

| Client Circumstance | Hidden Risk | Outcome If Identified and Resolved |
|--|--|--|
| Low-basis stock (i.e., appreciated securities portfolio) | <ul style="list-style-type: none"> • Capital gains tax exposure • Medicare surcharge tax exposure • Exposure to creditors' claims | <ul style="list-style-type: none"> • More money available through reduced taxes • Wealth is protected • Stock distributions to trusts providing tax benefits, wealth shifting |
| Low-basis property | <ul style="list-style-type: none"> • Same as low basis stock PLUS • Replacement value insurance mismatch in an appreciating market climate | <ul style="list-style-type: none"> • Same as low basis stock PLUS • Tighter loss-risk management |
| Unexercised, in-the-money stock options | <ul style="list-style-type: none"> • Income or gains taxes (depending on the option type) • Medicare surcharge tax exposure • Overconcentration to an employer's operations, competitors, and market environment • Inefficient allocation of wealth to investment horizons or purposes | <ul style="list-style-type: none"> • Tax efficiency considering other income and gains sources • Improved investment diversification |
| Life insurance with substantial cash value | <ul style="list-style-type: none"> • Using other income sources with less tax efficiency | <ul style="list-style-type: none"> • Monetize the policy to support income needs • Improved tax efficiency |
| Unmatched life insurance death benefit | <ul style="list-style-type: none"> • A death benefit too high, risking encroaching on estate tax thresholds • A death benefit too low to support wealth shifting in estate planning • A death benefit too low to replenish lost income due to premature death | <ul style="list-style-type: none"> • Too High: Estate tax savings • Too Low: Achieve target wealth distributions to beneficiaries • Too Low: Fund income replacement • Too Low: Peace of mind that survivors will be sustained |
| Sub-optimal insurance products | <ul style="list-style-type: none"> • Surrender charges in wealth realignment | <ul style="list-style-type: none"> • Comprehensive planning to minimize |

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> • Too-high premiums that become a financial burden and thus increase the potential for policy lapse | dollars lost to fee and cost inefficiencies |
| Earned income in retirement | <ul style="list-style-type: none"> • Creating additional tax exposure in concert with other income sources | <ul style="list-style-type: none"> • Restructuring distributions to achieve tax efficiency |
| Ownership of an employer's stock | <ul style="list-style-type: none"> • Poor diversification and risk management due to a concentrated exposure to the employer's operations, competitors, and market environment | <ul style="list-style-type: none"> • Improved overall risk management |
| Current chronic illness, poor family health histories, or both | <ul style="list-style-type: none"> • Faster wealth depletion through increased medical liability • Increased family burden | <ul style="list-style-type: none"> • Wealth protection through a long-term care funding plan • Peace of mind that family burdens will be lessened |
| Obsolete trusts | <ul style="list-style-type: none"> • Unnecessary estate costs • Estate execution inefficiencies • Mismatched wealth to desired purposes | <ul style="list-style-type: none"> • Lower costs • Lower taxes • Viable estate execution • Comfort that wealth's purposes will be fulfilled |
| Estate plan relying on wills | <ul style="list-style-type: none"> • Unnecessary exposure to probate • Exposure to legal costs of incapacity • Loss of control of wealth and wealth transfer timing | <ul style="list-style-type: none"> • Estate execution efficiency • Control of wealth and its distribution • Comfort that the plan matches desires, values, and interests |
| At-home, teenaged dependents | <ul style="list-style-type: none"> • Legal liability exposure in the case of accidents that have resulted in another's disability or death | <ul style="list-style-type: none"> • Wealth protection |