



LIFE AND DISABILITY  
INSURANCE PLANNING



ESTATE PLANNING



INSURANCE ANALYSIS



WEALTH TRANSFER  
STRATEGIES



LONG TERM CARE



RETIREMENT  
PLANNING



BUSINESS PLANNING



NON-QUALIFIED  
DEFERRED  
COMPENSATION



ANNUITIES

## Settling Up with the IRS: It's the Reason for the Season

As those 1099s start rolling in, we begin to turn our thoughts toward that most dreaded of all civic duties, paying the taxman. The very thought can send fear and loathing through the hearts of even the bravest citizens. But with a little planning, you can actually survive the season reasonably unscathed and go on to anticipate the next tax season.



If you plan to emerge victorious, begin with the realization that the decisions you make will affect two years, the current year and next year. That means you need to determine your reason de etre. Is it to mitigate your tax liability for this year? Then you need to postpone income until next year. Do you want the heavier tax burden to fall on this year rather than next year? Then the reverse is true. Oftentimes people believe they should postpone income as long as they can, but this isn't always the best course of action. A retired person with money in an IRA may want to withdraw more than the minimum in the current year because they are in a lower tax bracket than they will be next year be-

cause of anticipated additional income.

Tax strategies depend on your individual situation. You can make your January mortgage payment in the current year if you need an additional deduction. Save your medical expenses and record them together so they exceed 7 1/2 % of your adjusted gross income and can be deducted. You may want to consider "bunching" other deductions too. For example, take the standard deduction for charities every other year and then bunch the deduction every other year.

Look at the gains and losses for the year in your taxable accounts. You should consider harvesting losses to offset some of your gains. If you have loss carry forwards from previous years, now may be the time to use them to offset any significant gains.

Maximize your contributions to your retirement plan at work. If your employer offers a matching program, put enough in to get all the money you are entitled to from your employer. Many employers offer a Section 125 Cafeteria Plan which allows you to deduct money on a favorable tax basis to pay certain expenses. The employee can set aside money to pay for uncovered medical expenses such as prescription drugs or eyeglasses. However, the money must be used during the calendar year, otherwise you lose it.

Get rid of credit card debt. There is no tax benefit in carrying it. You can use a home equity line of credit or refinance your home to pay down debt but this only works if you learn to stop being a spendthrift. You can also try paying off the card with the smallest amount

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## Welcome to Our Newsletter!

With over 80 years of combined experience, Gilbert-Krupin is committed to providing superior service, comprehensive insurance planning and innovative wealth transfer strategies. We are dedicated to providing cutting-edge ideas to help our clients work toward their goals.

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## Underwriting Life Insurance for the Extreme Risk Taker

It may be surprising to know that having a clean bill of health will not necessarily guarantee the best life insurance rates. If you regularly participate in what insurers classify as "risky" hobbies then be prepared to fork out higher premiums to purchase life insurance. Any activity considered an extreme sport, such as mountain climbing, hang gliding or scuba diving, could cause your insurance rates to rise.

If it is your unmitigated desire to participate in extreme or risky activities there are some items you should know before purchasing life insurance. The way insurance companies generally categorize potential clients is as follows. First, there are smokers and non-smokers that are generally further broken down into 3 groups consisting of Preferred Plus (offering the lowest premium), Preferred (an average premium) and Standard (the most expensive). If you engage in activities that an insurance company considers risky then you are probably knocked out of consideration for Preferred Plus or Preferred status. When medical history or other factors are added into the equation you could be lowered to a level below that of a Standard rating. From an underwriting standpoint, the insurer views you as having a higher likelihood of premature death.

There are some options you may want to consider that may help lower the price of your insurance.

- Buy your life insurance before you start participating in an extreme sport or risky endeavor. Once you purchase your policy the rates are locked in for the term of your policy and cannot increase based on changes in your lifestyle.
- You can purchase a policy that excludes coverage for your risky activities. You won't have to pay an extra "risk" premium, but you must also realize that if you meet your demise in this activity you will not be covered.
- Shop around for rates from different insurers. Where one company might refuse to cover you or will only do

so at an exorbitant rate another insurer may be more comfortable with your chosen activity and will not be as rigid. Talk to an agent that specializes in high-risk coverage.

- Another option is to buy a mortgage-life insurance policy. If you die your mortgage is paid off. This is a group policy where the bank is the beneficiary and the amount of the benefit would be based on the face amount of your mortgage at the time of application.
- If you must participate in a risky activity then do all you can to educate yourself about safety and licensing regulations. Becoming an expert will paint a better picture for your prospective insurer.
- Notify your insurance agent if you decide to stop participating in the risky activity. You may be able to submit evidence to the insurer to have any extra rating removed from your policy.

It is not an option to lie on your application. Doing so could lead to a future claim being denied. Know what you are getting into if you are thinking about participating in an extreme activity, it may involve more than just the thrill of the moment, it could cost you more than you're willing to risk.



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and make only minimum payments on others. Once that is finished, take the next smallest and continue until the debt is paid, and so on until you are debt-free. Another strategy is to pay off the card with the highest interest rate first.

Make a charitable contribution of an appreciated asset. It's exactly the same as a cash donation for the charity

and you avoid the capital gains. If you want to donate clothing or other items, go to [www.satruck.com/value-guide.asp](http://www.satruck.com/value-guide.asp) for the Salvation Army's value for these items. You will need a receipt from the charity to prove these donations were made. If you give to your place of worship on a weekly basis, try giving the entire year's amount at one time with appreciated assets so that you get the deduction and avoid the capital gains tax.

## Study Shows SUVs Are Not Safer for Kids

If you have children, you are always on the alert for products that will keep them healthy or safe. Keeping this in mind, ad agencies for the top automobile makers design their commercials to tout just how safe your children will be on the road while riding in their clients' cars. The safety factor has usually been a great gimmick, especially when it came to the SUV. Well, not any more.

A new study from The Children's Hospital of Philadelphia states that children riding in SUVs have the same injury risks as children riding in passenger cars. The study was published in the January 2006 edition of *Pediatrics*, the journal of the American Academy of Pediatrics. The researchers concluded that an SUV has a greater chance of rolling over during a crash and that this liability outweighed the safety benefits derived from riding in a larger, heavier-weight vehicle. The doctors who conducted the study justified the necessity for their research because of the growing popularity of SUVs and their increased use as family vehicles. They added that due to the large size of SUVs, many parents perceived them as safer family vehicles, even though not much is known about child safety in SUVs compared to passenger cars. The objective of the study was to compare the potential risk of injury to children involved in SUV crashes with children involved in crashes in passenger cars.

This study, which is part of a continuing collaboration between Children's Hospital and State Farm Insurance Companies, examined State Farm's crash records involving 3,933 children between the ages of 0 and 15 years, who were riding in either 1998 or newer SUVs or passenger cars. They found that rollover was a major factor in the risk of injury in both types of vehicles. They also discovered that rollover occurred twice as frequently in SUVs as in the passenger cars. Children who experienced rollover crashes were three

times more likely to be injured than children who were not involved in a rollover.

The research went on to note that children who were not properly strapped into a car seat, booster seat or wearing a seatbelt during an SUV rollover had 25 times greater risk for injury than children who were appropriately restrained. Almost 41 percent of all the children who were not appropriately restrained suffered a serious injury. By comparison,



only three percent of appropriately restrained children in SUVs were injured, and less than two percent of appropriately restrained children in passenger cars were hurt.

In a study conducted in 2005, Children's Hospital discovered that State Farm crashes involving children riding in SUVs increased from 15 percent in 1999 to 26 percent in 2004. The percentage of crashes involving children riding in passenger cars decreased from 54 percent in 1999 to 43 percent in 2004.

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business partner can make the decisions for the future of your business. The contract can be as simple or complex as it needs to be, but most importantly, it will either set a purchase price or provide a formula that will be used to value the business in case of a buy-out.

The death of your business partner and friend will be a difficult time for you and their family. Having to negotiate the future of your business at such a difficult time can be avoided by having a buy-sell agreement already

in place. With this agreement, you can provide fairly and adequately for the deceased's family members, value the deceased partner's share of the business, avoid placing a financial burden on the business, and prevent bad feelings between the parties. Consult an attorney or financial advisor to talk about planning for the future of your business, before it becomes a greater burden at an already difficult time.

## Planning for the Premature Death of a Business Partner - There's More to It Than You Think

You make decisions about how to spend money, the direction you want to go, and spend vast amounts of time with this person. No, it's not your spouse - it's your business partner. Your business partner is a huge asset to your business. How do you protect your business in case your business partner dies? Planning ahead for this scenario can be one of the most important things you do to protect your business.

The death of your business partner can affect more areas of your business than you anticipate. You may be prepared to have conflict between your concerns and those of the deceased's family. But you should also be prepared for problems such as suppliers wanting to back off; creditors requesting payments and refusing to extend additional credit; customers being afraid to do business; and some employees leaving your company.

So, what choices do you have should your business partner suddenly pass away? One of the first choices you consider may be to liquidate the business and distribute the assets. The obvious problem with this plan is that you are eliminating your own source of income! Additionally, the assets of the business may sell for a small percentage of their

worth. A second choice would be to take on the deceased's heirs as your new business partner(s). The problem with this plan is that often it was the special relationship you had with your associate that made the business work. Replicating the chemistry, skill set, and perspective you shared with your business partner is unlikely to happen with their heirs.

A third option for the future of your business would be to sell your share to the deceased's heirs. This option is usually not viable, as the disagreements begin with the purchase price and continue through the rest of the negotiations. Lastly, you could buy out the surviving heirs and maintain the business on your own. This may be the most desirable to you, but again, you will be subject to disagreements over purchase price and other terms. Plus, you will have to come up with the money to purchase the other half of the business.

So, what is a possible solution? A properly funded buy-sell agreement. A buy-sell agreement is a legally binding contract which dictates exactly what will happen if one of the business partners dies or becomes disabled. You can make all the decisions ahead of time, so both you and your

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