

# **Principles of Wealth Management**

---

**2<sup>nd</sup> Edition**

**Paul J. Winn**

# Table of Contents

---

<b>Chapter 1 – Financial Planning .....</b>	<b>1</b>
Learning Objectives .....	1
Overview .....	1
Introduction .....	1
Financial Planning Defined.....	1
Scope of Financial Planning for the Individual Client .....	2
The Need for Financial Planning.....	2
U.S. Poverty .....	2
U.S. Saving Rate .....	3
Post-Secondary Education.....	5
Financial Retirement Readiness.....	8
Steps in Developing a Financial Plan.....	12
Obtaining Relevant Client Information .....	13
Summary .....	19
Review Questions.....	20
Review Answers.....	21
<b>Chapter 2 – Critical Issues in Managing Wealth.....</b>	<b>23</b>
Learning Objectives .....	23
Overview.....	23
Maintaining One's Lifestyle .....	23
Providing Adequate Retirement Income.....	23
Overcoming Purchasing Power Risk.....	24
Protecting Assets While Facing Long-Term Care .....	24
Likelihood of Needing Long-Term Care .....	25
Types of Long-Term Care .....	26
Long-Term Care Costs .....	26
Sources of Long-Term Care Funding.....	27
Transferring Assets to the Next Generation.....	29
Determining Asset Disposition .....	29
Minimizing Estate Transfer Costs.....	29
Estate Tax Portability Provision.....	34
Ensuring Liquidity .....	35
Summary .....	36
Review Questions.....	37
Review Answers.....	38
<b>Chapter 3 – Annuities to Create and Distribute Wealth .....</b>	<b>39</b>
Learning Objectives .....	39
Overview.....	39
The Concept.....	39
Traditional Role .....	39
Accumulation Period.....	40
Distribution Period .....	41
Life Annuities .....	42
Temporary Annuities .....	44
Traditional Fixed Annuity Characteristics .....	44
Premiums .....	44
Number of Lives Covered .....	45
Annuity Starting Date .....	45
Accumulated Value .....	45
Payout .....	46
Tax Treatment .....	46
Fixed Annuity Variations .....	47
Multi-Year Guarantee Annuities .....	48
Bonus Annuities .....	48

## Table of Contents

Indexed Annuities .....	49
Variable Annuities.....	50
Summary .....	51
Review Questions.....	52
Review Answers.....	53
<b>Chapter 4 – Long-Term Care Insurance to Protect Wealth .....</b>	<b>55</b>
Learning Objectives .....	55
Overview.....	55
The Concept.....	55
Benefits Provided by Long-Term Care Insurance .....	55
Nursing Home.....	56
Home Care .....	56
Assisted Living Facility.....	56
Adult Day Care Facility .....	56
Hospice Care.....	57
Benefit Triggers .....	57
Product Characteristics.....	57
Elimination Period .....	58
Benefit Period .....	58
Inflation Protection .....	59
Qualified Versus Nonqualified Policies .....	60
Tax Status of Long-Term Care Policies .....	60
Changed Benefit Triggers .....	61
Alternatives to Stand-Alone Long-Term Care Insurance .....	61
Deferred Annuity/LTC Hybrid Products.....	61
Life Insurance/LTC Hybrid Products.....	62
Summary .....	62
Review Questions.....	63
Review Answers.....	64
<b>Chapter 5 – Facilitating Wealth Transfer .....</b>	<b>65</b>
Learning Objectives .....	65
Overview.....	65
The Concept.....	65
Providing Estate Liquidity.....	65
Cash in the Estate .....	66
Selling Assets .....	66
Borrowing .....	67
Using Life Insurance .....	67
Equalizing Inheritance.....	68
Replacing Gifted Assets.....	68
Characteristics of Life Insurance Policies .....	70
Whole Life Insurance .....	70
Premiums .....	70
Expenses.....	70
Cash Values .....	70
Death Benefits.....	70
Guarantees.....	71
Advantages and Disadvantages of Whole Life Insurance .....	71
Universal Life Insurance.....	71
Premiums .....	71
Expenses.....	72
Cash Values .....	72
Death Benefits.....	72
Guarantees.....	72
Advantages and Disadvantages of Universal Life Insurance .....	73
Survivorship Life Insurance .....	73
Advantages and Disadvantages of Survivorship Life Insurance .....	74

## Table of Contents

Summary .....	74
Review Questions.....	76
Review Answers.....	77
<b>Chapter 6 – Wealth Accumulation and Protection .....</b>	<b>79</b>
Learning Objectives .....	79
Overview.....	79
Beginning the Process—Needs Assessment.....	79
Gathering Information .....	79
Setting Objectives and Priorities .....	80
Determining Risk Tolerance .....	81
Developing the Plan.....	82
Budgeting Income.....	83
Identifying and Evaluating Alternative Strategies .....	84
Wealth Accumulation .....	84
Wealth Protection .....	85
Wealth Transfer .....	87
Summary .....	88
Review Questions.....	89
Review Answers.....	90
<b>Chapter 7 – Income Tax Planning .....</b>	<b>91</b>
Learning Objectives .....	91
Overview.....	91
Effect of Income Taxes on Accumulation .....	91
General Personal Income Tax Planning Principles .....	92
Income and Deduction Shifting.....	93
Acceleration and Deferral Techniques.....	93
Harvesting Year-End Investment Losses.....	94
Delayed Mutual Fund Purchases .....	95
Specific Personal Income Tax Strategies.....	95
Funding Retirement Income .....	96
Funding Children’s College Education.....	100
Paying for Medical Care.....	109
Summary .....	113
Review Questions.....	116
Review Answers.....	117
<b>Glossary .....</b>	<b>119</b>
<b>Index.....</b>	<b>123</b>