



Tax-Advantaged Deferred Compensation Planning

Creative Asset Protection Strategies, Inc.

Presents:

An overview of structured deferred
compensation plans.

Structured Deferred Compensation Plans

Conventional Deferred Compensation Plans are:

- Unfunded obligations of payor
- Subject to the payor's creditors
- Growth (if any) attributable to plan is subject to current taxation
- Subject to revision or termination
- Not tax-deductible to payor until paid to beneficiary at a future date

Structured Deferred Compensation Plans are:

- Funded, and guaranteed by a top domestic insurance company
- Not subject to payor's creditors
- Growth is guaranteed and tax-deferred
- Not subject to revision or termination
- Tax-deductible to payor when funds are paid into plan – not taxable to beneficiary until ultimately received

Owners of Sub-S Corps, LLC and Partnerships may create a structured deferred compensation plan that creates an immediate tax-deduction for the company, places the funds in an asset protected fund with guaranteed tax-deferred growth, and is not taxable to the owner until paid out by the plan at a future date.

Individuals receiving substantial payments may defer taxes by having the funds paid into the structured payments plan. The plan is asset protected, offers tax-deferred growth, and is guaranteed by a major insurance company.

Tax Impact: Lump Sum vs. Structured Plan

	<u>Current Payment</u>	<u>Structured Payment</u>
Payment	\$2,000,000	\$2,000,000
Federal Income Tax (35%)	-700,000	
Medicare taxes (2.9%)	-58,000	
State & local income taxes (8%)	<u>-160,000</u>	
Available for investment	\$1,082,000	\$2,000,000
<u>Total payout assuming 6% return rate</u>		
Tax-deferred payments begin in 20 years, then pay for 15 years certain –		
Basis in annuity / structured program	\$1,082,000	\$ 000
Earnings	2,931,000	7,418,000
Tax on earnings (35+8% / 35+8+2.9%)	<u>-1,260,000</u>	<u>-3,405,000</u>
Total after tax proceeds	<u>\$2,753,000</u>	<u>\$4,013,000</u>
Immediate Tax-deferred Plan for 30 years certain -		
Basis in annuity / structured program	\$1,082,000	\$ 000
Earnings	1,242,000	4,295,000
Tax on earnings (35+8% / 35+8+2.9%)	<u>-534,000</u>	<u>1,971,000</u>
Total after tax proceeds	<u>\$1,790,000</u>	<u>\$2,324,000</u>

The tax rate to be paid on the payments from the structured program will be determined by the income and residence of the beneficiary at the time the payments are received, including state and local income taxes.

Tax & Asset Protection Advantages of Structured Deferred Compensation Plans

- Payments into your plan are a current tax-deductible expense for the payor, but tax-deferred to the beneficiary.
- Growth in the plan is tax-deferred.
- All payments are guaranteed by an offshore insurance company.
- Deferred funds are protected from creditors.
- "Separate Property" status is maintained.
- Customize the way you receive payments.
- Structured payments are not "earned" until paid – so taxes are based upon where you live, your income levels and the tax rates in effect when you collect each payment.
- Deferred funds are paid to an offshore company that purchases an annuity from an offshore insurance company that makes payments to the beneficiary on behalf of the structured program provider.

Payments that may qualify

- Deferred compensation payments to Sub-S owners, LLC members & Partners
- Endorsement & promotional fees for athletes & entertainers
- Professional fees for Attorneys, Doctors and Consultants
- Real property sales or the sale of a business or practice
- Sale of capital assets - long or short term
- Taxable settlements and other payments
- Commissions and bonus payments

For additional information, illustrations and for legal and tax authorities contact:

David W. Southwell, President
Creative Asset Protection Strategies, Inc.

www.capstrategies.com

david@capstrategies.com Tel: 305-621-0220