

Retirement Asset Protection Update

Layering Liability Protection for Retirement Assets: The CA Section 704 Plan™

The Problem

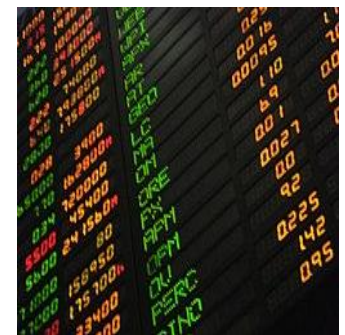
- Non-ERISA/IRA accounts for retirement are subject to claims of creditors
- Taxation erodes the values of the accounts
- Divorce can result in significant distributions
- Health problems such as disability, mental deterioration, and death may result in large unplanned for payouts

The CA Section 704 Plan™ addresses the liabilities associated with California assets set aside for retirement but not in protected ERISA/IRA plans. These liabilities are both contingent (could happen if...) and persistent. Planning mitigate these.

Creditors: non-ERISA/IRA accounts are not protected by Federal Law. California Law provides specific creditor protection ONLY if assets are accounted for and structured correctly.

Tax: The IRS collects taxes on the non-tax exempt earnings of these retirement assets. This erodes the future value for retirement income production. Re-purposing these assets into tax friendly contracts can avoid all taxation without losing the power of market-driven returns.

Divorce: No one wants this outcome, but these assets are subject to marriage dissolution distributions. This can be protected against if planned for properly in advance without



locking up the assets in inflexible structures.

Health: Change in health can create large drains on retirement assets. Prior planning for these possibilities can reduce exposure due to death, disability, or mental health deterioration.

The CA Section 704 Plan™ a Custom Process

The CA Section 704 Plan™ has five modules that work together to protect non-ERISA/IRA assets in California. If you have assets for retirement and want to protect them, we can provide the process to meet the legal requirements, so you can defend those assets against claims as well as

provide additional levels of protection.

1. Quantify and record the retirement funding liability.
2. Document the Plan and implement appropriate trusts.
3. Identify retirement assets to fund the Plan,

existing or new money.

4. Engage an independent trustee to provide evidence of independent control.
5. Protect the retirement assets against death, disability, extended care expenses, and mental deterioration.

The Solution using The CA Section 704 Plan™

Creditors: Your retirement assets not held in a qualified plan are subject to the claims of your creditors. A judgement against you creates a liability for you to pay. California law provides a way to reduce or eliminate the effect of this liability on your retirement assets. The CA Section 704 Plan™ I provide uses this law to its fullest effect.

Tax: Your retirement assets are subject to tax liability. If held in a qualified plan, the liability is at payout – any payout... retirement income, death, disability, etc. If not held in a qualified plan, then only if

the assets are managed in a tax-exempt portfolio do you avoid the constant erosion of taxes. Holding these assets in tax-free municipals mitigates taxation, but at the cost of total return and may be subject to default risk. The CA Section 704 Plan™ I provide has tax-free options that can keep you fully invested and yet provide a tax-free growth and distribution environment.

Divorce: Your retirement assets are subject to divorce liability risk, both your qualified plan assets and those not held in qualified plans. Should you want to protect against this

contingency, The CA Section 704 Plan™ I provide can help protect those assets.

Health: Death, disability, and extended care create financial liabilities on you and your family. I provide The CA Section 704 Plan™ options to account for these possibilities and plan for them unlike most other retirement accumulation and distribution structures.



Contact: David F. Smith, Phd, CFP® , CLU® 619-876-6343 dsmith@usa-bga.com

*Asset protection is a very delicate legal conundrum. Legislation is enacted to allow specific types of protection, but then the courts get to interpret after-the-fact. It is critical to anticipate potential court-related issues to build a Plan that is as bullet-proof in advance as possible. Most planning does not have the depth of research needed. **The CA Section 704 Plan™** combines research from the legal, actuarial, pension trust, and investment worlds to answer the challenges identified in previous court cases. In this way, your plan can be defended with confidence.*

**We're on the
Web:
dsmithcfp.com**