Married Filing Jointly
- Married Filing Separately

Client's primary home:

- Rent
- Own

\$ Zillow® estimated rental value/mo.

Own a second home

Client's lifestyle:

- Plan to marry (within 12 months)
- Saving for college
- Paying college tuition

\$ Health insurance monthly premium

\$ Monthly out-of-pocket medical expenses

Current income and tax:

\$ AGI

\$ Taxable Income

\$ Alt. Min. Tax paid

\$ Self-Empl. Tax paid

\$ SE Tax paid (Spouse)

This information is used to estimate potential tax savings from implementing these strategies. If no income or tax information is available, no specific savings estimates will be possible.

Tax Architect® Data Entry



1 Elect to be Taxed as an S-Corporation

\$8,140

- Recurring
- One-Time
- Future
- Exclude

Tax Strategy Detail Tab: module not selected

- Split business income into salary (subject to FICA) and net income (not subject to FICA, and eligible for Qualified Business Income deduction)
- Limits employment taxes to first \$120,000 of income
- Lowers audit risk

Proposed salary:

[Update](#)

This is a core strategy for most small businesses. The value here ▾

2 Restructure Compensation

Discuss

- Recurring
- One-Time
- Future
- Exclude

Tax Strategy Detail Tab: module not selected

- Eliminates employment tax on difference between current salary of \$0 and proposed salary of \$0
- IRS rules still require salary to be "reasonable compensation" for the work performed

Current stated salary:

Proposed new salary:

Spouse current salary:

Spouse proposed salary:

[Update](#)

Many of your clients will already have an S Corporation; however, ▾

3 Form Management Company to Retain Earnings

Discuss

- Recurring
- One-Time
- Future
- Exclude

Tax Strategy Detail Tab: module not selected

- Shift income to a C corp where it will be taxed at the 21% corporate federal rate
- Save the difference between the corporate rate and your personal marginal rate

Retained Earnings:

State corp tax rate:

Tax Architect™ Modules:

[Your Business: Tax Strategies for S Corporations](#)

Technical Training:

[S Corporation](#)

[Reasonable Compensation](#)

[Fleischer Rule](#)

Vendor Recommendation:

We recommend using [RC Reports](#) to analyze and justify reasonable compensation decisions.

Tax Architect™ Modules:

[Your Business: Tax Strategies for S Corporations](#)

Technical Training:

[S Corporation](#)

[Reasonable Compensation](#)

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Tax Architect™ Modules:

[Your Business: Tax Strategies for C Corporations](#)

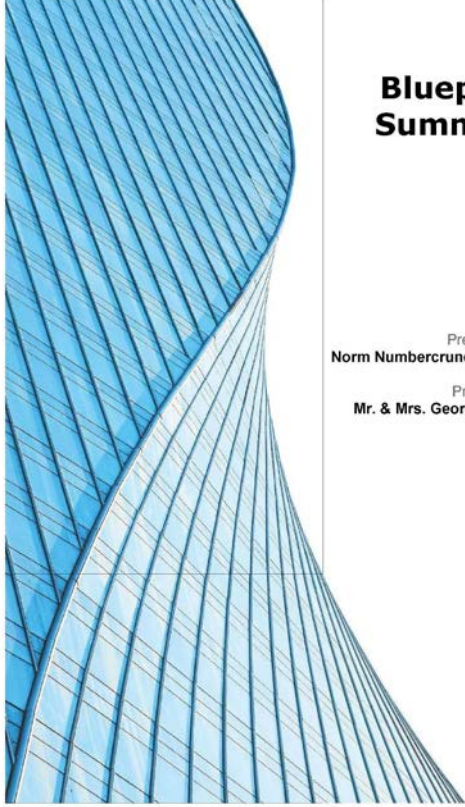
Technical Training:

[C Corporation](#)

Tax Architect® Process



Tax Architect[®] Deliverables



Tax Blueprint Summary

Presented by
Norm Numbercruncher, CPA

Prepared for
Mr. & Mrs. George Jetson

5/3/2022

Page 1 of 5

Tax Blueprint Delivery Agreement

Your signature below ("Client") acknowledges delivery of your Tax Blueprint. The Planner Numbercruncher will provide all tax forms or documents that are required to implement the strategy or strategy components that are described in the Tax Blueprint. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint.

Client: _____ Check Signature: _____
George Jetson

Planner: _____ Planner Signature: _____
Norm Numbercruncher, CPA

Norm Numbercruncher, CPA
5000 Lakeside Drive, Suite 100
Dallas, TX 75244
214.343.1234

Page 2 of 5

DESIGN: Tax Blueprint

This is an overview of the general tax and financial strategies from the data we received. The actual implementation of the strategy will require the assistance of the relevant professionals, such as attorneys, and accountants. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint. The Planner Numbercruncher will not be responsible for the accuracy of the information provided in the Tax Blueprint.

Edward A. Lynn, III, CPA
The Planner Network, LLC
5000 Lakeside Drive, Suite 100
Dallas, TX 75244
214.343.1234

Page 3 of 5

Savings Summary

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="font-size: x-small;">Tax Savings Goal:</td> <td style="text-align: right;">\$20,000</td> </tr> <tr> <td style="font-size: x-small;">Annual Savings Potential:</td> <td style="text-align: right;">\$17,136</td> </tr> <tr> <td style="font-size: x-small;">• One-Time Savings Potential:</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="font-size: x-small;">• Total First Year Savings:</td> <td style="text-align: right;">\$17,136</td> </tr> <tr> <td style="font-size: x-small;">Future Additional Savings Potential:</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td style="font-size: x-small;">Planning Fee:</td> <td style="text-align: right;">\$2,500</td> </tr> <tr> <td style="font-size: x-small;">First Year ROI:</td> <td style="text-align: right;">566.48%</td> </tr> <tr> <td style="font-size: x-small;">5-Year ROI:</td> <td style="text-align: right;">3207.26%</td> </tr> </table>	Tax Savings Goal:	\$20,000	Annual Savings Potential:	\$17,136	• One-Time Savings Potential:	\$0	• Total First Year Savings:	\$17,136	Future Additional Savings Potential:	\$0	Planning Fee:	\$2,500	First Year ROI:	566.48%	5-Year ROI:	3207.26%
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Future Additional Savings Potential:	\$0															
Planning Fee:	\$2,500															
First Year ROI:	566.48%															
5-Year ROI:	3207.26%															

"Annual savings potential" represents the one-year total of recurring savings from strategies that repeat annually. It does not represent the total savings from one-time strategies. "One-time savings potential" represents the one-time savings from one-time strategies. "Future additional savings potential" represents the future savings from one-time strategies. "Total" represents the total savings from one-time strategies. "5-Year ROI" represents the return on investment over a 5-year period. "5-Year ROI" represents the return on investment over a 5-year period.

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Page 4 of 5

Recurring Strategies: \$17,136

- 1 Elect to be Taxed as an S-Corporation \$13,500**

Tax Strategy Detail: \$0 - makes no selection

 - S-Corp business income and salary (subject to FICA) and net income (not subject to FICA) and eligible for Qualified Business Income deduction
 - Limits employment taxes to first \$60,000 of income
 - Limits each risk
- 2 Hire your Dependents to Work in your Business \$604**

Tax Strategy Detail: \$0 - makes no selection

 - Dependents can earn up to the standard deduction amount (\$13,500)
 - No FICA on wages and only no taxes
 - Most can only be established in a 501(c)(3), 529 plan, or custodial account
 - No FICA for child under 18, if business is unincorporated and parents own 100%
 - Savings based on \$13,000 paid in total salary
- 3 14 Day Home Rental \$3,034**

Tax Strategy Detail: \$0 - makes no selection

 - 14C Section 280A(c) lets you rent your residence to your business
 - No FICA, no FICA on 14C rental
 - No FICA, no FICA on 14C rental
 - No FICA, no FICA on 14C rental
 - No FICA, no FICA on 14C rental
 - Can only be implemented under partnerships, S-Corps, or C-Corps
 - Savings based on 14C rental value of per day of \$200

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Savings Summary

Tax Guarantee	\$20,000
Annual Savings Potential:	\$116,198
+ One-Time Savings Potential:	\$90,543
= Total First-Year Savings:	<u>\$206,741</u>
Future Add'l Savings Potential:	\$0
Planning Fee:	\$10,000
First-Year ROI:	<u>1967.41%</u>
5-Year ROI:	6615.35%
Current Tax Bracket:	37%
New Bracket:	24%

Tax Architect® Payoff/ROI

** From an actual Tax Blueprint®*





Savings Summary

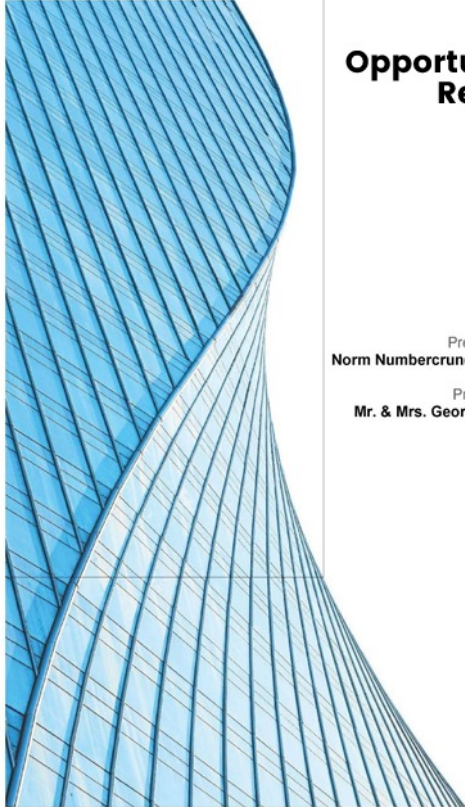
Tax Guarantee	\$20,000
Annual Savings Potential:	\$116,198
+ One-Time Savings Potential:	\$90,543
= Total First-Year Savings:	<u>\$206,741</u>
Future Add'l Savings Potential:	\$0
Planning Fee:	\$10,000
First-Year ROI:	<u>1967.41%</u>
5-Year ROI:	6615.35%
Current Tax Bracket:	37%
New Bracket:	24%

Tax Architect® Payoff/ROI

** From an actual Tax Blueprint®*



Opportunity Report



Opportunity Report

Presented by
Norm Numbercruncher, CPA

Prepared for
Mr. & Mrs. George Jetson

5/3/2022

Opportunity Report

Tax Strategy Detail Tab, p. 18

Tax Strategies for College Savings

Accounting Tab	Yes
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or ongoing AUM fees for college savings)
Investment	Yes (100% implementation fee or full commission to insure against market risk)

Charitable Lead Trusts for Major Debuctions

Tax Strategy Detail Tab, p. 18

Charitable Lead Trusts for Major Debuctions

Accounting Tab	Yes (eligible to elect a gift splitting option)
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or ongoing AUM fees for management)
Investment	Yes (100% implementation fee or full commission to insure against market risk)

Consider a Donor-Advised Fund

Tax Strategy Detail Tab, p. 18

Consider a Donor-Advised Fund

Accounting Tab	Yes
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or ongoing AUM fees for management)
Investment	Yes

Consider a Private Foundation for Major Gifts

Tax Strategy Detail Tab, p. 18

Consider a Private Foundation for Major Gifts

Accounting Tab	Yes (to form bill to report foundation activity)
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or ongoing AUM fees for management)
Investment	Yes (100% implementation fee or full commission to insure against market risk)

Opportunity Report

Tax Strategy Detail Tab, p. 19

Charitable Gifts for Roth IRA Conversions

Accounting Tab	Yes
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or ongoing AUM fees for management)
Investment	Yes

Tax Strategies for Partnerships

Tax Strategy Detail Tab, p. 19

Tax Strategies for Partnerships

Accounting Tab	Accounting & fee paid for new entity
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or full commission to insure against market risk)
Investment	Yes

Tax Strategies for S Corporations

Tax Strategy Detail Tab, p. 19

Tax Strategies for S Corporations

Accounting Tab	Accounting & fee paid for new entity
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or full commission to insure against market risk)
Investment	Yes

Tax Strategies for C Corporations

Tax Strategy Detail Tab, p. 19

Tax Strategies for C Corporations

Accounting Tab	Accounting & fee paid for new entity
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or full commission to insure against market risk)
Investment	Yes

Opportunity Report

Tax Strategy Detail Tab, p. 20

How Your Family

Accounting Tab	Yes
Transfer Method	Yes (to pay for children)
Asset Management	Yes (100% implementation fee or AUM fees for investment)
Investment	Yes

Consider a SIMPLE IRA

Tax Strategy Detail Tab, p. 20

Consider a SIMPLE IRA

Accounting Tab	Yes
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or AUM fees for account balances)
Investment	Yes

Consider a Simplified Employee Pension (SEP)

Tax Strategy Detail Tab, p. 20

Consider a Simplified Employee Pension (SEP)

Accounting Tab	Yes
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or AUM fees for account balances)
Investment	Yes

Consider a 401(k) Plan

Tax Strategy Detail Tab, p. 20

Consider a 401(k) Plan

Accounting Tab	Yes
Transfer Method	Yes
Asset Management	Yes (100% implementation fee or AUM fees for account balances)
Investment	Yes (100% implementation fee for investment growth made upon rollover)

Opportunity Report

Tax Strategy Detail Tab, p. 21

How to Use This Guide

This report is designed to provide you with the information you need to make informed decisions about your tax strategy. It is not intended to provide tax advice. The information in this report is for general informational purposes only. It is not intended to be used as a substitute for professional tax advice. The information in this report is based on the current tax laws and regulations as of the date of publication. The information in this report is subject to change without notice. The information in this report is not intended to be used as a substitute for professional tax advice. The information in this report is based on the current tax laws and regulations as of the date of publication. The information in this report is subject to change without notice.

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"Taxes First, Then Math" Analysis

Preview

Proposal
Meeting

**Taxes First,
Then Math[™]
Analysis**

Presented by
John Pollock

Prepared for
John Smith

4/1/2022

**Financial
Gravity**

Investment Information

Total Value \$1,190,656 Uninvested Cash \$0

COSTS	TAXES												
Current Weighted Average Annual Cost of Investments 1.72% <small>You own mutual funds. Typically ETFs or directly owned stocks are less expensive and more tax efficient.</small>	Current Tax Planning <table border="0"><tr><td></td><td>Yes</td><td>No</td></tr><tr><td>Tax lot harvesting</td><td><input type="radio"/></td><td><input type="radio"/></td></tr><tr><td>Asset location optimization</td><td><input type="radio"/></td><td><input checked="" type="radio"/></td></tr><tr><td>No mutual funds in taxable accounts</td><td><input type="radio"/></td><td><input checked="" type="radio"/></td></tr></table>		Yes	No	Tax lot harvesting	<input type="radio"/>	<input type="radio"/>	Asset location optimization	<input type="radio"/>	<input checked="" type="radio"/>	No mutual funds in taxable accounts	<input type="radio"/>	<input checked="" type="radio"/>
	Yes	No											
Tax lot harvesting	<input type="radio"/>	<input type="radio"/>											
Asset location optimization	<input type="radio"/>	<input checked="" type="radio"/>											
No mutual funds in taxable accounts	<input type="radio"/>	<input checked="" type="radio"/>											
Current Asset Allocation Stocks 67.53% Fixed Income 27.81% Fixed Index Annuity 0.00% Cash in Investments 2.81% Other 1.85% Concentration Issues Yes	Current Alignment Your Real Risk Score Risk Meter Current Portfolio Risk Score (if diversified) 37.15%												
DIVERSIFICATION	ALIGNMENT												

Typical Tax Savings

Estimate Worksheet

Target Tax Blueprint Savings: _____

Target Investment Cost Savings: _____

Target Investment Tax Savings: _____

Target Investment Diversification / Alignment Savings: _____

Yearly Savings Total: _____

John Pollock
123-456-7890
john.pollock@financialgravity.com

**Financial
Gravity**

Fill the Prescription!



- Accounting/Tax Prep
- Business Consulting
- Business Entities
- Employee Benefits
- Business SPVs
- Charitable Giving
- Insurance/Annuities
- Assets Under Management



Sponsor:
CLC Services
(Captive)

Day One | 11:30 am | 45 minutes



Enterprise Risk Management via a Captive Insurance Company

Prepared by: Sean G. King, JD, CPA, MAcc
Bryan D. Ridgway, ACI

Presented by: J. Randy Sadler & Ram Patel

Disclosures

CIC Services, LLC hereby expressly authorizes each person to whom these materials are given by CIC Services, LLC or its affiliates or authorized agents (and each employee, representative or other agent of such person) to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction described herein, or effected hereby, and all materials of any kind (including all opinions or other tax analyses) that are provided to such person related to such tax treatment and tax structure. In the case of a document which is a contract or agreement, the persons authorized to make such disclosure include all parties thereto.

Neither CIC Services, LLC nor any person who provided this material to you render legal, insurance regulatory or tax advice. Your advisors should be consulted for their interpretations of legal, insurance regulatory or tax considerations. Any projections provided reflect current conditions and will likely change in the future. Any illustrations provided are an illustration of values and benefits only and is not to be construed as a contract. To the extent that insurance products are illustrated, this proposal is invalid without the illustration of contract values and the accompanying supplemental footnote pages. To the extent that investment products are illustrated a

All information, numbers and calculations in this document are for conceptual and illustrative purposes only and are not intended to reflect the potential results for any particular client and should not be used for this purpose.

No transaction should ever be completed simply or even primarily to achieve tax savings. The IRS may deny deductions for transactions that are motivated primarily by tax considerations and may conclude that a captive formed primarily for tax purposes is illegitimate. Captives should only be implemented by those business owners who are primarily motivated by risk management and asset protection concerns, and the non-tax reasons for the captive should be sufficiently documented.

In 2016 via IRS Notice 2016-66 the IRS designated certain types of captive insurance transactions as “transactions of interest” necessitating the affirmative disclosure to the IRS by taxpayers of certain information regarding such transactions. Consult your independent tax advisor to determine the applicability and significance of Notice 2016-66 to any captive insurance transaction in which you have engaged or may ultimately engage.

About CIC Services, LLC

CIC Services, LLC is a risk management and consulting firm, specializing in the formation and operation of captive insurance companies for our clients nationwide. As an independent captive insurance manager, CICS provides unparalleled solutions to mid-market businesses in all industry sectors. CICS has been helping businesses setup and own their own insurance companies for nearly two decades, and currently manages nearly 150 insurance companies from our headquarters in Knoxville, TN.

CICS takes pride in our ability to simplify the unique complexities of insurance company operations and present them in “plain English”. By lifting the veil on the insurance industry, CICS enables our clients to enhance their overall risk management profiles while sharing in the insurance profits in a manner which has been previously exclusive to the Fortune 500.

Principals of CICS serve on numerous industry-wide committees, including those sponsored by the Self Insurance Institute of America and the Captive Insurance Companies Association.



About CIC Services, LLC (Cont'd)

Making Headlines



Forbes

Supreme Court Hands Victory To Tax Advisors—And Loss To IRS—In CIC Services Case

Posted on May 17, 2021

BUSINESS INSURANCE

Supreme Court reverses captive ruling

Posted on May 17, 2021

accountingTODAY

IRS loses Supreme Court case involving microcaptives

Posted on May 19, 2021

THE
NATIONAL LAW REVIEW

District Court Vacates, Sets Aside IRS Reportable Transaction Notice

Posted on March 23, 2022

yahoo!

Judge Vacates Illegal Notice 2016-66 in
CIC Services, LLC v. IRS

Posted on March 28, 2022

About CIC Services, LLC (Cont'd)

Award Winning Captive Manager



Randy Sadler

Principal



Randy has been a Principal with CIC Services since 2012. He has been a Sales and Marketing professional since 2007, when he joined Procter & Gamble's Brand Management Group. His career transitions have taken him from P&G to Pfizer Pharmaceuticals to the Ellison Group to Jewelry Television. He now leads Business Development for CIC Services, LLC.

Randy has an entrepreneurial bent and is active in investment real estate. He is an Owner and Principal in Woodlands Management, LLC. His partnerships manage over 400 residential properties. Randy received his Bachelor of Science degree from the United States Military Academy in 1992. He served as a Tank Commander in the U.S. Army from 1992 to 1997.

Randy resides in Knoxville, TN with his lovely bride of 29 years, Shannon. They have five children. Randy and Shannon helped found Paideia Academy, a Classical Christian School in Knoxville that is entering its 19th year with over 250 students. Randy still serves as School Board President.



What Is A Captive Insurance Company?

Captive Insurance Company

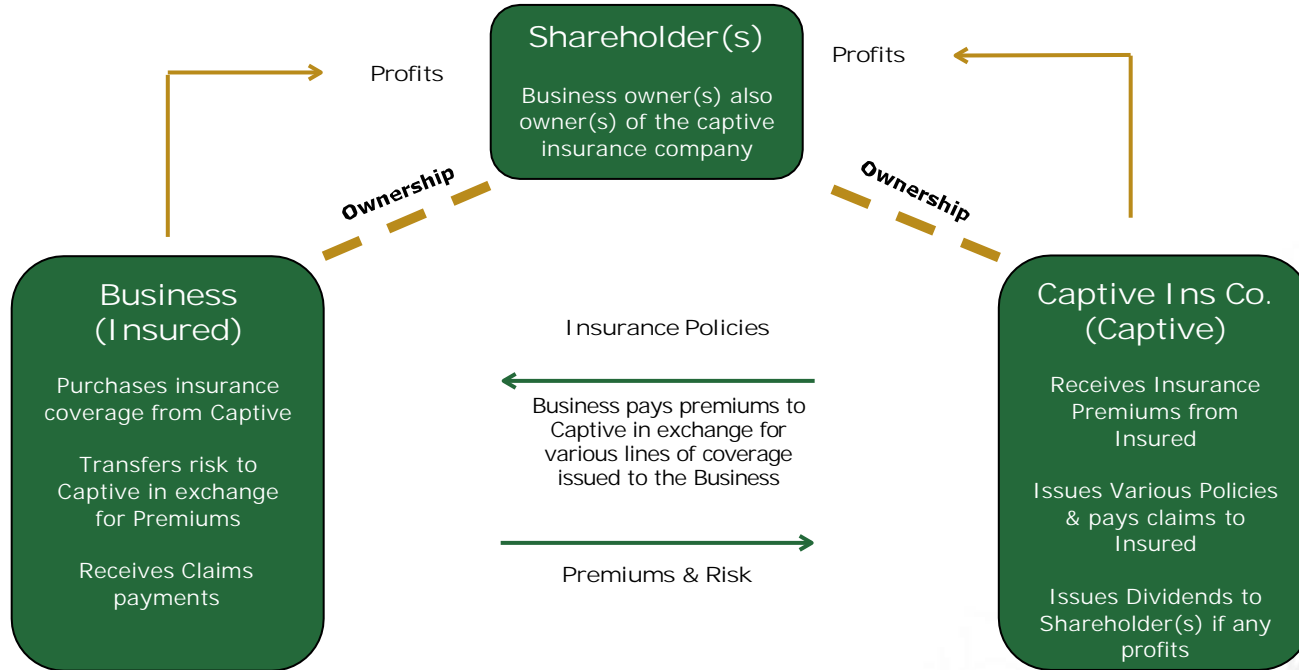
Definition:

- **Captive Insurance Company (Captive):** a real insurance company (with policies, policyholders, claims, reserves and surplus), licensed in an appropriate jurisdiction, formed to insure the risks of its owners and sometimes third parties.
- **Captives** are generally owned by the same economic interest as the primary company(ies) they insure, resulting in the capture of all underwriting profits by the business owner(s).
- **Captives** have been around since the 1950s and insure businesses in virtually every industry and sector of the market.

What Do Captive Insurance Companies Do?

- Replace Commercial Insurance
- Insure Enterprise Risks
- Insure Warranties
- Issue Performance Bonds
- Insure Employee Benefits / Healthcare
- Any Combination of the Above

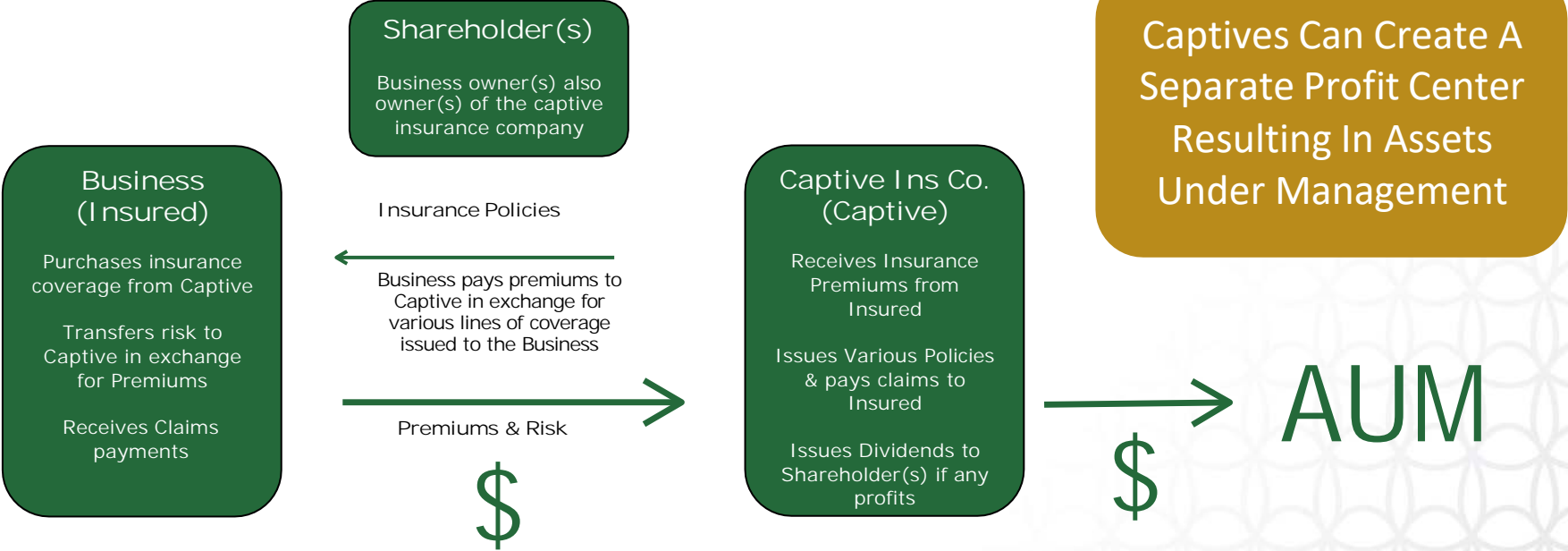
Captive Example Structure



Captive Flow Of Funds = AUM



Example Captive Insurance Structure



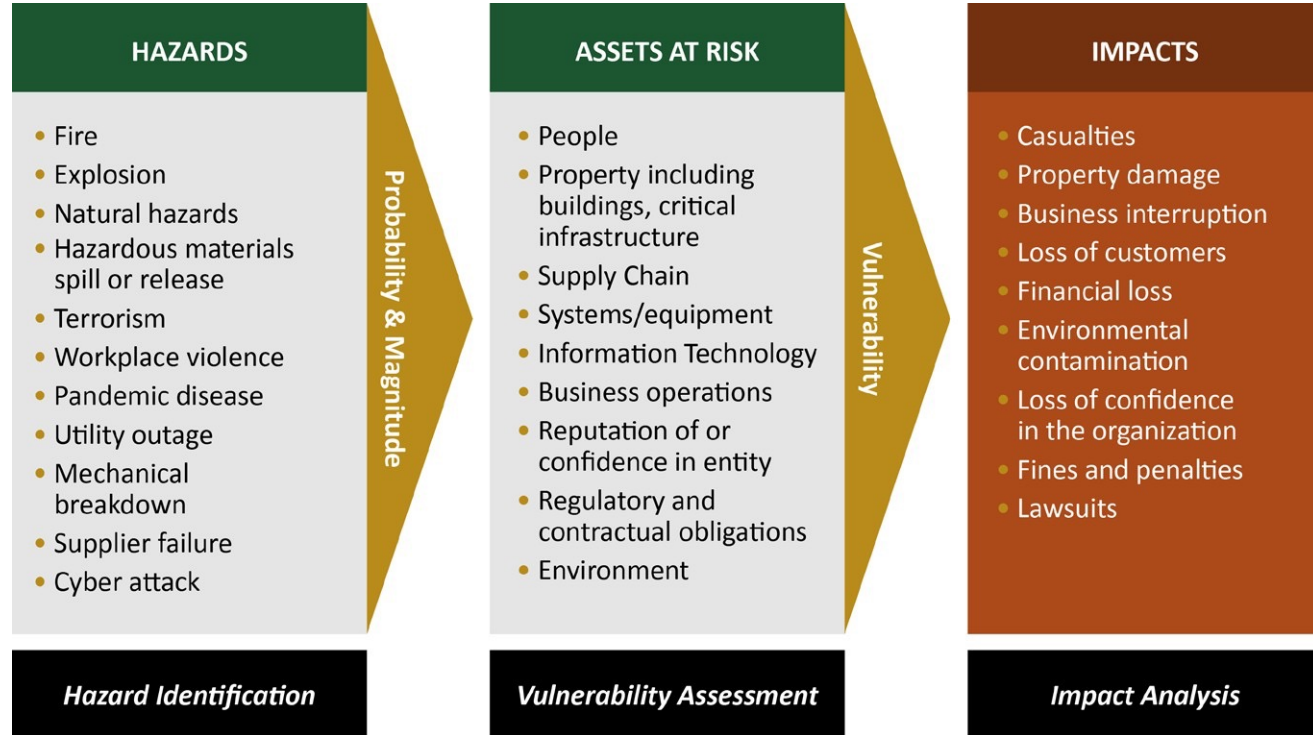


Why Do Enterprise Risk Management?

Why ERM?

Even the U.S. Government encourages small and mid-size businesses to prepare for a wide range of threats.

(Chart from [Ready.Gov](#) landing page for businesses as of March 2015).



Enterprise Risks

Commonly Un/Under-Insured Risks

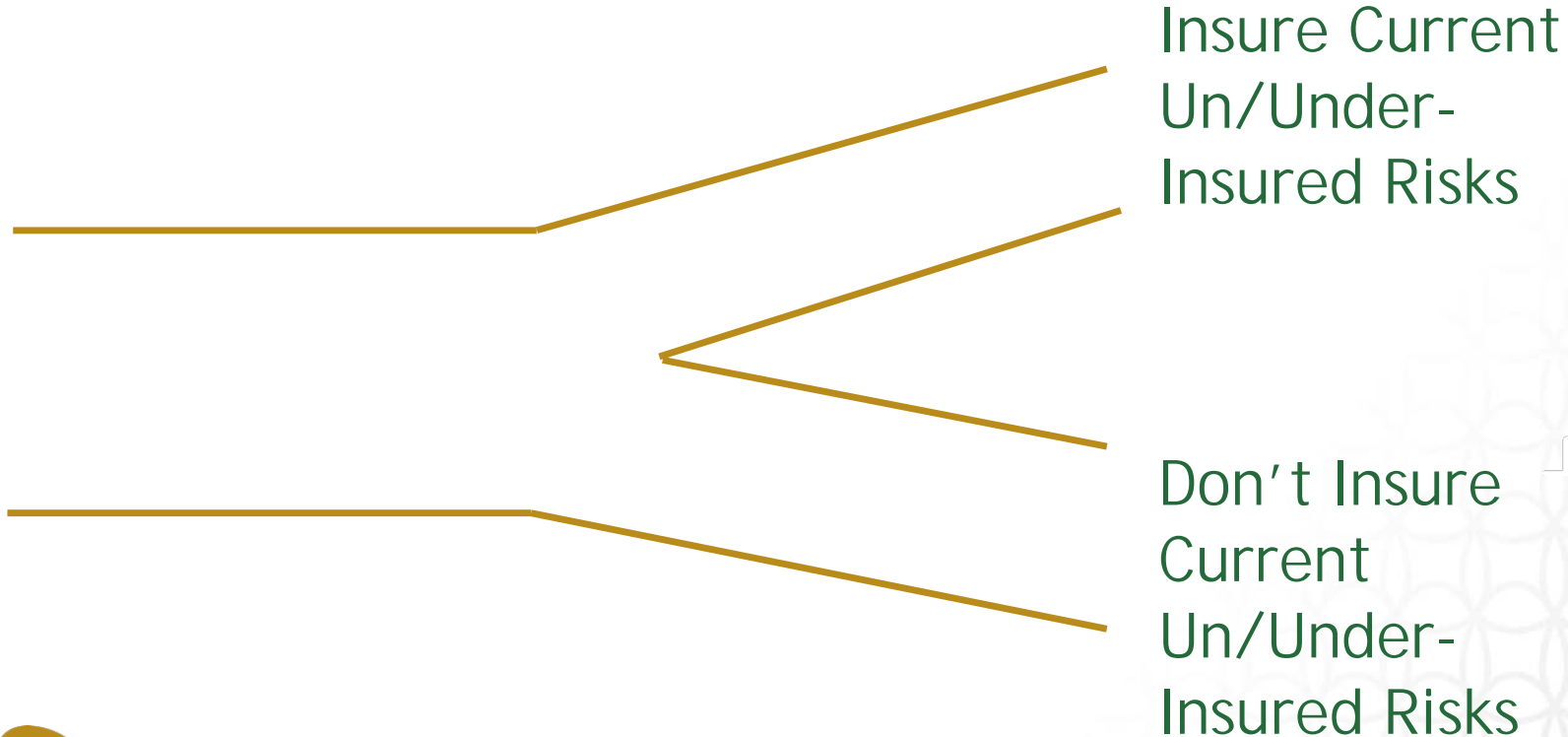
Strategic Risk *(examples of available coverage)*

- Business Interruption Kidnap, Ransom & Extortion
- Key Contract Termination of Franchise
- Entrance by Competitors Business Risk Indemnity
- Loss of Key Customer
- Subcontractor Default
- Loss of Key Employee
- Loss
- Terrorism

Operational Risk *(examples of available coverage)*

- Administrative Actions
- Employment Practices Reputational Damages
- Litigation Defense Expense Liability
- Receivables Expenses
- Commercial Crime
- Cyber Risk
- Product
- Legal
- Errors &
- Supply Chain Interruption
- Regulatory & Legislative Changes
- Broadform Property
- Pandemic Disease

Businesses Face A Fork In the Road



The Conundrum

If A Business Does Not Have Claims On Its Commercial Insurance Policies, The Premiums Were A:

Sunk Cost



Solving The Conundrum

If A Business Does Not Have Claims On Its
Captive Insurance Policies, The Premiums Are A:

Sunk Profit



ERM Enhances Long Term Viability

Which Business is better suited to survive the uncertainties of today's business environment?

BUSINESS 1	BUSINESS 2
Reserves: \$6.3 Million ¹	Reserves: \$10.9 Million ¹
Insurance Policies:	Insurance Policies:
<ul style="list-style-type: none">• Auto Liability• Employment Practices Liability• Property & General Liability• Umbrella Liability• Worker's Compensation	<ul style="list-style-type: none">• Auto Liability• Employment Practices Liability• Property & General Liability• Umbrella Liability• Worker's Compensation• Administrative Actions• Business Risk Indemnity• Commercial Crime• Cyber Liability• Directors & Officers• Litigation Defense Expense• Accounts Receivable• Loss of Key Customer• Loss of Key Supplier• Reputational Damages• Special Catastrophic Risk

¹10-Year projection, based on \$1 million per year risk management budget and operation of a legitimate insurance company.

Claims Paying Ability/Loss Reserves

Program Years 1 through 10

SUMMARY		STATUS QUO (NO CAPTIVE)					CAPTIVE					CAPTIVE & HEDGING				
Name:	Business	Company:	Sample Company	Fed & State		Captive Type:	Pure Captive	Inv. Inc.		Hedging %:	45.0	Inv. Inc. Taxes:	21.0			
Age Used:	45	Premium	Tax	42.90%		Expenses	North	Taxes:		Portfolio	0%	Dividend Taxes:	0%			
First Year:	2022	s: Loss	\$1,000,000	Dividend		: Loss	Carolina	21.00%		%: Loss	55.0	Inv. Inc. Rate:	24.8			
Plan Year	Age	Ratio:	Taxes:	24.80%		Ratio:	5.00%	Dividend		Ratio:	0%		0%			
		Rate:	5.00%	Inv. Inc.				Taxes:			5.0		6.0			
		Rate:		6.00%				24.80%			0%		0%			
		Profit + Inv. Earnings Before Tax	Uninsured Losses Paid	After Tax Earnings	Distributions	Cumulative After Tax Earnings		Inv. Inc. Rate:		Captive Premium + Inv. Income	Claims + Expenses Paid	After Tax Earnings	After Tax Withdrawals	Cumulative After Tax Earnings		
1	45	\$1,000,000	(\$50,000)	\$542,450	\$0	\$542,450		6.00%		\$930,579	(\$120,000)	\$810,579	\$0	\$810,579		
2	46					\$1,103,484				\$929,725	(\$120,000)	\$803,627	\$0	\$1,614,206		
3	47					\$1,683,740				\$957,755	(\$120,000)	\$825,269	\$0	\$2,439,475		
4	48					\$2,283,875				\$995,362	(\$120,000)	\$856,186	\$0	\$3,295,661		
5	49					\$2,904,570				\$992,528	(\$120,000)	\$846,345	\$0	\$4,142,006		
6	50					\$3,546,531				\$1,279,788	(\$120,000)	\$1,126,265	\$0	\$5,268,271		
7	51					\$4,297,186				\$1,347,727	(\$120,000)	\$1,186,517	\$0	\$6,454,788		
8	52					\$5,110,485				\$1,426,145	(\$120,000)	\$1,256,883	\$0	\$7,711,671		
9	53					\$6,000,000				\$1,454,796	(\$120,000)	\$1,277,101	\$0	\$9,088,771		
10	54					\$6,931,974				\$1,537,249	(\$120,000)	\$1,350,720	\$0	\$10,439,492		

\$6.3 Million
Accumulated
Loss Reserves

\$10.9 Million
Accumulated
Loss Reserves

\$10.3 Million
Accumulated
Loss Reserves

*Assumes operation of a legitimate insurance company for federal income tax purposes that qualifies for 831(b) tax treatment.

Long-Term Wealth/After-Tax Distributions

Owner's Ages 65-90

SUMMARY		STATUS QUO (NO CAPTIVE)					CAPTIVE					CAPTIVE & HEDGING				
Name:	Business	Company:	Sample Company	Fed & State Tax	42.90%	Captive Type:	Pure Captive	Inv. Inc. Taxes:	21.00%	Hedging %:	45.00%	Inv. Inc. Taxes:	21.00%			
Age Used:	45	Premiums:	\$1,000,000	Dividend Taxes:	24.80%	Expenses:	North Carolina	Dividend Taxes:	24.80%	Portfolio %:	55.00%	Dividend Taxes:	24.80%			
First Year:	2022	Loss Ratio:	5.00%	Inv. Inc. Rate:	6.00%	Loss Ratio:	5.00%	Inv. Inc. Rate:	6.00%	Loss Ratio:	5.00%	Inv. Inc. Rate:	6.00%			
Plan Year	Age	Profit + Inv. Earnings Before Tax	Uninsured Losses Paid	After Tax Earnings	Distributions	Cumulative After Tax Earnings	Captive Premium + Inv Income	Claims + Expenses Paid	After Tax Earnings	After Tax Dividends	Cumulative After Tax Earnings	Captive Premium + Inv Income	Claims + Expenses Paid	After Tax Earnings	After Tax Withdrawals	Cumulative After Tax Earnings
1	45	\$1,000,000	(\$50,000)	\$542,450	\$0	\$542,450	\$1,000,000	(\$120,000)	\$880,000	\$0	\$880,000	\$930,579	(\$120,000)	\$810,579	\$0	\$810,579
2	46	\$1,032,547	(\$50,000)	\$561,034	\$0	\$1,103,484	\$1,052,800	(\$120,000)	\$921,712	\$0	\$1,801,712	\$929,725	(\$120,000)	\$803,627	\$0	\$1,614,206
3	47	\$1,066,209	(\$50,000)	\$580,255	\$0	\$1,683,740	\$1,108,103	(\$120,000)	\$965,401	\$0	\$2,767,113	\$957,755	(\$120,000)	\$825,269	\$0	\$2,439,475
4	48	\$1,101,024	(\$50,000)	\$600,135	\$0	\$2,283,875	\$1,166,027	(\$120,000)	\$1,011,161	\$0	\$3,778,274	\$995,362	(\$120,000)	\$856,186	\$0	\$3,295,661
5	49	\$1,137,032	(\$50,000)	\$620,696	\$0	\$2,904,570	\$1,226,696	(\$120,000)	\$1,059,090	\$0	\$4,837,365	\$992,528	(\$120,000)	\$846,345	\$0	\$4,142,006
6	50	\$1,174,274	(\$50,000)	\$641,961	\$0	\$3,546,531	\$1,290,242	(\$120,000)	\$1,109,291	\$0	\$5,946,656	\$1,279,788	(\$120,000)	\$1,126,265	\$0	\$5,268,271
7	51	\$1,212,792	(\$50,000)	\$663,954	\$0	\$4,210,485	\$1,356,799	(\$120,000)	\$1,161,871	\$0	\$7,108,527	\$1,347,727	(\$120,000)	\$1,186,517	\$0	\$6,454,788
8	52	\$1,252,629	(\$50,000)	\$686,701	\$0	\$4,897,186	\$1,426,512	(\$120,000)	\$1,216,944	\$0	\$8,325,471	\$1,426,145	(\$120,000)	\$1,256,883	\$0	\$7,711,671
9	53	\$1,293,831	(\$50,000)	\$710,228	\$0	\$5,607,414	\$1,499,528	(\$120,000)	\$1,274,627	\$0	\$9,600,099	\$1,454,796	(\$120,000)	\$1,277,101	\$0	\$8,988,771
10	54	\$1,336,445	(\$50,000)	\$734,560	\$0	\$6,341,974	\$1,576,006	(\$120,000)	\$1,335,045	\$0	\$10,935,143	\$1,537,249	(\$120,000)	\$1,350,720	\$0	\$10,339,492
21	65	\$532,933	\$0	\$304,305	(\$521,527)	\$8,665,002	\$1,040,782	\$0	\$822,217	(\$883,255)	\$16,994,036	\$1,168,114	\$0	\$1,048,071	(\$1,188,434)	\$17,913,288
22	66	\$519,900	\$0	\$296,863	(\$521,527)	\$8,440,338	\$1,019,642	\$0	\$805,517	(\$883,255)	\$16,625,013	\$1,150,577	\$0	\$1,032,973	(\$1,188,434)	\$17,597,844
23	67	\$506,420	\$0	\$289,166	(\$521,527)	\$8,207,977	\$997,501	\$0	\$788,026	(\$883,255)	\$16,238,498	\$1,129,327	\$0	\$1,014,277	(\$1,188,434)	\$17,263,704
24	68	\$492,479	\$0	\$281,205	(\$521,527)	\$7,967,655	\$974,310	\$0	\$769,705	(\$883,255)	\$15,833,662	\$1,106,813	\$0	\$994,438	(\$1,188,434)	\$16,909,725
25	69	\$478,059	\$0	\$272,972	(\$521,527)	\$7,719,100	\$950,020	\$0	\$750,516	(\$883,255)	\$15,409,637	\$1,082,927	\$0	\$973,353	(\$1,188,434)	\$16,534,660
26	70	\$463,146	\$0	\$264,456	(\$521,527)	\$7,462,029	\$924,578	\$0	\$730,417	(\$883,255)	\$14,965,513	\$1,057,615	\$0	\$950,975	(\$1,188,434)	\$16,137,218
31	75	\$380,556	\$0	\$217,298	(\$521,527)	\$6,038,375	\$778,097	\$0	\$614,697	(\$883,255)	\$12,408,442	\$911,839	\$0	\$822,095	(\$1,188,434)	\$13,774,143
36	80	\$282,816	\$0	\$161,488	(\$521,527)	\$4,353,557	\$593,449	\$0	\$468,825	(\$883,255)	\$9,185,106	\$711,335	\$0	\$642,887	(\$1,188,434)	\$10,635,004
41	85	\$167,145	\$0	\$95,440	(\$521,527)	\$2,359,665	\$360,690	\$0	\$284,945	(\$883,255)	\$5,121,903	\$421,721	\$0	\$380,120	(\$1,188,434)	\$6,359,289
46	90	\$30,255	\$0	\$17,276	(\$521,527)	\$0	\$67,283	\$0	\$53,154	(\$883,255)	\$0	(\$12,508)	\$0	(\$20,269)	(\$1,188,434)	\$387,827
TOTALS		\$24,247,290	(\$500,000)	\$13,559,703	(\$13,559,703)		\$37,541,843	(\$1,220,000)	\$30,538,056	(\$22,964,618)		\$39,456,929	(\$1,220,000)	\$35,059,699	(\$30,899,282)	



\$522K



\$883K

\$1.2 million

*Assumes operation of a legitimate insurance company for federal income tax purposes that qualifies for 831(b) tax treatment.

Why ERM?

SURVIVAL



Stronger Business Model



Asset Protection



Improved Risk Management



Wealth Accumulation



Improved Cost Control



Advantageous Tax Treatment



Insurance Profits

ERM With A Captive Insurance Company



More Insurance



More Money



What's In It For You As A Trusted Advisor?

- Deepen Client Loyalty
- Sticky Assets Under Management
- Captive Management Fees



Taxation Of Insurance Companies



ERM & Captive Insurance Companies *(cont'd)*

Taxation of Captive Insurance Companies*:

- **Traditional Captive Insurance Companies:** Premium income is offset by reserves for losses (claims); the resulting Underwriting Profits (along with any investment earnings of the captive) are taxed at ordinary tax rates.
- **“Small” Captive Insurance Companies:** Congress adopted **section 831(b)** of the Internal Revenue Code in 1986 to strengthen US small & mid-sized business. Captives electing to be taxed under section 831(b) are taxed at a **0% rate** on underwriting profits, if premiums received are \$2.4 million or less on an annual basis. Most investment earnings are also taxed at ordinary rates.

*Assumes operation of a legitimate insurance company.





Captive & Reinsurance Structure



ERM & Captives: Reinsurance Pool

Purpose and Background:

- The **IRS and Tax Courts** have ruled that in order for a policy issued by a Captive to be treated as real insurance (and therefore allow for the deductibility of premiums paid to the Captive), there must be **Risk-Shifting** and **Risk-Distribution**.
- **Risk-Shifting** occurs when the risk of loss is transferred from the insured to the Captive, i.e., when the Captive issues policies to the insured.
- **Risk-Distribution** occurs when the Captive transfers a portion of the risk it underwrites to an unrelated party, i.e., when the Captive reinsures a portion of its risk to a Reinsurance Pool.

Risk Distribution

Related Party Risk Distribution (Rev. Ruling 2002-90)

- 12 related entities all purchasing insurance from the same Captive
 - Each insured - 5% minimum; 15% maximum of total risk insured
 - Cannot be a disregarded entity

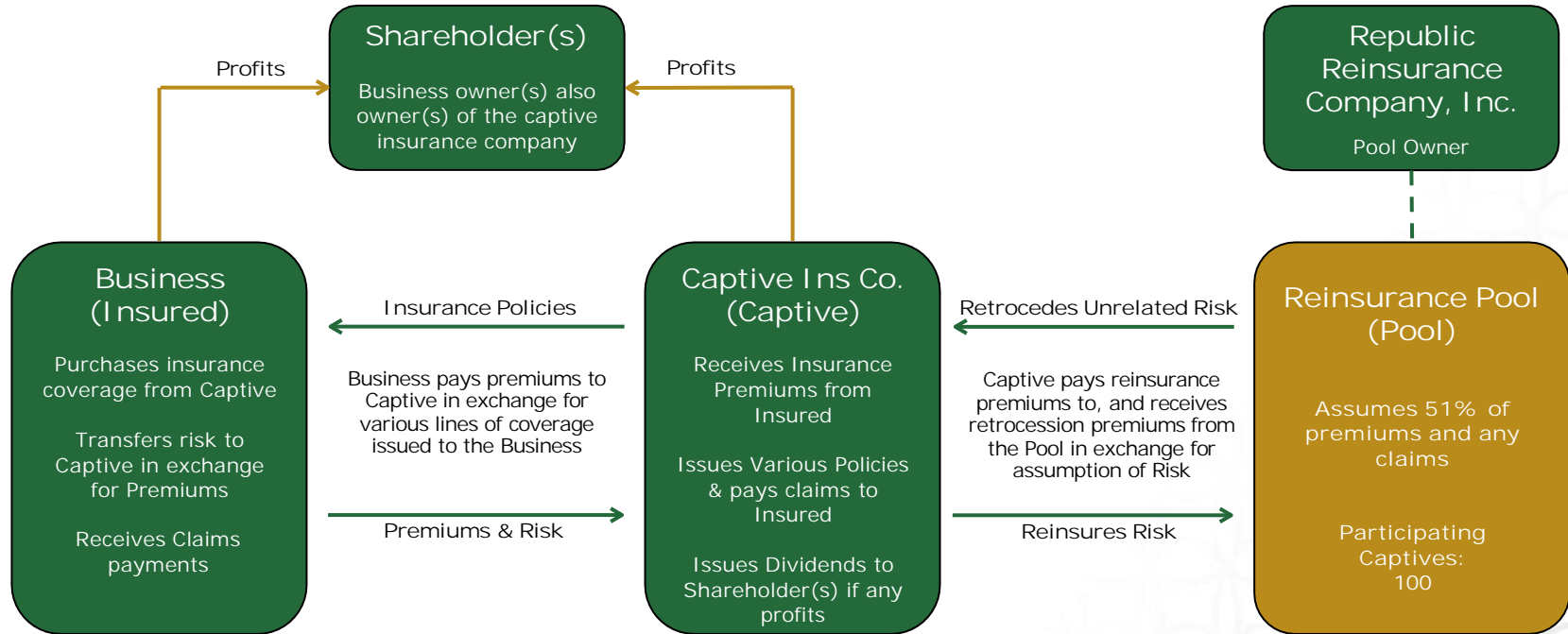
Unrelated Party Risk Distribution (Rev. Ruling 2002-89)

- Minimum 50% of premiums received by a Captive from unrelated entities
 - Typically achieved through Risk Distribution Pools (“Pools”)
 - Transfers risk from each individual Captive to the Pool through a quota share reinsurance agreement, allocating risk on a pro rata basis
 - Access to Pools typically provided by Captive Managers or Attorneys

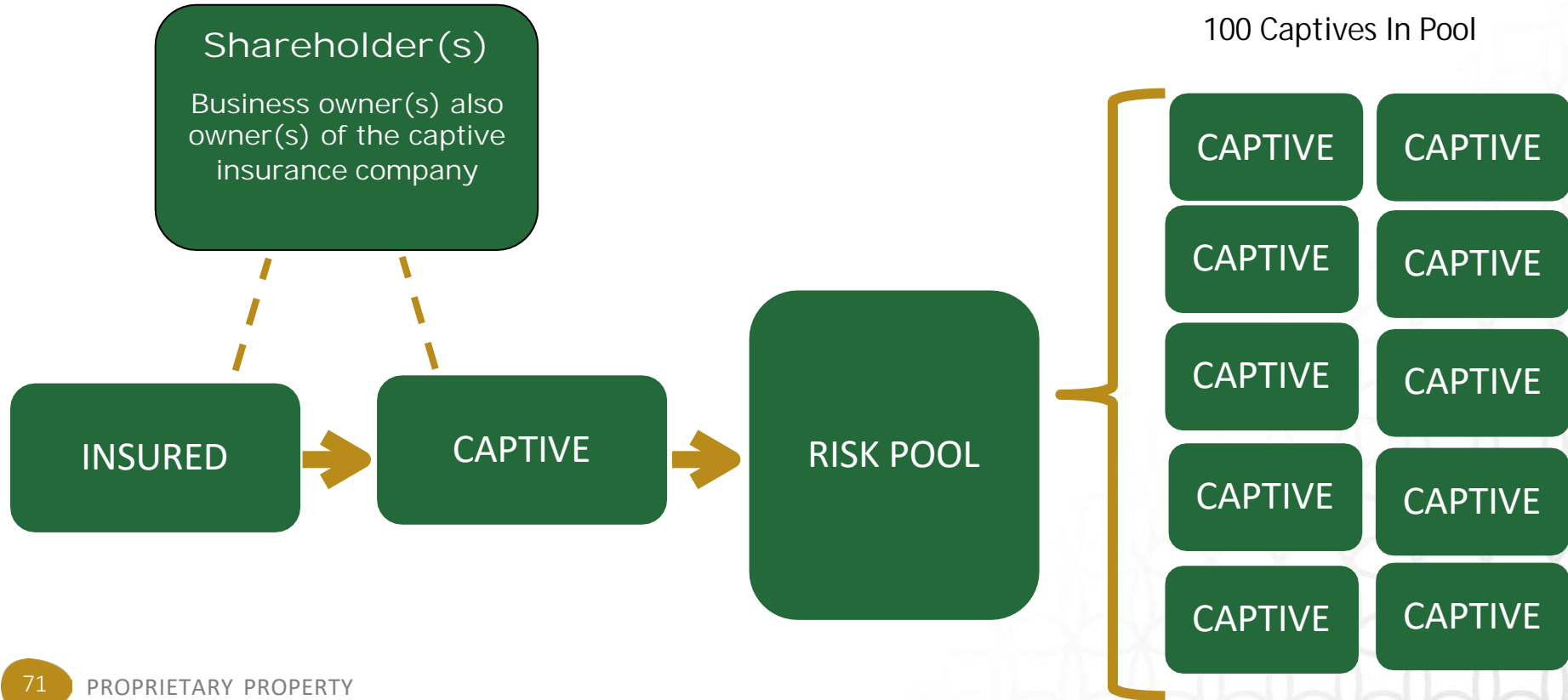
Actuarially Determined Distribution (Expected Adverse Deviation)

- The U.S. Tax Court decisions and guidance provided to date indicate that a measure of risk distribution can be actuarially determined by examining:
 - The size of the pool of statistically independent risk exposures, not the corporate structure, and
 - The reduction in the variability between expected losses and actual losses as a result of aggregating these risks

ERM & Captives: Sample Structure



Risk (Reinsurance) Pool

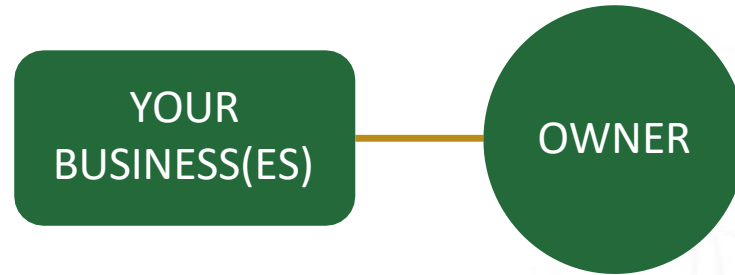


Why ERM – Example Uninsured Loss

Your Business
has a loss that is not
commercially insured



The loss is paid for out of operations,
retained earnings or the owner's savings

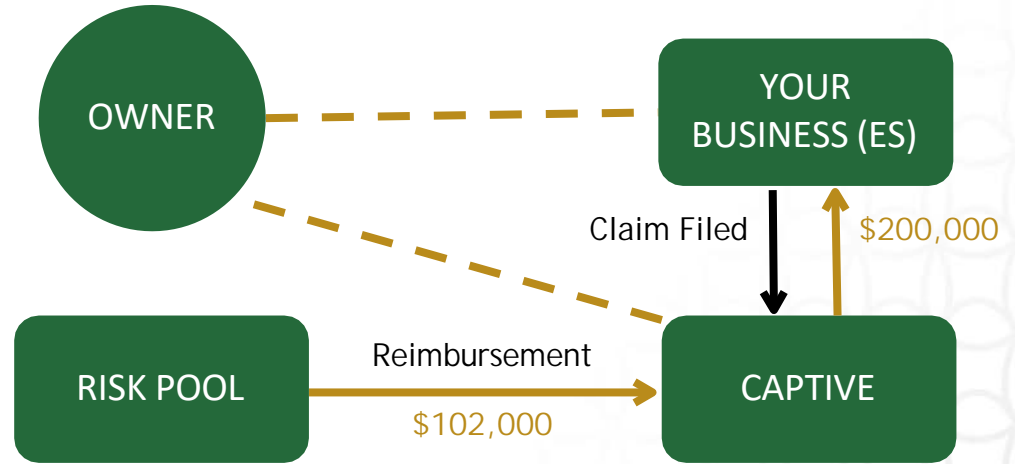
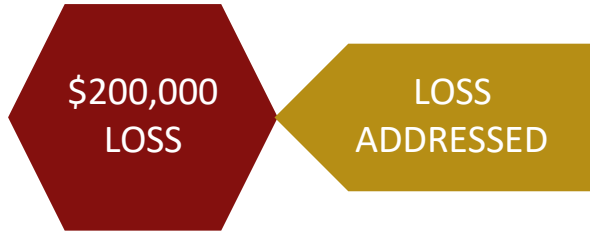


Wealth Is Destroyed
Employees Are Laid-Off



Why ERM – Example Insured Loss

Your Business has a loss that is insured by your Captive



NOTE:

- Loss must be insured by the Captive
- Captive pays \$98,000 of the claim (49%)
- Risk Pool pays \$102,000 (51%)



More Money (Found Money)

What happens to assets in a captive that are not paid out in claims or expenses?

*The Owner Keeps Everything**



*Includes paying a pro rata share of risk pool claims

**Assets may be taxed at exit from the Captive



Who Is A Good Candidate To Own A Captive Insurance Company?



Successful
Business

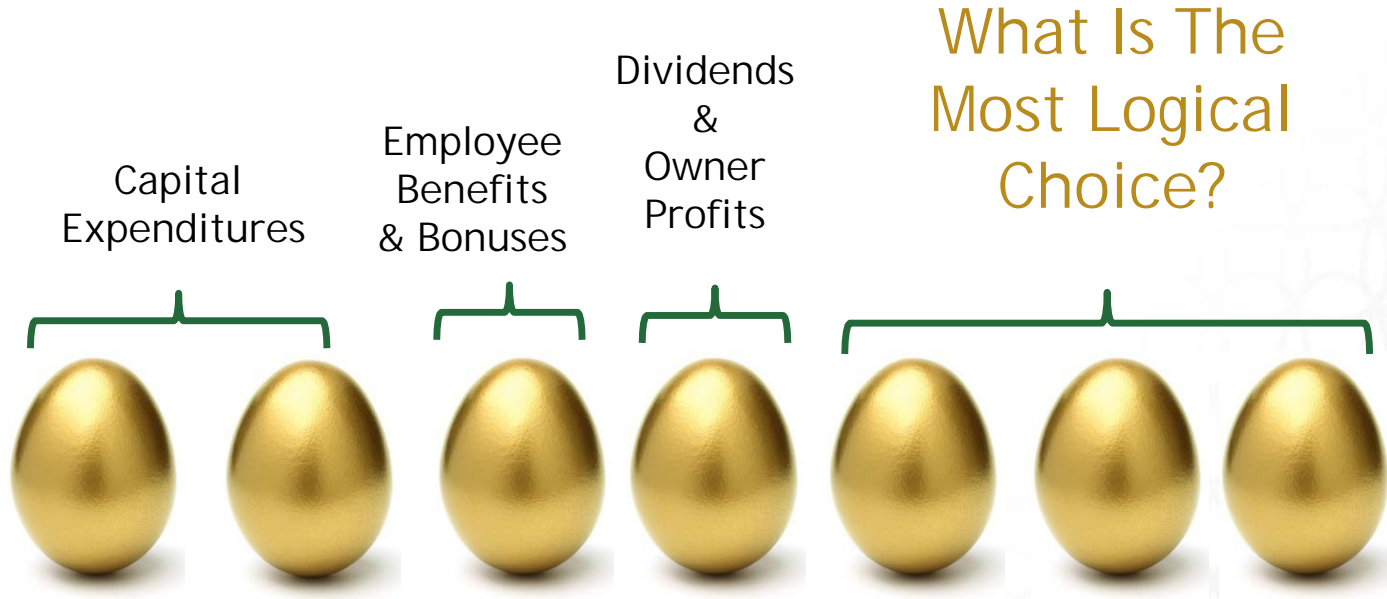
Golden Eggs



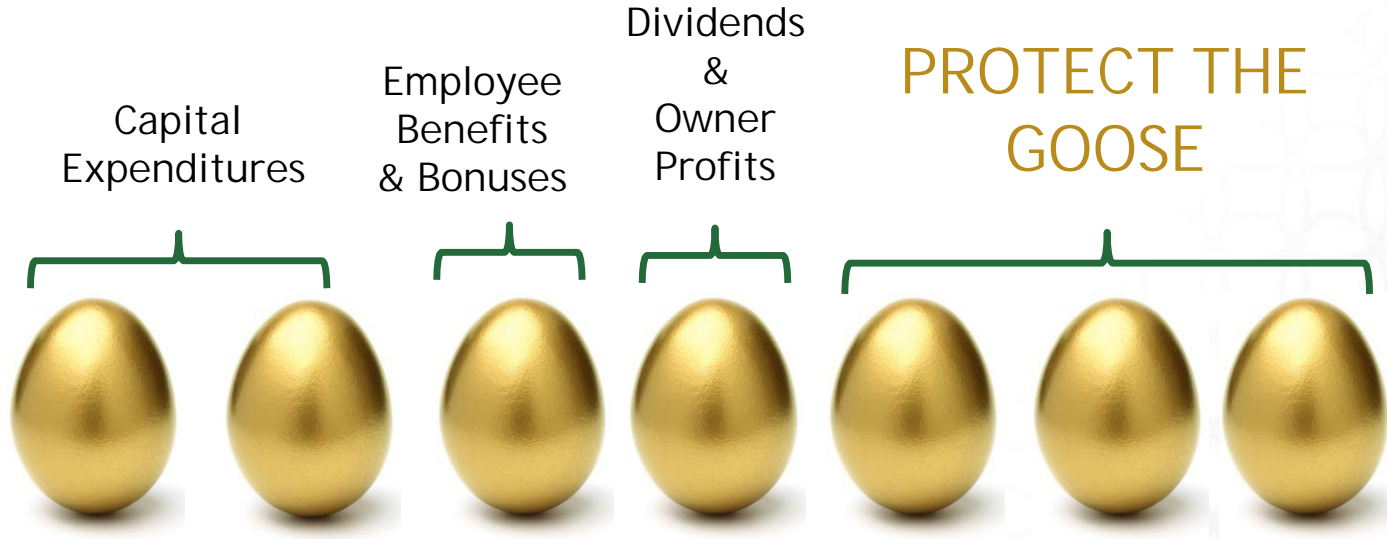
Businesses Typically Assess How To Allocate Their Golden Eggs



Businesses Typically Assess How To Allocate Their Golden Eggs



Businesses Typically Assess How To Allocate Their Golden Eggs



Every Year

PROTECT THE
GOOSE



Who Is A Good Candidate To Own A Captive Insurance Company?

A Business Owner Or Business Owners Who Have A Golden Goose Or Golden Geese That Are Laying Golden Eggs



Who Is A Good Candidate To Own A Captive Insurance Company?

In Short...

Successful Middle Market Business Owners That Have Something To Lose



Who Is A Good Candidate To Own A Captive Insurance Company?

Ideally:

- Gross Revenue Of \$3 Million Plus
- \$300 K Plus Of Golden Eggs Annually That Can Protect The Goose



Enterprise Risk Management Via a Captive Insurance Company

Questions?

Contact a CIC Services Representative Directly:

www.cicservicesllc.com

865-248-3044





Appendix – CIC Services' Structure & Formation Process

CIC Services Captive Formation

1. Risk Focused Client Education Process
2. 3rd Party Risk Assessment
3. Underwriting To Identify Policies & Appropriate Limits
4. 3rd Party Actuary Develops Pricing
5. Client Approves Policies To Purchase
6. Independent Captive Attorney Retained By Client, Forms Captive & Drafts Policies
7. Client Capitalizes Captive
8. Client Purchase Insurance From Captive

CIC Services Captive Structure

1. Risk Pool Is 51/49 Split & Is A First Dollar Reinsurance Arrangement (Based On Rev. Ruling 2002-89)
2. Captives Transfer Both Funds & Risk To Reinsurance Pool
3. Pool Is Onshore Reinsurance Company In North Carolina & Regulated By NCDOI
4. All Pooled Captives Pay 3rd Party Claims Every Year
5. Underwriting & Actuary Pricing Scrutinized By U.S. State Regulator



Appendix – Case Examples

Franchise Operation

- Involved in real estate transactions
- Approximately 140 franchisees
- Client was looking to replace their E&O, GL and
- Sell home warranties to their customers
- Annual Captive Premiums of \$2.7M
- 8,000 Annual Home Warranties sold



Captive Insurance Profit Retained

Year 1 - \$778,000

Year 5 - \$3.3 Million

Year 10- \$9.0 Million

Oil Field Supply Company

- 1,000 units
- 1,500 employees
- Annual Revenues of \$1.2 Billion
- Est. Annual Traditional P&C Insurance Spend of ~\$9M
- WC loss ratio of approximately 63%



Captive Insurance Profit Retained

Year 1 - \$2.7 Million

Year 5 - \$13.9 Million

Trucking Company

- 500 power units
- Long haul
- Operate in 48 states
- Estimated Auto Liability, Physical Damage and Cargo Insurance Spend of ~\$4M



Captive Insurance Profit Retained

Year 1 - \$750,000

Year 5 - \$4.1 Million

Property Manager

- \$6 million rental income
- RE Value: \$50 million
- 8% Cap Rate
- \$750,000 P&C Premiums
- \$2.5 million net profit



Captive Insurance Profit Retained

Year 1 - \$200,000

Year 5 - \$1.1 Million

Year 10- \$2.4 Million



Lunch

12:15 – 1:15 pm



Yucatan Buffet





Sponsor: Ed Lloyd

THE FAMILY ENDOWMENT PROGRAM™

Day One | 1:15 pm | 45 minutes



ENDOWMENT
MANAGEMENT
GROUP LLC

THE FAMILY ENDOWMENT PROGRAM™

CIRCULAR 230 & DISCLAIMER

In order to comply with requirements with Circular 230 which may apply to the information in this presentation, please be advised that the material contained herein is not intended or written to be used, and it cannot be used, by anyone for the purpose of avoiding any penalty that may be imposed by the IRS under the Internal Revenue Code. In the event that the accompanying material is also considered to be a “marketed opinion” within the meaning of the IRS guidance, then, as required by the IRS, please be further advised that you should seek advice from an independent tax advisor.

The advice contained is based on current tax law and is not intended to be used on an ongoing basis without consistent changes being made by a qualified tax advisor. There is no assurance or guarantees that the recommendations contained herein will not be examined and scrutinized by the IRS or state agencies.

OVERVIEW

THE FAMILY ENDOWMENT PROGRAM™ provides an opportunity to increase the cash flow available for charitable gifting and is funded with transactions including:

- Sale of a Business
- Sale of Professional Practice or Goodwill
- Post-Sale or High-Income Taxpayer Income Tax Reduction
- Sale of Real Estate (incl. post-Cost Segregation Study)
- Tax-Deductible Extraction of C Corp Retained Earnings
- Sale of Stock Options
- Capital Gains Tax on Sale of Appreciated Assets
- Non-Qualified Deferred Compensation Alternative

HOW IS THE FEP STRUCTURED?

Ownership: _____

–

Charitable Gifting:

–

Donor Advised Fund: _____

–

Assets:

WHAT IS A POST SALE AND HOW DOES THIS WORK?

Considerations:

—

- Capital Gains Tax on Sale of Appreciated Assets

—

THE FAMILY ENDOWMENT PROGRAM™

Post-Sale Capital Gain: Summary & Comparison

Assumptions:

- Client lives in a state with 7% capital gains tax and has \$500,000 ordinary income.
- Client has \$10M in capital gains and is seeking to contribute \$5M into The Family Endowment Program after the sale.
- Client will transfer the cash into a new entity in exchange for a 1% voting interest and 99% non-voting interest.
- The non-voting interest is transferred to a Qualified Public Charity.
- The non-voting interest for charitable deduction purposes is 85% of the \$5M totaling \$4,250,000 (assuming a valuation discount approximately 15%).

FEP Analysis	
Estimated income taxes without FEP	2,910,133
Estimated income taxes with FEP	1,710,181
Estimated reduction in tax	1,199,652
Investment for FEP	300,000
Estimated cash flow advantage in 2022 for gifting and investments	899,652

For illustrative purposes only – Actual results will vary by client

WHAT IS A PRESALE AND HOW DOES THIS WORK?

Considerations:

—

- Sale of a Business
- -Sale of Professional Practice or Goodwill
- Sale of Real Estate (incl. post-Cost Segregation Study)
- Tax-Deductible Extraction of C Corp Retained Earnings
- Capital Gains Tax on Sale of Appreciated Assets

THE FAMILY ENDOWMENT PROGRAM™

Pre-Sale Capital Gain: Summary & Comparison

Assumptions:

- Client lives in a state with 7% capital gains tax and has \$500,000 ordinary income.
- Client also has \$10M in capital gains and is seeking to contribute \$5M into The Family Endowment Program prior to the sale.
- Client will transfer the cash into a new entity in exchange for a 1% voting interest and 99% non-voting interest.
- The non-voting interest is transferred to a Qualified Public Charity.
- The non-voting interest for charitable deduction purposes is 85% of the \$5,000,000 totaling \$4,250,000 (assuming a valuation discount approximately 15%).

FEP Analysis	
Estimated income taxes without FEP	2,910,133
Estimated income taxes with FEP	1,027,181
Estimated reduction in tax	1,882,952
Investment for FEP	300,000
Estimated cash flow advantage in 2022	1,582,952
Potential cash flow advantage of charitable deduction carryforward	1,092,000
Total potential cash flow advantage for charitable gifting and investments	2,674,952

For illustrative purposes only – Actual results will vary by client

WHAT IS A CASH CONTRIBUTION AND HOW DOES THIS WORK?

Considerations:

—

- Post-Sale or High-Income Taxpayer Income Tax Reduction
- Sale of Stock Options
- Non-Qualified Deferred Compensation Alternative

THE FAMILY ENDOWMENT PROGRAM™

Cash Contribution: Summary & Comparison

Assumptions:

- Client lives in a state with 7% income tax rate.
- Client has \$10.5M of ordinary income and is seeking to contribute \$5M into The Family Endowment Program.
- Client will transfer the cash into a new entity in exchange for a 1% voting interest and 99% non-voting interest.
- The non-voting interest is transferred to a Qualified Public Charity.
- The non-voting interest for charitable deduction purposes is 85% of the \$5M totaling \$4,250,000 (assuming a valuation discount approximately 15%).

FEP Analysis	
Estimated income taxes without FEP	4,582,376
Estimated income taxes with FEP	2,736,192
Estimated reduction in tax	1,846,184
Investment for FEP	300,000
Estimated cash flow advantage in 2022 for gifting and investments	1,546,184

For illustrative purposes only – Actual results will vary by client

WHAT CAN MY CLIENT DO WITH THEIR FEP?

Start Business: _____

Buy Real Estate: _____

Investments: _____

Life Insurance: _____

WHAT ARE THE ONGOING BENEFITS OF THE FEP?

Legacy:

Gifting:

Asset Protection:

Asset Accumulation:

Management Fees:

ENDOWMENT MANAGEMENT GROUP LLC

Services Provided

- Management of the formation and ongoing governance of the appropriate business entity(s) that will be used as the vehicle through which the charitable transfers/gifts will be made, and the transfer of agreements/assets into THE FAMILY ENDOWMENT PROGRAM™;
- Coordination with directors in the charitable supporting organization to assist the client in the charitable giving program through donor-advised fund;
- Assistance with the independent valuation/appraisal to provide the support needed for the charitable gift;
- Coordination with Client's other business, tax, financial, legal and business advisors regarding THE FAMILY ENDOWMENT PROGRAM™;
- Coordinate with the tax attorney for client's legal opinion if desired.

FEP Success Membership, the benefits included:

- Assist with Client charitable gifting strategy
- Client pays tax on 1% of the taxable gain; 99% of the taxable gain assumed by charity.
- Set up of accounting system for THE FAMILY ENDOWMENT PROGRAM™ and preparation of quarterly and annual financial statements;
- Submission and review of financial statements with directors of charitable giving program.
- Preparation of annual Federal and State Partnership Income Tax Return for THE FAMILY ENDOWMENT PROGRAM™;

Client Investment Structure

THE ENDOWMENT MANAGEMENT GROUP'S compensation for the Formation Services provided is calculated on the amount contributed into THE FAMILY ENDOWMENT PROGRAM™ is as follows:

<u>Percentage</u>	<u>Contribution Amount</u>
6.00%	Up to \$5,000,000 (\$1 million minimum)
5.00%	\$5,000,000 up to \$10,000,000
4.00%	Over \$10,000,000

Qualified charity annual fee: .35% up to \$10M FMV assets, then .10% of FMV for remainder

CLIENT ANALYSIS

Go through the list below and write down the names of clients you have that fall into these categories:

- Upcoming Sale of a Business or Capital Asset _____

- Post-Sale of a Business or High-Income Taxpayer _____

- Sale of Real Estate (incl. post-Cost Segregation Study) _____

- Sale of Stock Options _____
- Non-Qualified Deferred Compensation Alternative _____



A Tale of Two CPAs

Day One | 2pm | 45 minutes



Agenda

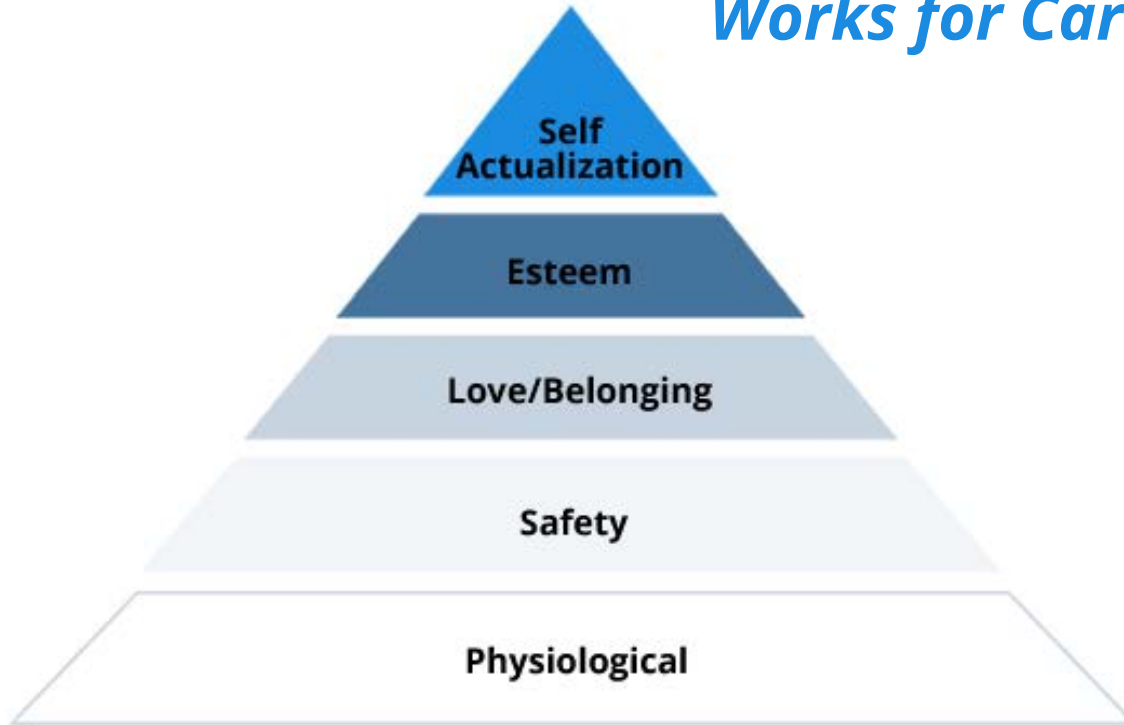
- Dickens' key insight
- Maslow's Tax Pros
- Our 2 Tax Pros: Bailey
- Concept of wallet share
- Altruism meets capitalism: demand drivers create mandate
- Productivity as the fundamental determinant of value—the DFY model
- Concept of wallet share
- <https://www.accountingtoday.com/opinion/the-family-office-for-your-accounting-firm>





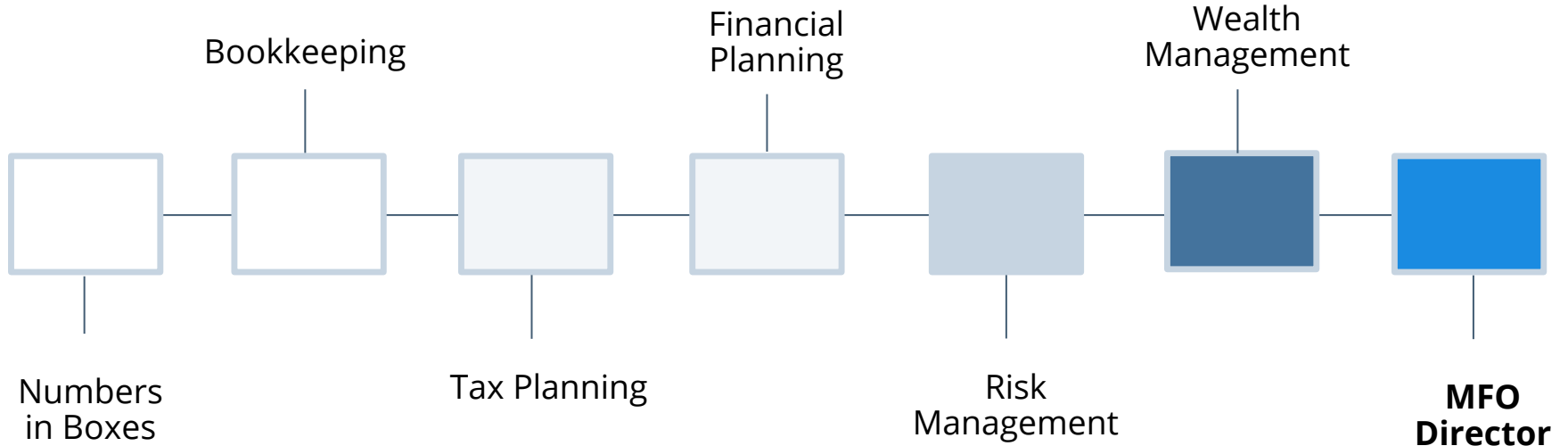
Maslow's Hierarchy of Needs

Works for Career Lives, too



G The Tax Pro Multiverse

Which Box Are You In?



As scope of services grow, so do revenues, margins and business valuations.



Meet Bailey, CPA



Has reached the Esteem level on the hierarchy

- 42 years old
- 20 years in the profession
- Owns their own tax practice in Anytown, USA (250 clients, one FTE staff)
- Compliance, bookkeeping, payroll services, some planning
- 2021 Income: \$152,000
- 25% of clients own a business
- Plans to retire in 2045



Bailey's Upside

- Owns their own business / Is their own boss
- Feels well qualified / suited to their job
- Earns a good living
- Knows many people in their community
- Enjoys a good reputation/is well trusted
- Can look forward to a secure retirement

Never has to sell anything to anyone



Bailey's Key Challenges–They Think



- Too many clients.
- 50% of clients bill under \$600/year
- Revenues are low during off season
- Profitability of out-sourced work is low
- 70 to 84-hour workweeks in peak season
- Difficulty raising average fees y/y
- 1040 clients can be profitable but irritating
- ***Has no time, skill, or technology for effective marketing***



Bailey's Key Challenges-In Reality



- Captures <10% of total finserv wallet share
- Trades “dollars for dimes”
- Is threatened by “Big Tax”
- Will be offered 1.1x to 1.4x upon sale
- Soon will face a “buyer’s market” to exit early
- Loses control of referral’s objectives
- ***To build substantial wealth, will need to rely on investing success***





Bailey's Key Challenges-In Reality

...cont



- Wallet share growth is blocked:



- Potential partners in conflict
- Choice under conflict
- ***Concerns about reputation, brand and identity***



Bailey's Clients Need More



Clients rarely get their prescriptions filled properly

- Siloed service providers
- Lack of transparency
- Miscommunication about risk exposure
- Pervasive, persistent failure

***Bottom line:
Most of Bailey's clients can't tell if
their investments are good for them***

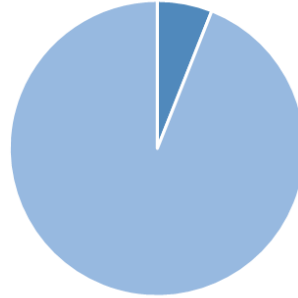
SOW: The Ultimate Metric of Value

Example: \$1M “Investable” Client Family

Annual Financial Services Expenses

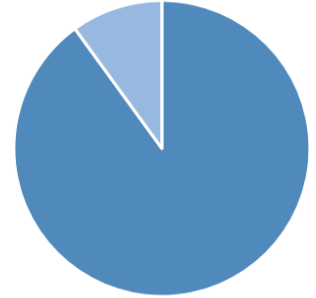
- Tax Compliance:
\$1,000
- Asset Management:
\$15,000 - \$30,000

Bailey's Existing Wallet Share



■ Bailey ■ Other's

Bailey's FOD Wallet Share



■ Bailey ■ Other's

→ MFO Model Wallet Share = 100%

16x to 32x increase



The How

Wallet Share: The Ultimate Metric of Value



- Massive productivity
- Revenue
- Margins
- Business Value Growth

- Opportunities for Tax Planning & Consulting Multiply

Bottom line: One "MFO" client = 16 to 32 Tax Compliance Customers





SOW Impact: Client Lifetime Value Comparison

\$400,000 AUM Client

Tax-Only Client

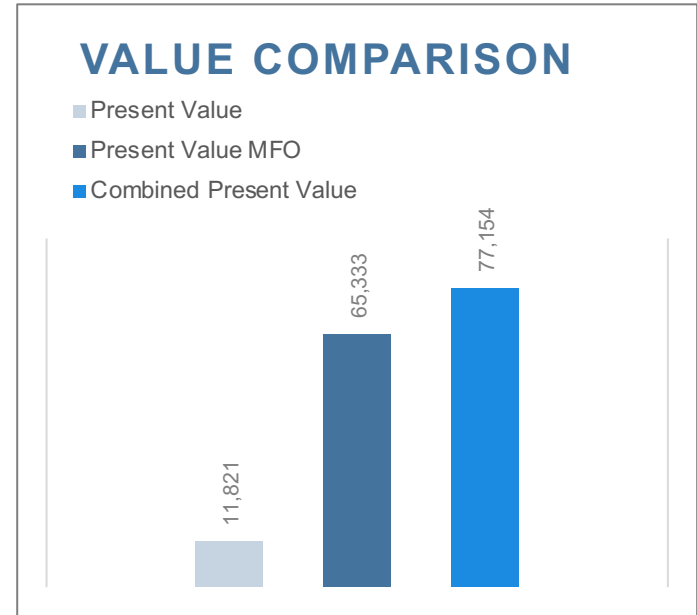
\$1,000 year
2% growth rate
7.5% discount rate
20 years

Present value: \$11,821

MFO Client

\$4,000 year
6% growth rate
7.5% discount rate
20 years

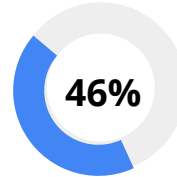
Present Value: \$65,333
Combined PV: \$77,154



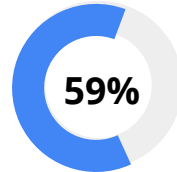
The Demand Side



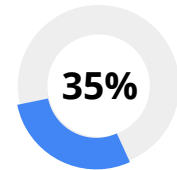
According to a Study:
Retail Investors:



Trust the financial services industry



Think their advisor is their most trusted source of advice

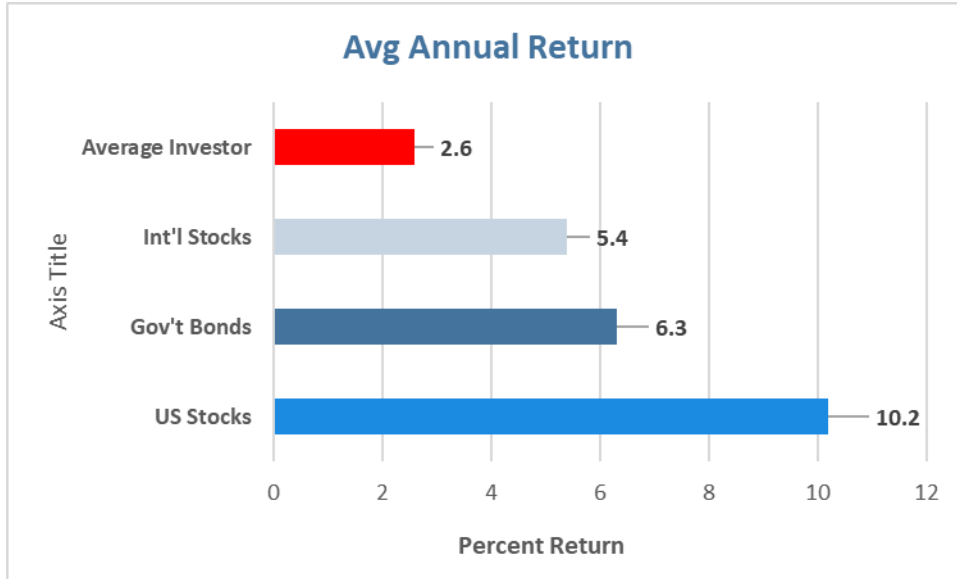


Think their advisors always put their interests first

Trust is downstream from Transparency

G The Demand Side

30 Years of Failure: 1987 through 2016



*Pervasive, Persistent Failure
– and we know the reasons WHY*

Source: DALBAR Quantitative Analysis of Investor Behavior <https://wtop.com/news/2019/11/7-financial-behavior-biases-that-influence-investment-returns/#:~:text=A%20Dalbar%20study%20showed%20that,5.4%25%20return%20in%20international%20equities.>



The Wealth Management Hierarchy



The Virtual Family Office

*Inherently, and obviously,
better for the client*

- Positioning yourself & your firm
- Intersections and the fiduciary model
- Truths and myths
- “Good enough” for whom?
- Know your competitors

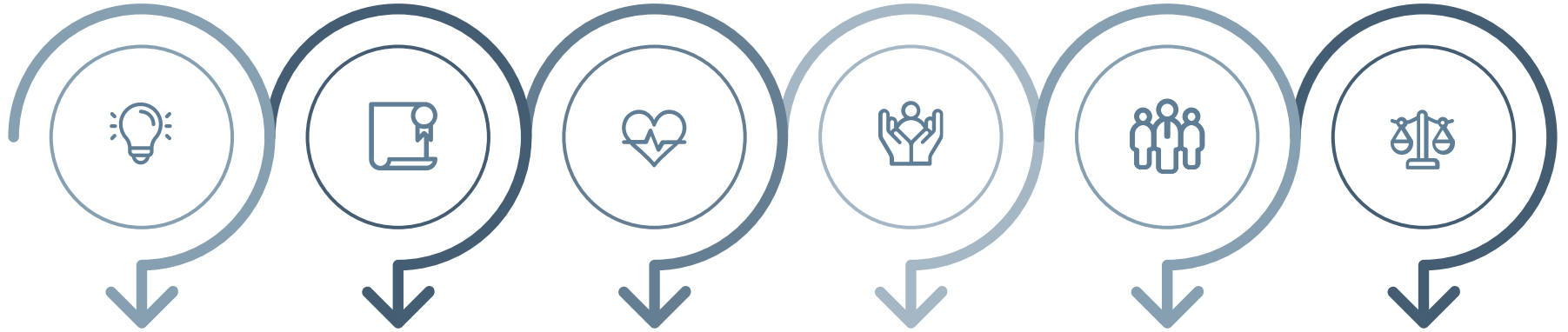
*Be the first point of contact for
all things financial.*





The How--Tax Pros and the MFO

Successful **FOD** Candidates Must be Able to Demonstrate



Good
Judgement

Confidentiality

Lack of
Ego

Confidence

Teamwork

Integrity

Who does this remind you of?






Democratized Multi-Family Office Services

UHNW can have anything they want, and they choose the **Family Office** Structure.

1,000% 

Family Office Segment **Growth**

2010 - 2020

41% 

North American Family Office Space **Growth**
Past 2 Years

Bottom Line:

When you see the scope of the service package, you'll understand why.

Global FO AUM \$5.0 trillion; total underlying families' wealth \$9.4 trillion





The Other CPA



Bailey's Practice

- Small Wallet Share
- Blah Brand
- So-so Loyalty
- Middle Road Pricing
- Zero Non-Cash Comp



FOD MFO

- Power Brand
- Dominant Wallet Share
- Customer as Marketing Team
- Value Pricing
- Quality of Life / Reputation/ Happiness





The Other CPA is also Bailey

FG's Turnkey FO Charter Works:

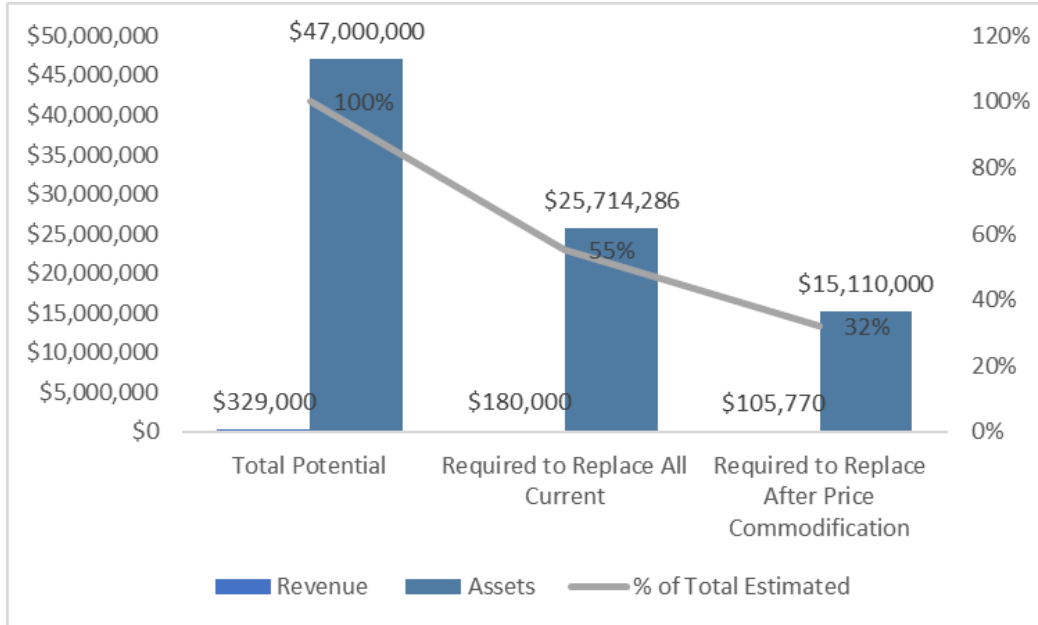
- Empathy born of decades with tax pros
- Witnessed/now lead the evolution
- TPCA can estimate practice potential
- DFY partnership solves for the barriers to entry

When barriers are removed, great things happen.





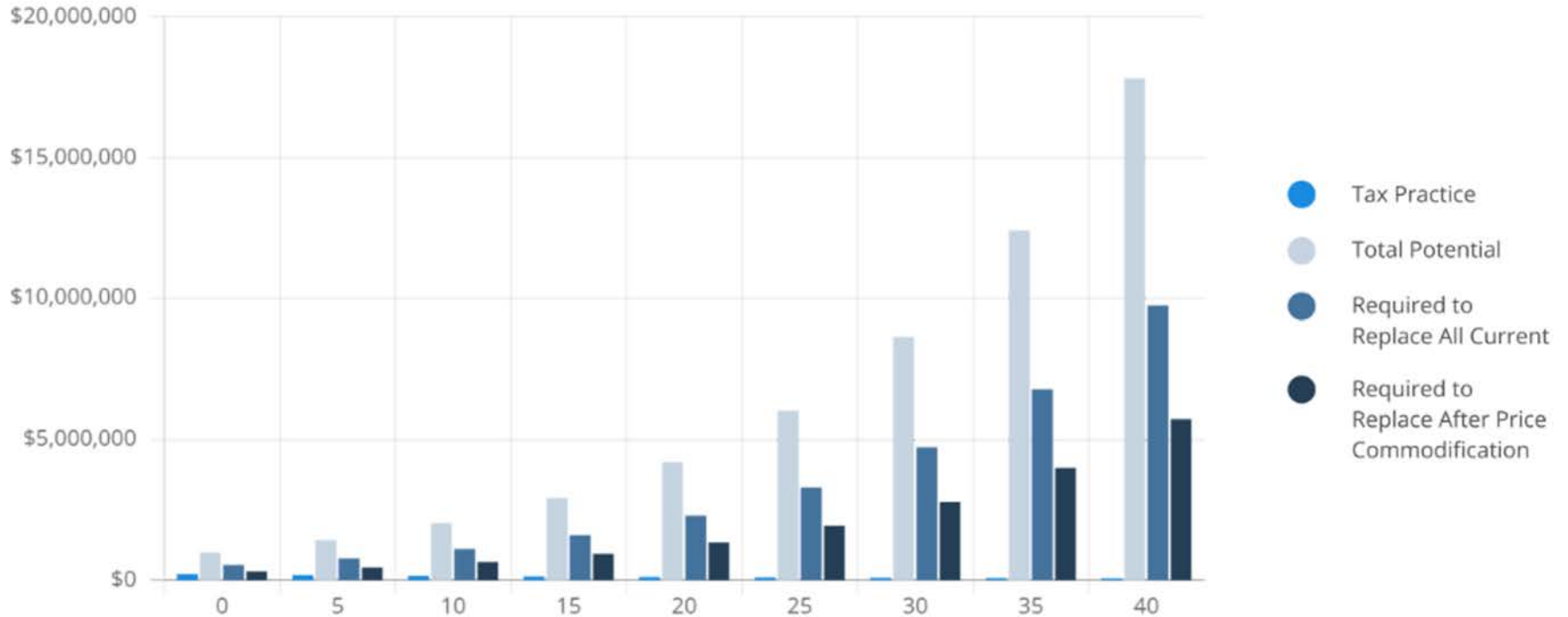
TPCA Highlights - Revenues



	Total Potential	Required to Replace All Current	Required to Replace After Price Commodification
Revenue	\$329,000	\$180,000	\$105,770
Assets	\$47,000,000	\$25,714,286	\$15,110,000
% of Total Estimated	100%	55%	32%



TPCA Highlights – Practice Value





coffee break





Deconstructing the American Wealth Paradigm

A Revolution is coming for both tax and financial services in the coming years

Day One | 3:00 pm | 45 minutes



Inevitable: Economics & History

My bona fides: The WEFA Group

...Lawrence Klein, Lawrence Chimirine, Nariman Baravesh, Mark Zandi

Joseph Schumpeter:

What is Creative Destruction?

Peter Thiel:

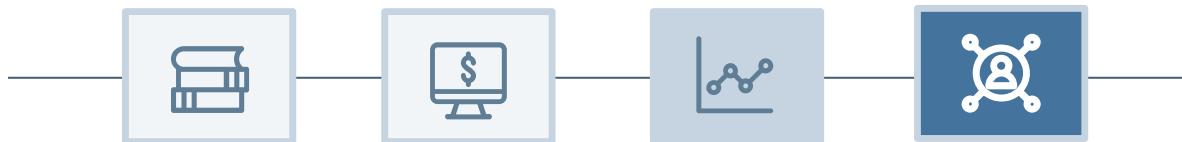
Schumpeter 2.0

Michael E. Porter:

Porter's 5 Forces

Henry George:

Pro Human Optimism



Industrial vectors converge in Democratization





Commoditization and Democratization

Massive, natural trends will define both tax and financial services

Two Massive Trends

Commoditization:

Winning & losing becomes solely based on price
(race to the bottom)

Democratization:

In new categories, winning & losing is entirely based on value innovation
(race to the top)

Industrial vectors converge in Democratization





Trend One: *A Decades Old Business has Matured*

- Compliance & Prep fees under pressure
- Margin Shrinkage
- The Volume Trap
- Dispute resolution is transactional and the residue is a poor prospect
- Offshoring is a *Race to the Bottom*



What to do?





Trend Two: *On the Demand Side*

What do your clients **WANT** but do not have?

Fiduciary			Transparency
Coordination			Multiple-Benefit Diversification
Lower Costs			Realistic Risk Score

Bottom Line: They want the same advantages enjoyed by the “elite.”





The Demand Side

Positive Industry Trends

Regulatory Trends

\$30T Transfer
Coming

Advisors Badly
Needed

25% Already Involved
at Some Level

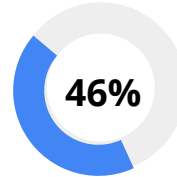
Opportunity of a
Generation



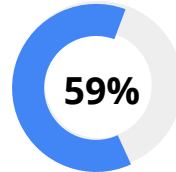
The Demand Side



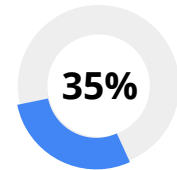
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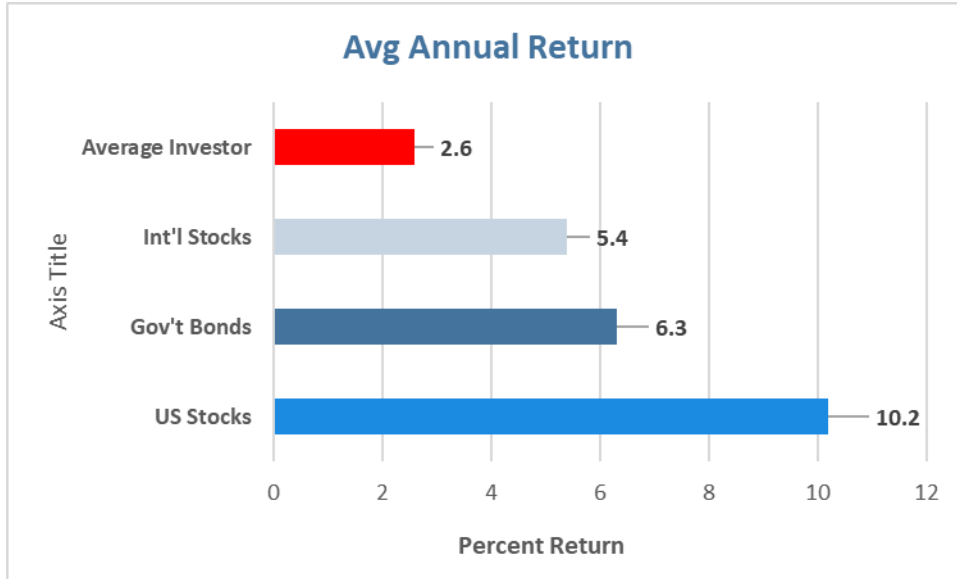


Think their advisors always put their interests first

Trust is downstream from Transparency

The Demand Side

30 Years of Failure: 1987 through 2016



*Pervasive, Persistent Failure
– and we know the reasons WHY*



Different Model: The Family Office

The “**Dynasty Preservation**” Business

- \$10T worldwide
- 7,000 to 10,000 offices - 3,100 in US
- Private, Unregistered & Unregulated
- Fly below the radar

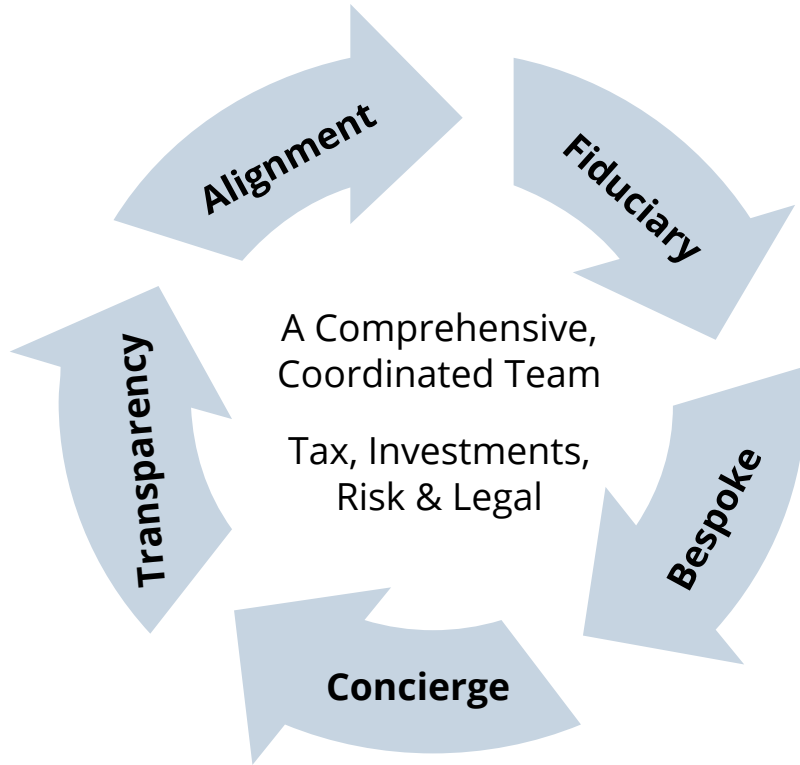


“Everybody wealthy seems to want to have their family office”

- David Rubenstein (billionaire) - Co-founder, the Carlyle Group LP



Trend Convergence



Essential Premise:
The MFO Model
WILL Democratize

*Obviously and provably a superior
value proposition.*



The Big Idea: From “*Sell To*” to “*Buy For*”



Success and Satisfaction by Wealth Cohort



Loyalty Statistics Tell the Tale



Low Prices Do **Not** Mean Low Profits or Margins



High Customer Satisfaction Does **Not** Mean Low Productivity

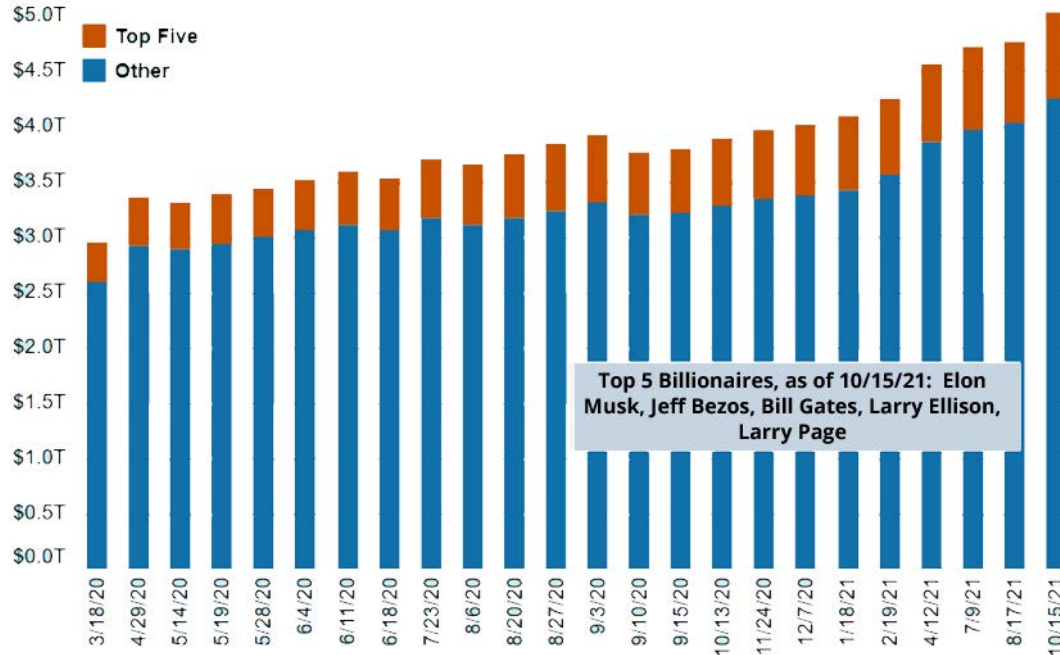




The Wealth Gap

Billionaire Wealth is Skyrocketing During the Pandemic

Total U.S. billionaire wealth, select dates in 2020 and 2021

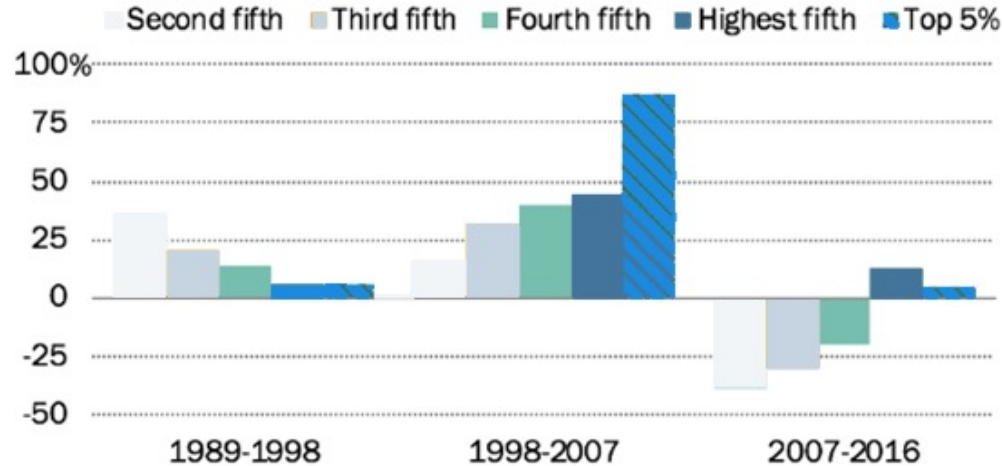




The Wealth Gap

The richest families are the only group to have gained wealth since the Great Recession

% change in median family wealth, by wealth quintile and for the top 5%



The richest families are the only group to have gained wealth since the Great Recession

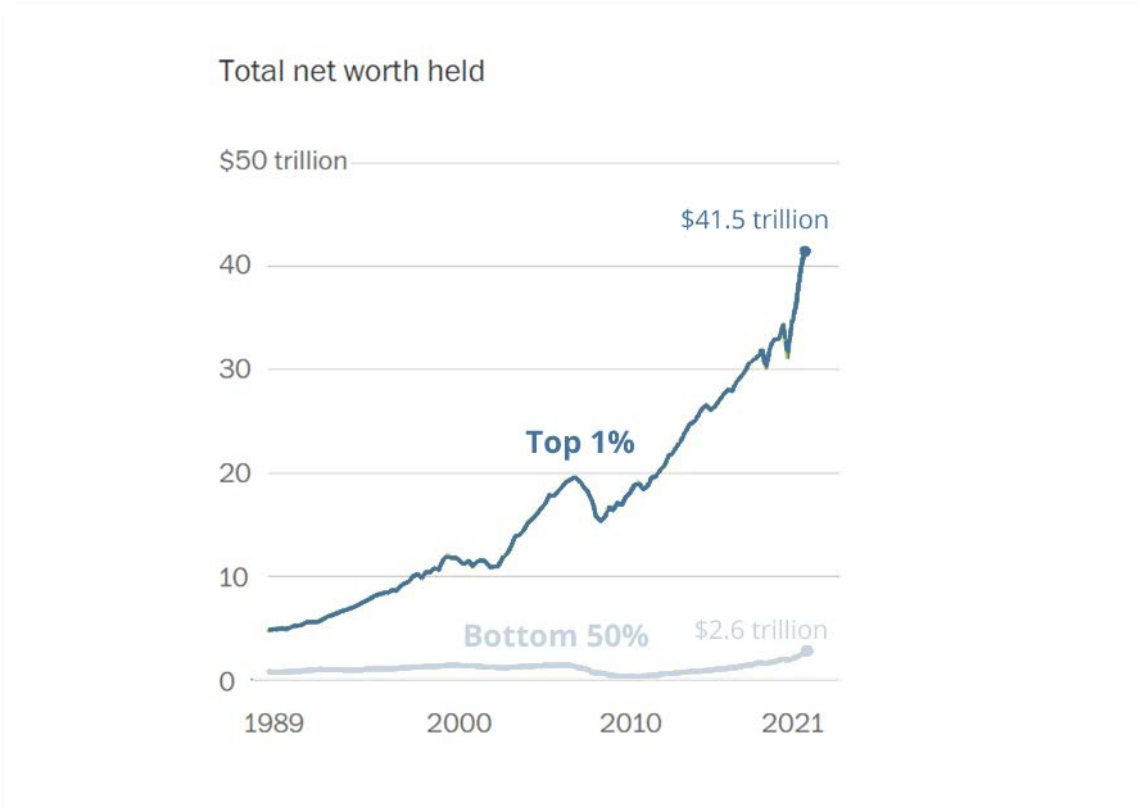
% change in median family wealth, by wealth quintile and for the top 5%

Note: Data for families in the first quintile (bottom 20%) are not shown. Their median wealth was as follows: 1989 - \$0; 1998 - \$0; 2001 - \$36; and 2016 - negative \$1,099 (figures in 2018 dollars). Source: Pew Research center analysis of the Survey of Consumer Finances.





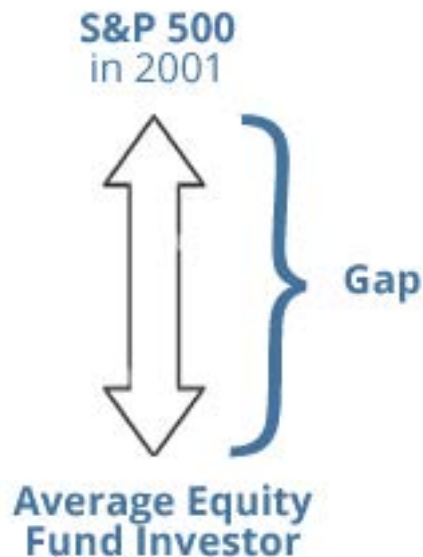
The Wealth Gap





The Super Rich Had Help

The Retail Investor Underperforms



“Investors Experience Devastating Investor Performance Gap”

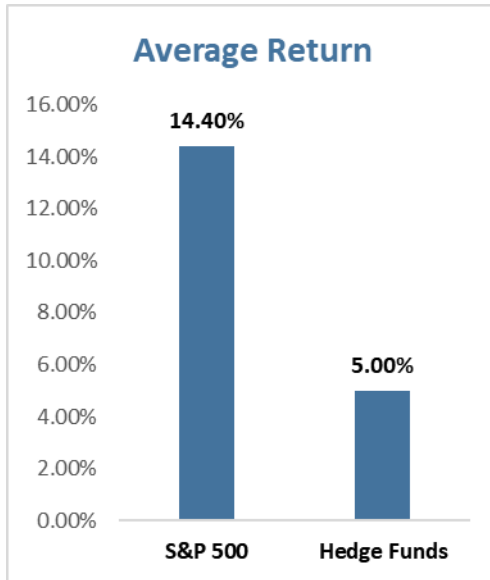
Average Equity Fund Investor earned more than **10% LESS** than the S&P 500 in 2021”





Explaining the Gap

It Must Be the Hedge Funds



“Over the decade, the average annual return on the S&P 500 was 14.4% **or almost three times higher** than the 5.0% average return for hedge funds.”





Explaining the Gap

It Must Be the Real Estate

“The compound annual growth rate for home prices in the USA between January 1991 and December 2021 was 4.3%.”





Wither the Gap

Equal Opportunity, Unequal outcomes



It Must Be the Real Estate

The compound annual growth rate for home prices in the USA between January 1991 and December 2021 was 4.3%.

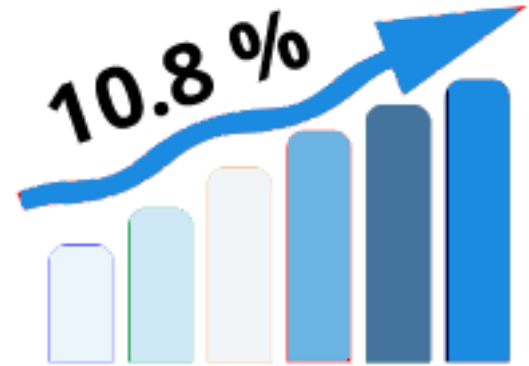




Explaining the Gap

It Must Be the Private Equity

“Private equity produced average annual returns of **10.48%** over the 20-year period ending on June 30, 2020.”



FO Asset Allocation to Private Equity 7% (Funds), 14% (Direct)





Design, not Accident

It Must Be the Private Equity

- They Employ a Different Model
- Liquidity is Not an Issue
- Wealth Creates a “Bias Barrier”
- They *Concentrate*

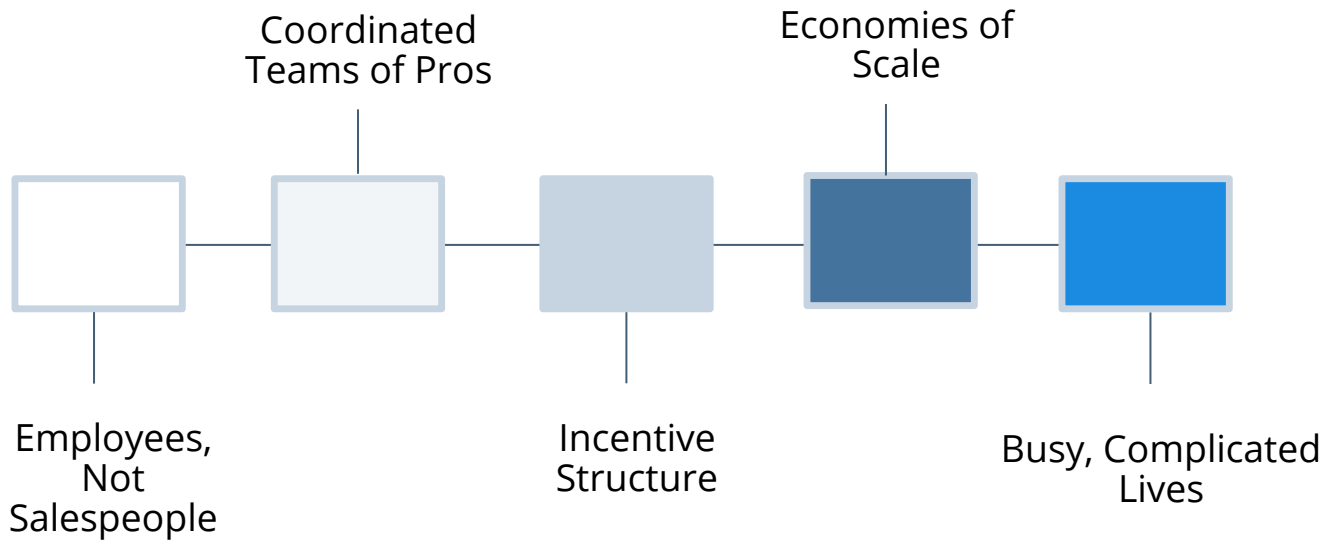


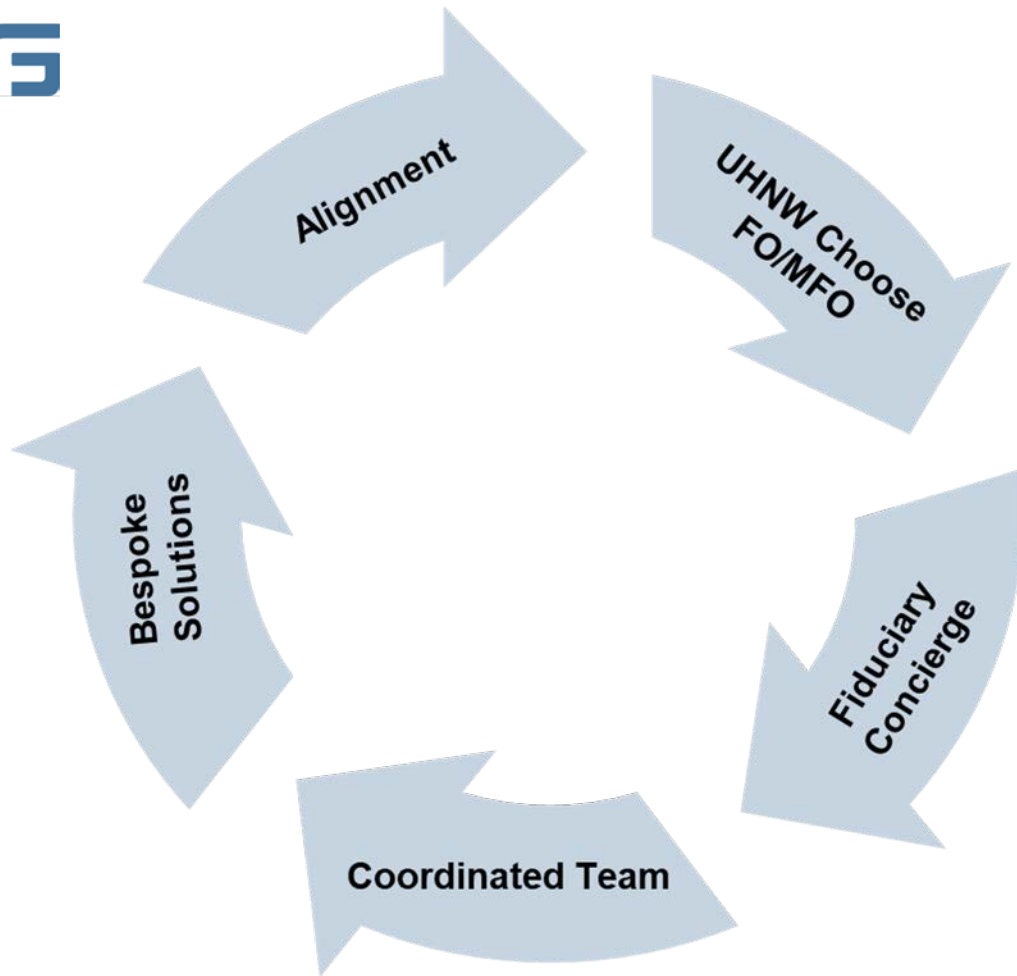
Super Rich invest in remaining Super Rich



The Family Office

Fundamentally Different





Emulate Success

The Multi-Family Office structure is obviously and provably a superior value proposition.





Analogous to a Medical Concierge





Taxes First, Then Math™

Control the Controllables™

**Taxes First,
Then Math™
Analysis**

Presented by
John Pollock

Prepared for
John Smith

4/1/2022

Financial Gravity

Investment Information

Total Value \$1,190,656 Uninvested Cash \$0

COSTS	TAXES
Current Weighted Average Annual Cost of Investments 1.72% You own mutual funds. Typically ETFs or directly owned stocks are less expensive and more tax efficient.	Current Tax Planning Yes No Tax lot harvesting <input type="radio"/> <input type="radio"/> Asset location optimization <input type="radio"/> <input checked="" type="radio"/> No mutual funds in taxable accounts <input type="radio"/> <input checked="" type="radio"/>

Typical Tax Savings

DIVERSIFICATION	ALIGNMENT
Current Asset Allocation Stocks 67.53% Fixed Income 27.81% Fixed Index Annuity 0.00% Cash in Investments 2.81% Other 1.85% Concentration Issues Yes	Current Alignment Your Real Risk Score Risk Meter Current Portfolio Risk Score (if diversified) 37.15%

Estimate Worksheet

Target Tax Blueprint Savings: _____

Target Investment Cost Savings: _____

Target Investment Tax Savings: _____

Target Investment Diversification / Alignment Savings: _____

Yearly Savings Total: _____

John Pollock
1-800-456-7890
john.pollock@financialgravity.com

Financial Gravity





Money and Happiness



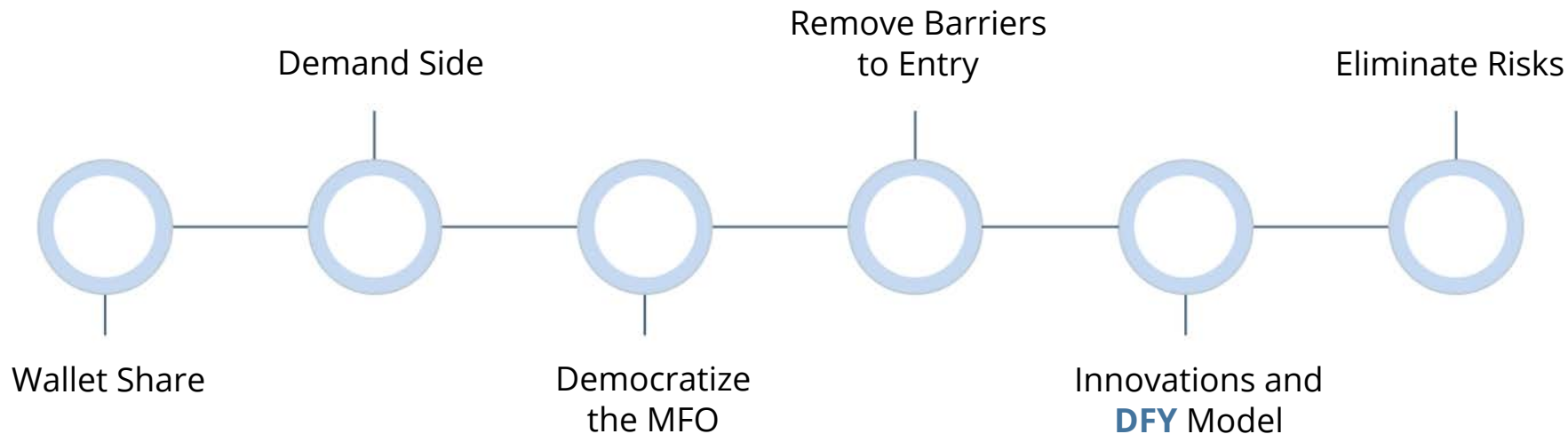
By the time household assets reached **\$6** million or more, the happiness gap between customers with and without advisors was higher than at any other level.





So, What to Do?

Think Different:

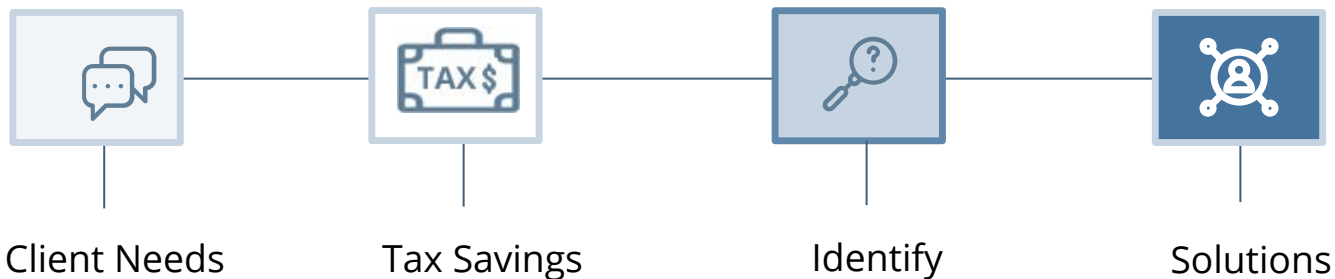




Taking Wallet Share

Goal:

To **compete more effectively to capture some of your competitors' business.**



Requires processes, systems, expertise, packaging, and marketing





Your Assets Define Your Opportunities

Born on Third Base

- You are the **most trusted** financial professional
- You operate as a **true fiduciary**
- You have a **reputation for accuracy and timeliness**
- Many of your **clients are deeply dissatisfied with their advisors** and results
- New Merrill Lynch FAs would kill to be in your position

The Big Question: How to get safely home?





Getting Safely Home

MFOs Require



Build



Distributor

Buy



FOD

vs

Sales Skill

vs

Value Innovation



vs





Fiduciary Wars

The “Buy For” model must inevitably win over the “sell to” model

Day One | 3:45 pm | 45 minutes



Agenda

- Definitions
- SEC v DoL
- Bespoke v Briefcase
- Some Industry Stats
- Control the Controllables Bright Line
- From “Sell To” to “Buy For”
- You Are Already There
- Demand Drivers and Democratization



What is a Fiduciary (Really)?

A **Fiduciary** *must*:

- Put their **client's best interest** above their own.
- Has an ethical duty to **recommend the best** investments
- **Any** investment advisor



What/Who is NOT a Fiduciary?

Per:



- Broker-Dealers
- “Reasonable Belief”
- “Suitability”



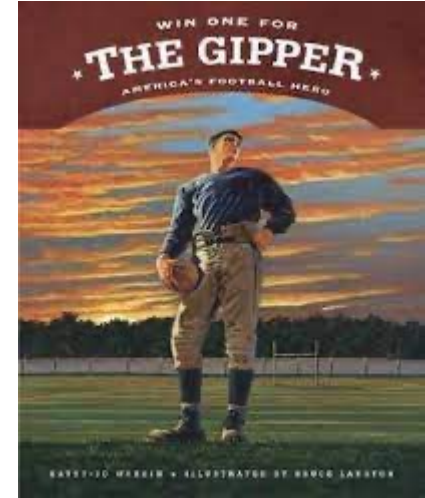
Commissions – *Not Always Bad*

- Real Life Examples
- Compliance is like the Jungle: Better Friend than Enemy
- The Advertising Rule
- Great example of using math to make the best decision
- What is the decision making paradigm?

A Noun But Also a Process

MFOs Get it Right:

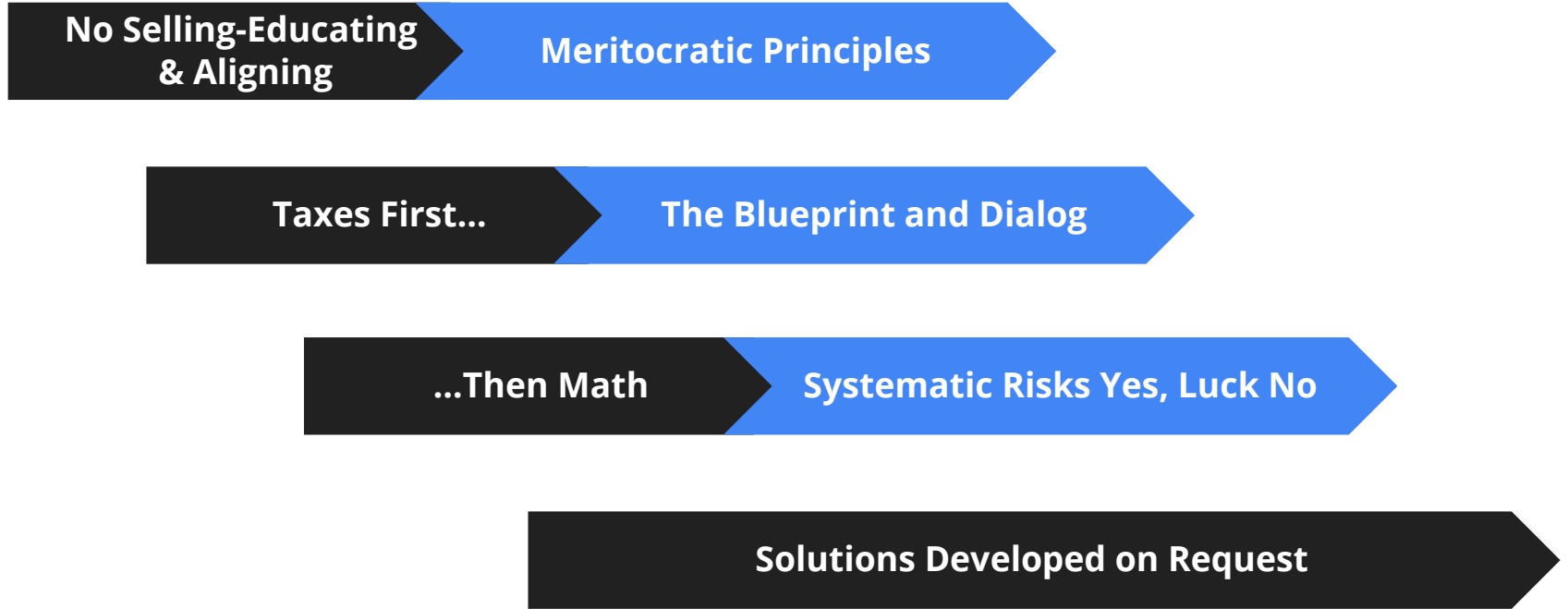
- Taxes First, Then Math®
- Control the Controllables®
- Win = Client Maximum Benefit



Premise: A fiduciary relationship requires two-way transparency



MFO Client Development Process

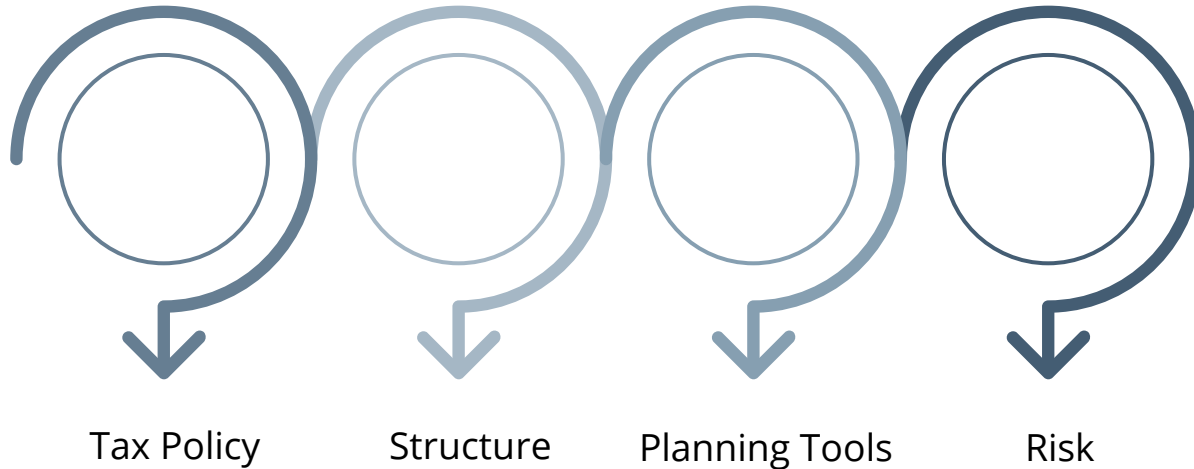




FG Core Beliefs

Taxes First, Then Math®

Our Guiding Philosophy



FG Core beliefs

Control the Controllable®

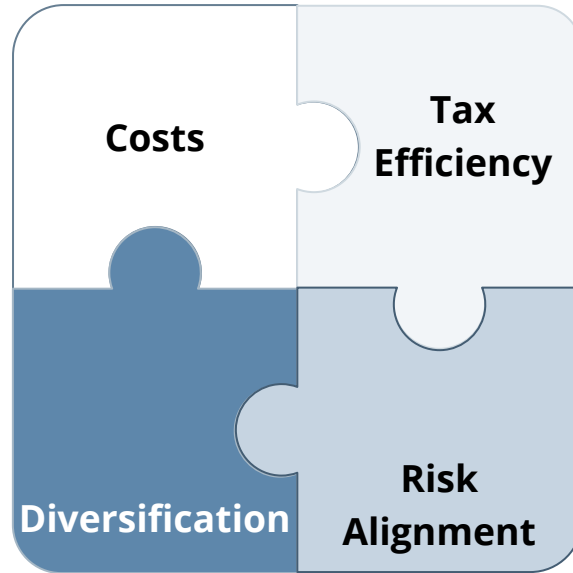
- Does **Not** Rely on Luck
- Is Transparent and Systematic
- Risk Empathy

"It's in the nature of stock markets to go way down from time to time. There's no system to avoid bad markets. You can't do it unless you try to time the market, which is a seriously dumb thing to do. Conservative investing with steady savings without expecting miracles is the way to go,"

- Charlie Munger.

Controllables

Control the Controllable®





Bezos Doesn't Answer His Door

No One Sells Him Anything

World Class Tax and
Financial Experts Execute
His Mission

- Total Alignment of Goals
- Everyone Seeks the Same Outcomes
- Perfect Motivation
- The Most Trusted is Most Trusted





FOD Panel Q&A, Wrap Up

Day One | 4:30 pm | 60 minutes



Dinner

6:00 – 8:00 pm



Pinellas Room



**And Entertainment by
“Southern, not Stupid”**

