Gary Hager is the founder and president of Integrated Wealth Management.
*With over 20 years of experience under his belt, Gary is one of the leading zero-tax and wealth planning experts in the U.S. He has regularly appeared on CNBC, MSNBC, NBC Nightly News, Fox Business and News 12 NJ, as an expert financial resource. He has been quoted in CNN Money, Best Life, Worth, Newark Star Ledger, Investors Business Daily, Dow Jones Newswire, US News and World Report, and Financial Planning Magazine. Gary developed the educational workshop titled, **"Defending Your Wealth Part I and Part II"**, in addition he created and hosted a daily radio program which aired on WADB FM called **"Financial Fitness."** Gary has also authored numerous technical articles in the areas of estate, investment and retirement planning.*

Business owner's primer for protecting and enhancing personal wealth and business assets

Gary K. Hager, CFP

LEARN ABOUT:

- The hidden dangers of traditional buy-sell agreements
- **The Hub and Spoke Asset Integrator™**
  The "only" cutting-edge method o protect your investment **nest-egg** regardless of economic conditions
- A unique retirement plan which will allow you to save LOTS more pre-tax dollars for yourself and your employees. **P.S. It's funded by the IRS!**
- **Significantly** reduce health care costs with the **Real Value Statement™**
- How you can avoid the income and estate tax risk of not knowing what your business is worth
- The 1% Solution –
  Where your retirement is heading...

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Website: www.iwmco.com

• THE HIDDEN DANGERS OF TRADITIONAL BUY/SELL AGREEMENTS

Did you know that if you have a traditional buy/sell arrangement that you might be unwittingly sitting on a "time bomb"?

Yes, that's right a time bomb. The typical buy/sell arrangement severely penalizes the first partner to die. Let's look at an example:

Say you have a business worth $5MM. You have one partner and you die first. The typical buy/sell says, "Pay my family $2.5MM in exchange for my stock." So your family winds up with $2.5MM, sounds fair. However, when your partner sells the business a month later, he receives $5MM, twice what your family **received**. Is this equitable?

It actually gets worse. If you're like many business owners, you probably bought some life insurance to cover the buy out. This will actually **increase** the disparity. With an insured buy/sell let's take a new look at the same facts:

Your partner dies two weeks after you do. His widow will receive the business, PLUS an additional $2.5MM in insurance that was on his life for a total of $7.5MM or 3 TIMES AS MUCH as your family! And you thought you were equal partners?

At Integrated Wealth Management™ we have developed the revolutionary "BANDS" Business Succession model. This is a planning approach that effectively balances the true **enterprise** value of your business. This approach takes into account not only death but disability , and separation of service with multiple scenarios to deliver the most practical and even values to the partners regardless of order of events.

With the **BANDS system™** in place the result would have been a much more acceptable and equitable distribution of value. It would've prevented the win/lose scenario illustrated above and would've created an acceptable win-win for both families.

If you don't have a buy sell agreement in place, you need one and fast. However, be forewarned, that the traditional cross purchase or entity purchase buy sell improperly structured could actually be **worse** than having no buy sell at all.

• HOW TO PROTECT YOUR INVESTMENTS WITH THE HUB AND SPOKE ASSET INTEGRATOR™

This last recession has created enormous angst on the part of business owners that are either getting ready to sell their business, or retire from their business. They're worried about whether or not the capital markets will provide a reasonable rate of return on their assets to support their standard of living. *And rightly so.*

The solution?

Learn how to invest like the endowments do at Harvard and Yale. Their performance during up and especially down market periods has been exceptional. Not just from the point of view of risk adjusted return, but from the relative absence of any significant volatility to their portfolio.

At Integrated Wealth Management™ we've developed the Hub and Spoke Asset Integrator™. We believe there are three key spokes to building the wheel of a successful investment approach.

1. DEVELOP AN ASSET POLICY STATEMENT

This is a written document summarizing who you are from an investment standpoint. It includes your opinions on risk tolerance, time horizon, cash flow needs, tax sensitivity and even social issues. Once this document is in place, there is a clear vision for your investments that we can overlay on your existing portfolio to see what fits, what's missing, and what sticks out as inconsistent with your stated preferences.

2. INCORPORATION OF NON-CORRELATED ASSETS

A non-correlated, or alternative investment by definition is one that produces performance independent of the success of any economy. Non-correlated investments can be as straightforward as income producing real estate and precious metals, such as gold. Or can be more complex such as oil and gas partnerships Fund of Funds or private equity. Over the past 30 years, it has been proven empirically, that portfolios that contained these types of investments have provided better returns, less risk and reduced volatility over both the short and long haul.

3. ADOPT AN AGGREGATION PLATFORM

This single resource allows you to remove all the financial and estate clutter from your life. Wouldn't it be nice to dump all those monthly statements? We create for you your own private, encrypted website, with which you can view, analyze, report and communicate any element of your total estate in an instant. Our clients report that this system is the most significant timesaver they've ever experienced.

This system allows you to view your total investments, across all managers, even if they work for a variety of proprietary institutions. One of our primary goals is to eliminate performance overlap or sector redundancies that exists when you engage multiple managers or multiple firms to support your investment management.

We find that some advisory firms offer one or two aspects of this three-pronged system. We are steadfast in our belief that without integrating all three, "you're in for a bumpy ride."
Find out more about our **Hub and Spoke Asset Integrator™** and how it can benefit you and your family... ask for a copy of our free DVD which explains all the inner working of this innovative way to monitor your assets.

• PAY KEY EMPLOYEES AND YOURSELF MORE WITHOUT COSTING MORE

One of the greatest problems today for the business owner is figuring out how I can **attract** and **retain** key employees. How can I pay them more without it costing me more?

In fact, there is a method where you can pay them more, pay yourself more, and pay the IRS less. **No**, it's **not** a pipe dream!

Most business entrepreneurs realize the importance of installing and maintaining some form of a qualified retirement plan. Typically, this involves the creation of a 401(k) and or a profit sharing plan. This is a great start for most businesses, **but** if this is all that **you've** ever done, **you've** really shortchanged both yourself and your employees.

The first problem is as a highly compensated owner you are discriminated against as to what percentage of your income you can put away pre-tax. For example, an owner earning $500,000 may only put away approximately $45,000 into a profit sharing 401(k) combo plan. This only amounts to 9% of your total compensation, while an employee earning $100,000 a year can put away a full 15% of their income. **This** is true reverse discrimination.

The **solution**, is to install a type of retirement plan that complements your existing 401(k) but provides a **much** greater benefit for both yourself and your employees. For example:

Assume that the end of a given year you are prepared pay yourself a $100,000 bonus. If you are in the 40% effective bracket between federal and state. This means you will wind up placing $60,000 in your pocket and paying $40,000 in income tax.

Let's look at a better way!

With our strategy you will place $100,000 in your new retirement plan. $80,000 will be attributable to the owner's account(that's you!) $20,000 attributable to the employees. **This leaves ZERO for the IRS.**
The net results are as follows: You as the owner wind up with 33% more money working in your account (80,000 versus 60,000).
Your employees wind up with $20,000 that they never would've had. (**Sounds** like a reasonable way to retain key people?) **You transfer tax dollars to yourself and your employees!**

Want to find out more about how this plan can work in your organization?

Call us immediately at 732-510-1610.

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• REDUCE HEALTH CARE COSTS WITH THE REAL VALUE STATEMENT™

Want to save on health care cost? Have you heard about the **Real Value Statement™**? It is a personalized total compensation statement that aggregates cash compensation, contributions to benefits and tax savings for each employee. (A real money saver in the face of health care reform) You say you're really worried about the net effect of Obamacare. Why shouldn't you be, it's a 2,700 page quagmire. But there are answers, there are opportunities, there a way as to keep your healthcare costs as low as possible without sacrificing an inordinate amount of benefits for your employees.

These are our goals for our clients, how do they sound to you?

- Contain benefit inflation costs for a 3 to 4 year period to low single digits
- Create a formal risk management strategy
- Formulate a communication strategy to support the risk management strategy.
- Modify employee behavior

The idea is to create a much more efficient benefit plan through design and integration of other programs. The common problems that we see are:

1. Inefficient Use of the existing Plan, (ie. too many ER visits)*

2. Low Usage of Mail Order Drugs

3. Unnecessary Utilization of Providers

4. In System Services % Is Low

5. Rate Increase Received Is Not Valid

6. No Formal Risk Management Strategy in Place

7. No Communication Strategy in Place

* Employer contribution schedule does not promote the proper behavior

This is what we've been able to implement for dozens of clients over the last number of years:

Develop a risk management strategy for a 3 to 4 year period of time. Anything longer than this and you're asking for problems. Many things will change.

Develop a communication strategy to modify behavior to work in concert with the risk management strategy.

This is one of the most critical elements of a properly designed **Real Value Statement™**. Its breaking employees out of bad habits.

Change the employee behavior to more efficient use of the plan.

Again this comes under the education component and follow-up to ensure that employees are following the most efficient route to the end result.

Retain current rates.

Obviously, containing ever rising healthcare costs is paramount. With clients receiving 20 and 30% increases the costs continue to spiral out of control. It is our mission to search for the most competitive bids-and when and where appropriate actually reduce our compensation/revenue to maintain reasonableness in overall costs to our clients.

Find out more about how **Integrated Wealth Management™** and our **Real Value Statement™** can make a difference in your corporate benefit plan.

• KNOW WHAT YOUR BUSINESS IS WORTH: AVOID A HUGE TAX RISK

"What is my business worth?"

You think **it's** important to know? It is certainly important if you're considering any estate planning as you can't reconcile the total value of the estate without it. You would have no way to know how to plan for what the tax burden would be to your family.

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It's also important to know if you'd like to ultimately sell your firm and realize the greatest degree of value for yourself and your loved ones. And of course it's certainly important for any banking relationship.

And yet when I sit with most business owners and ask them the critical question, **"What Is Your Business Worth?"**. I usually get a blank stare. Most business owners know what they'd like to get if they sold their business but most have no concept whatsoever what the real value is.

If you should die without am arms length buy sell, or a properly prepared certificate of value, the IRS will determine what your business is worth! They will invoke a section 5961 audit and will use an approach which will result in the business being worth much more than you or your family would ever expect. This of course results in an enormous increase in the estate tax and the ultimate
liquidity needs by your family to pay the federal and potential state governments (and within 9 months of your demise).

You certainly don't want to run in to a situation like the Robbie family of Miami did many years ago. They owned the Miami Dolphins. And Joe Robbie never valued the team had done little if any planning. The family was forced to sell the Dolphins to Wayne Huezinga for $70 million in order for them to come up with the cash necessary to pay the enormous estate tax due (appx 20% of the teams true value!)

The solution?

First, know what your business is worth--and the only way to do this (and it's not asking your accountants) is to hire an outside consultant.

At **Integrated Wealth Management** we have formed relationships with some of the countries leading business appraisal services. Through these services, we can provide you with not only fair market value appraisals but **discount** appraisals paramount to any form of estate tax reduction planning.

Wouldn't it be nice to know exactly what your business is worth?

Wouldn't it be nice to know exactly the amount of discount that you can use when moving through the estate planning process?

How about retirement? Don't you think it's important to know what you can sell your business for so you can better determine the standard of living that you can support in retirement?

• UNDERSTANDING WHERE YOUR RETIREMENT PLAN IS TAKING YOU – THE 1% SOLUTION

You may know your route when you drive to work. Do you know what road your retirement plan is on? For **many** people even a 1% reduction in overall rate of return can mean the difference **between** lying on the beach, or working into your golden years!

Let's assume that you have $1 million in your retirement nest egg now and you plan to retire in 20 years. Lets take a look at what happens to your nest egg over the next 20 years given small differences in actual returns.

At a 7% return your $1 million will grow to $3,869,000. At just a 1% reduction. 6% will have that asset grow to $3,207,000. And with just 1% more taken away, a 5% return will have the same $1 million grow to just $2,650,000.

The importance of these numbers when reaching retirement is the income derived from them. The rule of thumb has been to take 4% out of an account on an annualized basis. The expectation, is that at a 4% withdrawal rate you will be able to maintain or even grow the principal while maintaining consistent income for life.

The income derived after have achieved 7% overall return would be approximately $154,000. But if your return was reduced to a 5% return, just 2% less, would result in an income reduction to

$106,000. **That's a difference of $48,000 a year.** Obviously, this can make a substantial difference in your lifestyle, especially after you count in any income tax.

At **Integrated Wealth Management™**, we have developed a three-pronged approach to prudent investment management which takes into account the methodologies used by such institutions as **Harvard** and **Yale** and also seeks to mirror the approaches used by the top managing directors at investment banks such as Goldman Sachs and JP Morgan.

It has enabled our clients to achieve a much higher degree of consistency, risk adjusted return, and more importantly, **"less sleepless nights"** due to market volatility.

We have not found anyone or anything that has been clairvoyant in telling us the future direction of our economy or the markets in general. However we can to some extent read the "tea leaves". With the enormous amount of sovereign and personal debt not only domestic but in the international arenas our expectation is that investing is going to be much more difficult and much more volatile than it has been in the past 60 years.

Will we have extraordinarily low interest rates for a long period of time or will we see a period of hyperinflation?

I don't. No one knows!

You owe it to yourself. You owe it to your children. To make sure that your planning for yourself, your family and your business is as resilient and protected as possible for **ALL** events that will be thrown at it over the next decade.

We stand ready to help you ensure that your plans are taking you in the right direction.

Gary

Gary K. Hager, CFP™, *Founder and CEO*

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To obtain a copy of our IWM Portfolio performance, please contact our office at

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