



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Financial Opportunities For You and Your Family

August 22, 2023

Today's Speakers



Michael Prinzo
Managing Principal of Tax
303-265-7844
michael.prinzo@CLAconnect.com



Brian D'Orazio
Principal – Wealth Advisory
303-265-7890
brian.dorazio@CLAconnect.com





The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Disclosures

CliftonLarsonAllen Wealth Advisors, LLC (“CLA Wealth Advisors”) is an SEC-registered investment advisor that offers a wide array of private wealth advisory services. For more information about CLA Wealth Advisors’ business practices, fees, and services, please refer to our Form ADV Part 2A (the “Disclosure Brochure”). Your investment professional must provide you with a copy of the Disclosure Brochure before or at the time when you enter into a legal agreement with us.

Performance can not be guaranteed and any references to past specific performance should not be interpreted as a promise to achieve results. Investing involves various degrees of risk. You may lose money, including the principal of your investment.

Before deciding whether to engage CLA Wealth Advisors to manage any investment assets, you should review CLA Wealth Advisors’ Form ADV Part 2A (the “Disclosure Brochure”). Our Disclosure Brochure provides detailed description of CLA Wealth Advisors, its services, fees, and other important information including explanation of conflicts of interest. CliftonLarsonAllen Wealth Advisors, LLC is a wholly owned company of CliftonLarsonAllen LLP.

Different types of investments involve varying degrees of risk, including the loss of principal. There can be no assurance that the future performance of any specific investment or investment strategy (including those undertaken or recommended by CLA Wealth Advisors), will be profitable or equal any historical performance level(s).



Agenda



Industry
Trends



Current
Landscape



Planning
Opportunities

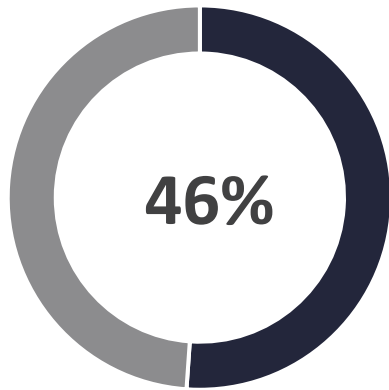


Key
takeaways

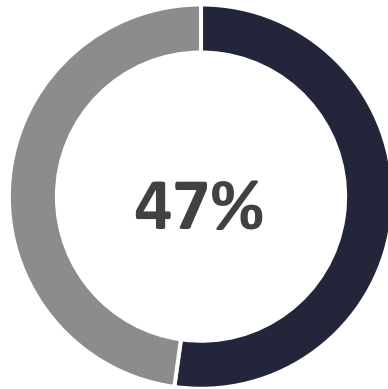
Mega Trends We Track



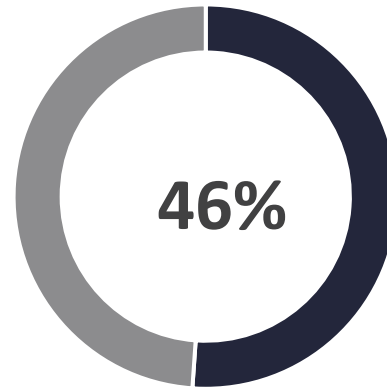
Industry Trends: High Net Worth Individuals



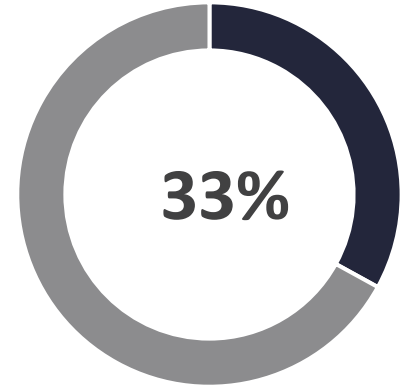
Considering changing service providers due to unmet needs



Interested in income tax planning



Interested in trust and estate planning



Indicated that the source of wealth has been from an inheritance



Industry Trends: High Net Worth Individuals

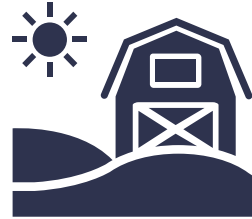


Real estate was identified as a top opportunity, both for direct and indirect investment. ¹

Top five real estate sectors of interest include: healthcare, logistics/industrial, office, private rented sector and hotels.

Source: ¹Knight Frank, Attitudes Survey 2023

²OliverWyman, 10 Trends For Wealth Management in 2023



After a decade-long bull market and ultra-low yields, the investment environment is fundamentally changing. ²



Industry Trends



Service provider consolidation is set to further accelerate. ²



Pricing management. ¹


Source:

¹Knight Frank, Attitudes Survey 2023

²OliverWyman, 10 Trends For Wealth Management in 2023



Common Questions



What is involved in transferring wealth to my family?

Where can I get proactive tax planning advice?

How can I manage portfolio risk?

How can I share my financial resources with charities?

Will I have enough time and money to appreciate life?

How can I build and protect what I have?

How can I plan for future medical expenses or the care of an aging parent?





Current Landscape



Estate Planning Landscape

	2023	Projected 2026
Top gift, estate, GST tax rate	40%	40%
Annual Gift Exclusion	\$17,000	~\$19,000
Lifetime Gift Exemption	\$12.92 million	~\$6.4 million



Estate Planning Benefits

- Avoid probate (*expense & public*)
- Control (*who gets what, when and how*)
- Asset mgt, cash flow, take care of loved ones, charity
- Protection from creditors & unintended beneficiaries
- Avoid/minimize estate & gift taxes
- Utilize lifetime exemption before reduction in 2026 (*\$12.92 million*)



Net Worth Can Impact Strategies To Consider



Do I need estate planning if my estate is less than \$10M?



Estates from \$10M to \$50M: Access to assets may be needed for income during retirement?

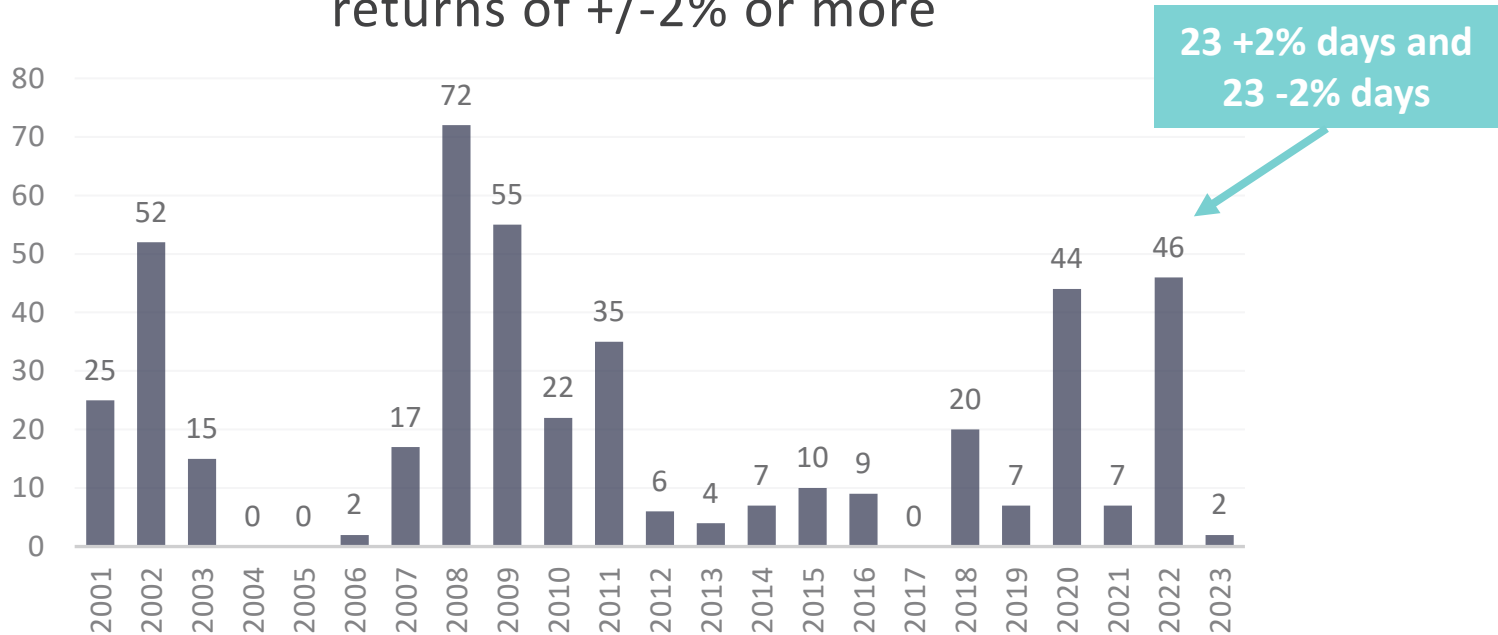


Ultra high net worth individuals of \$50M and above: Utilize exemption and move appreciation out of estate?



Stock Market Volatility

Number of single day stock market returns of +/-2% or more





Opportunities





Opportunities

Financial Planning

Charitable Lead Trusts

ROTH IRA
Conversions

Spousal Lifetime
Access Trusts





Financial Planning



“Financial planning involves looking at a client's **entire** financial picture and **advising** them on how to achieve their short- and long-term financial goals. From saving for education and planning for retirement to effectively managing taxes and insurance, financial planners **develop valuable relationships** with their clients to provide them with **confidence** today and a more **secure** tomorrow.”

— CFP Board



Financial Planning Areas

Budgeting/
Cash Flow

Retirement
Planning

Risk
Management

Business
Succession

Estate Tax
Planning

Income Tax
Planning

College
Planning

Divorce
Planning



Financial Planning Process

“We start and end with your dreams and goals ... because it’s your journey.”



Reasons Why People Do not Have A Financial Plan

- “I do not have enough money to need one.”
- “It seems too complicated.”
- “I’m busy...”
- “Nothing’s happening in my life to require one.”
- “It’s too expensive to get help creating one.”
- “I already have a plan.”



Source: Charles Schwab, Modern Wealth Survey, 2021



Financial Planning



Benefits of having

Peace of mind: 60% of those with a written plan state they feel financially stable.

Emergency Fund: 65% of those with a written plan have an emergency fund.

Risk Tolerance: 80% of those with a written plan state they consider risk tolerance when making financial decisions.

Investment Expenses: 80% of those with a plan state they are aware of fees and investment expenses.

Portfolios: 87% of those with a written plan state they rebalance regularly.



Ramifications of not

Shortfall: you may come up short on reaching your financial goals.

Missed Opportunity: you may miss an opportunity to improve risk/return characteristics and/or improve the odds of reaching your financial goals.

Lack of focus: many procrastinate and do not allocate sufficient time to planning of their future.

Accountability: having a plan brings accountability. Are you doing what you are supposed to be doing?

More taxes: many pay more income tax and estate tax due to lack of planning.

Chad & Holly's Goals

Needs



Retirement - Basic Living Expense

Chad (2027) 47
 Holly (2027) 46
 Both Retired (2027-2072) \$175,000
 Holly Alone Retired (2073-2075) \$175,000



Health Care

Both Retired Before Medicare (2027-2044) \$15,048
 Chad Medicare / Holly Retired Before Medicare (2045) \$17,039
 Both Medicare (2046-2072) \$9,859
 Holly Alone Medicare (2073-2075) \$6,287



Charitable Giving - Business Sale

In 2023 \$1,200,000

Wants



Payoff Father - Business Loan

In 2023 \$4,000,000



2023 Capital Gains Tax

In 2023 \$1,000,000



QOZ Investment

In 2023 \$1



Future Tax Liability - QOZ

In 2027 \$1

Wishes

10 Charitable Giving - Business Sale

Want

- 7 Payoff Father - Business Loan
- 7 2023 Capital Gains Tax
- 7 QOZ Investment
- 7 Future Tax Liability - QOZ

Safety Margin(Value at End of Plan)

Current Dollars	\$5,505,322	\$3,939,865	\$15,813,115	\$11,560,693	\$6,532,489	\$5,557,543	\$17,245,415	\$14,261,202
Future Dollars	\$18,896,460	\$13,523,188	\$54,276,918	\$39,680,908	\$22,422,107	\$19,075,703	\$59,193,142	\$48,950,132

Monte Carlo Results

■ Your Confidence Zone
 70% - 90% Edit

Likelihood of Funding All Goals



[Return to My Plans ↵](#) [Return to Recommended ↵](#)

Select Scenario(s)

Current Scenario Rebalance \$800k QOZ \$800k QOZ/Rebalance

Estimated % of Goals Funded

Current Scenario		Rebalance		\$800k QOZ		\$800k QOZ/Rebalance	
Average Return	Bad Timing	Average Return	Bad Timing	Average Return	Bad Timing	Average Return	Bad Timing
100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%





Charitable Lead Trusts (CLTs)



Charitable Lead Annuity Trust (CLAT)

Save income,
gift, and/or
estate taxes.

Create
charitable
legacy.

Transfer
significant
wealth.

Transfer of assets in
trust for the benefit
of charity for:

- Fixed term of years, or
- Lives of one or more non-charitable beneficiaries.

Fixed-dollar (or
increasing) payments
to charity
determined at time
of funding, and
charity can be a DAF.

Remaining assets in
trust after expiration
of stated term or
measuring lives pass
to heirs, free of gift
and estate tax.

Income, gift and/or
estate tax deductions
available.

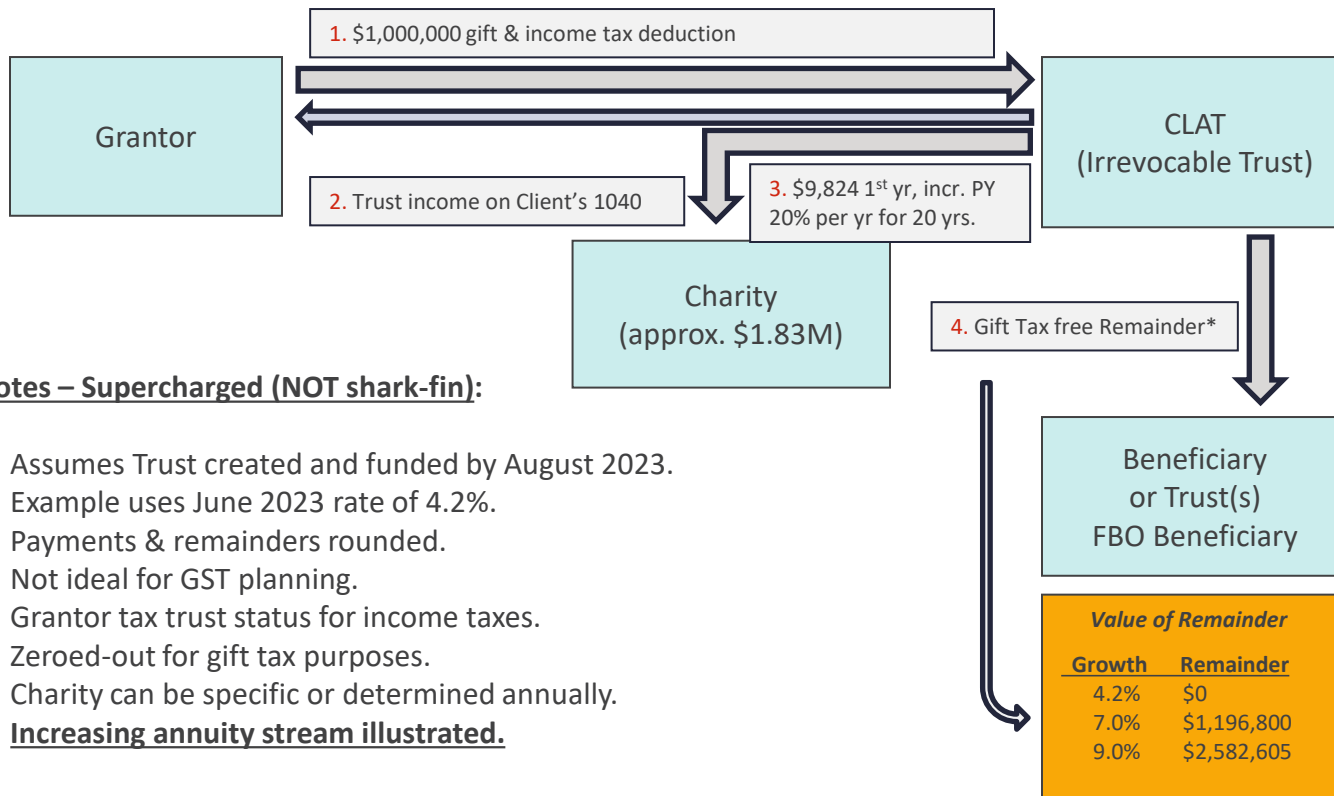


CLAT Benefits

- Stream of payments to charitable organization(s)
- Tax efficient vehicle to accomplish goals
- Value of property and future appreciation removed from estate
- Tax deduction in year of trust creation
- Creditor protection for assets in trust
- Future transfer of assets to beneficiaries



CLAT Example: \$1,000,000 – 20 Year Term



Notes – Supercharged (NOT shark-fin):

- Assumes Trust created and funded by August 2023.
- Example uses June 2023 rate of 4.2%.
- Payments & remainders rounded.
- Not ideal for GST planning.
- Grantor tax trust status for income taxes.
- Zeroed-out for gift tax purposes.
- Charity can be specific or determined annually.
- **Increasing annuity stream illustrated.**



Ideal Individuals to Utilize CLATs



Donor with significant charitable intent (now and/or future).

Donor with significant income from ROTH IRA conversions or sales of business or other appreciated property

Donor or heirs currently do not need the income from the property donated to the trust.

Donor seeks a tax-efficient means of making a future transfer of property to heirs.

Donor with significant estate and/or income tax exposure seeking tax-reduction techniques.



Other Important Considerations

Trustee selection and succession.

Income taxes on trust earnings (tax-free gift potential).

Charitable beneficiary(ies).

Type of payment (level or increasing).

Death prior to expiration of term (if grantor trust).

Power of substitution holder (if grantor trust).

Month to create and fund.

Cash to fund trust; other property for trust to acquire.

Charitable remainder trusts (CRT) still viable for some.

State law considerations with particular entity types.





Roth IRA Conversion



Types Of Individual Retirement Accounts (IRAs)

Traditional IRA

- Pre-tax contribution
- Tax deferred growth
- Taxable distributions
- Required Minimum Distributions

Vs.

Roth IRA

- After-tax contribution
- Tax deferred growth
- Tax free distributions*
- No Required Minimum Distributions

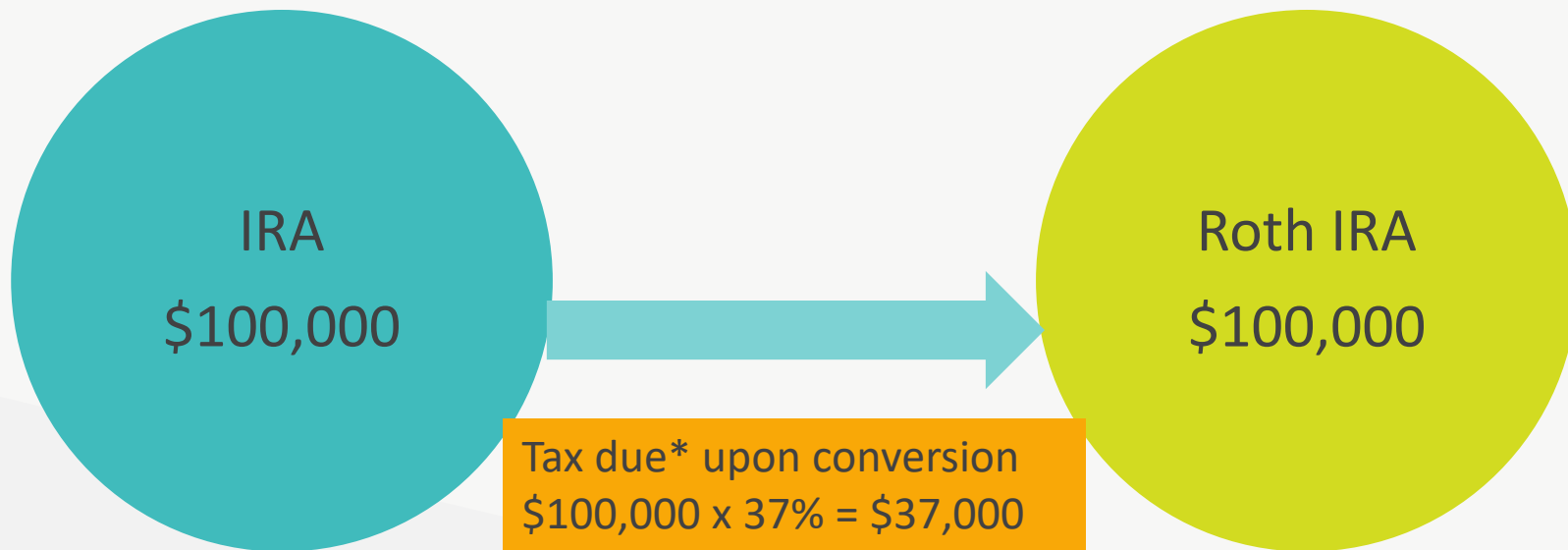


Who Should Consider Converting To A Roth IRA

- Individuals that:
 - Believe they will be in a higher tax bracket in retirement.
 - Want to diversify accounts by tax treatment.
 - Have irregular income streams and lower than usual income this year.
 - Want to maximize your estate for your heirs.



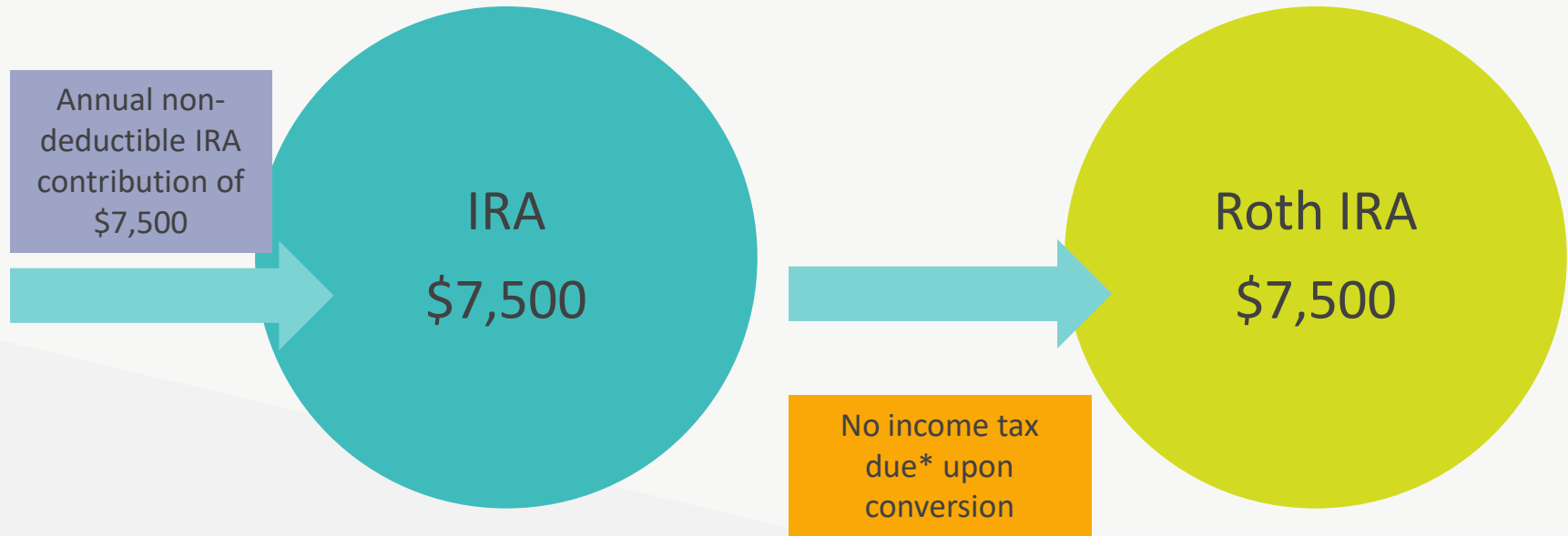
Roth IRA Conversion



*Conversion subject to federal and state income tax. Illustration assumes federal tax bracket of 37%, no state income tax (FL resident). Recommendation is to pay tax due from non-qualified assets.



Non-Deductible IRA Contribution Strategy



*Assumes individual is age 50 and eligible for catch-up contribution and no pre-tax IRA balance.



Wealth Transfer Opportunity

Roth IRA Conversion and
Non-Deductible IRA
Contribution Strategy

Assumptions

- Age 50
- \$100,000 Roth Conversion
- \$7,500/year, non-deductible IRA contribution & conversion through age 64
- 7.5% annual growth rate

Legacy

Age 80	\$1,610,967
Age 85	\$2,312,751
Age 90	\$3,320,254



Assumes contributions made at beginning of year and Roth conversions made annually. Investment returns are net of fees.

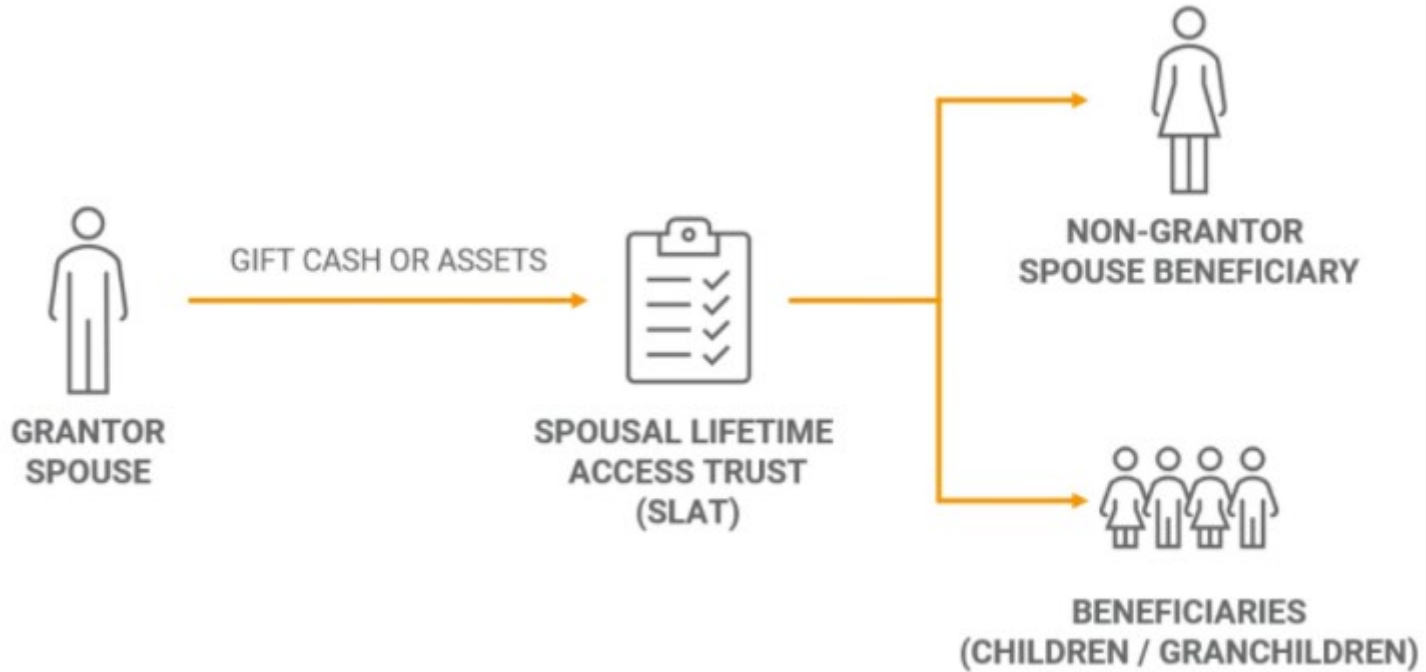




Spousal Lifetime Access Trusts (SLATs)



Spousal Lifetime Access Trust



Benefits of SLATs

Grantor has limited indirect access to trust assets (via spouse)

Assets (including future appreciation) excluded from Grantor's estate

Creditor protection for spouse and future beneficiaries

Payment of income taxes not an additional gift

Avoid probate: Not subject to probate, and trust terms dictate dispositions during life and at death of beneficiaries.



Issues to be Aware of with SLATs

No basis step up

Drafting and administrative costs
(use experienced attorney)

Creditor protection differs by state, but terms can reduce risk

Grantor divorce and spouse beneficiary concerns

Access if spouse predeceases grantor

Cash flow for tax payments

Cannot have identical trusts for benefit of each spouse





If distributions are mandatory, beneficiary spouse's creditors may be able to reach those assets

What if the beneficiary spouse dies predeceases Grantor?

What if the spouses divorce?

Be mindful of reciprocal trust doctrine





Next Steps



Key Takeaways



World is complex and
landscape is constantly
changing



Planning is the key to
success



Flexibility



Holistic advice

Income Tax Planning
and Compliance

Investment Advisory
and Portfolio
Management

It takes
balance.™

Risk Management

Estate Tax Planning
and Compliance



We'll Get You There



Thank you!

Michael Prinzo

303.265.7844

michael.prinzo@claconnect.com

Brian D’Orazio

303.265.7890

brian.dorazio@claconnect.com



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

