

## ***We are proud to announce:***

Matthew Kunnen, Investment Analyst, has successfully completed the requirements to use the mark CFA®. The Chartered Financial Analyst® mark is one of the most premier designations for investment professionals. The mark, issued by the CFA Institute, is awarded to individuals who successfully complete an advanced level course of study and pass three individual national examinations. The CFA® program bridges current practice, investment theory, and ethical and professional standards to provide investment analysis and portfolio management skills. Team JVL is very proud of Matt's accomplishments!



## ***“It’s tough to make predictions, especially about the future.”***

In September, one of the greatest baseball players of all time passed away. Yogi Berra was the catcher for the New York Yankees from 1946 to 1963. During his fabulous career, he was voted the Most Valuable Player in the American League three times and voted to the All Star game in 15 different seasons. He competed in 14 World Series and was the catcher when Don Larson pitched a perfect game during the 1956 World Series. He was inducted into the Baseball Hall of Fame in 1972. In addition to his baseball skills, Yogi was famous for his “Yogi-isms”, sayings that are funny but also true. The quote above is one of those sayings.



During a recent Sunday morning sermon, my pastor made the statement that “our perception of the future affects our current actions.” If we believe something is going to happen, we act in accordance with that belief.

As I was contemplating writing this quarter’s newsletter, I began to think about the truth in both of these two statements. But, if the future is difficult to predict, how do we act on our belief in the future?

As a financial advisory firm, we look at planning as a means to work towards, and achieve, client goals even in the face of an uncertain future. At JVL Associates, LLC we pride ourselves on helping clients think through and address their financial and investment needs. Our firm has successfully worked with clients in the following areas:

## ESTATE PLANNING:

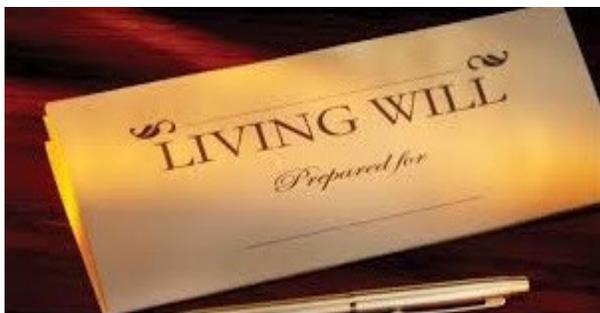
We believe estate planning is a key component of a solid financial foundation. While thinking about and planning for your own demise is never easy, we find that by walking clients through the basic steps, helping them understand the various documents, asking and helping them answer the fundamental questions and then interacting, on their behalf, with great legal teams we can make this process run smoothly and efficiently.



**Wills:** A will is the document that directs where you would like your assets to go after you pass. Since most good estate plans also create a Trust the Will is often nothing more than a conduit declaring that all assets pass to the Trust. More importantly, it is also the document where parents of minor children name the guardians for their children. We talk through various options and the financial impact caring for the children can cause and how to adequately provide for that impact.

**Trusts:** Trusts can have multiple purposes. Since it is created during the person's lifetime, this is often called a Living Trust. The Trust document spells out what happens to a person's estate upon their passing. We help clients understand the estate tax implications of the Trust as well as talk through the numerous options for distribution to the surviving spouse or to their children or future descendants. Assets can stay in Trust well beyond a person's passing and while held in Trust can offer protection from claims of creditors or other parties against the named beneficiaries. We help clients understand that the terms of a Trust can be almost anything they want - they are not stuck with a predetermined set of rules. We walk through the options for naming Trustees since the assets held in Trust will be under the Trustee's direction, and we remind clients that the provisions can be amended or changed at any time during their lifetime.

**Power of Attorney:** A Power of Attorney appoints a person to act in your behalf if you should become disabled or otherwise incapacitated. The Power allows the designated person to transact financial affairs on your behalf. We help clients understand the difference between a *Durable Power* (effective immediately) and a *Springing Power* (effective upon a named future event) and which makes the most sense for them given their particular circumstances.



**Medical Power of Attorney / Living Will:** This document names the parties who can make medical decisions on your behalf after you are no longer able to make them on your own. In addition, it is the document where you state your wishes regarding end of life treatments you wish to receive. We help clients understand their options and help them determine what end of life treatments meet their wishes.

## LIFE INSURANCE PLANNING:

We understand that life insurance is another key ingredient to long term financial security. We do not market or sell any insurance products, so we have no vested interest in a client's decision. We help clients understand and quantify two very different yet important purposes for insurance.

We talk through insuring a future stream of income for a family. If one of the parties were to pass away what financial obligations would be left to the survivors? What are the current assets available and what is the plan for funding the difference? We understand and explain the differences between permanent products and term insurance. We want clients to be informed so that they can make an educated decision.



We also understand the impact of estate taxes on a client's financial future. We have extensive experience utilizing Irrevocable Life Insurance Trusts to hold insurance products that both create liquidity upon death but also shelter the proceeds from the Federal Estate Tax. We have implemented many of these Trusts and assist clients in navigating the complex rules around gift and estate taxes as they pertain to Irrevocable Trusts.

Since we sell no products, we interact with a variety of insurance specialist to assist in obtaining the appropriate product for their specific circumstances.

## GIFT PLANNING:

The federal government has numerous rules and regulations covering gifting one's assets to another party. We have assisted clients in making annual gifts, both outright and in trust. We have implemented numerous trusts that grandparents or parents have established for the benefit of a grandchild or child. We understand the purpose, the benefits and the laws that govern these trusts and have the experience to assist clients in their decision making for the gifting of assets to future generations.

We also talk through the non-financial impact of making gifts. What impact will the assets have on the beneficiary and their decision making? By listening to the comments and concerns we help clients come to a decision that seems best for them and their family.



## ASSET POSITIONING PLANNING:

We understand the tax, financial and estate impacts of how and where assets are owned. We work with many business owners and help them understand the various strategies available for holding business assets. We have expertise in Limited Liability Companies (LLCs), Regular Corporations (C Corps) as well as Subchapter S Corporations (S Corps) and the characteristics of each. We help clients understand the many nuances to the holding of business real estate either in or out of the business entity. We have helped business owners identify strategies for withdrawing money from the business and develop an investment plan to assist in their overall financial diversification.

We also help clients understand the impacts of holding / owning investments or personal assets in LLCs or in Trust. We help monitor that the Living Trust created in their estate plan is funded so as to maximize its benefit upon their passing. Who owns the asset is often as important as why the asset is owned.

## TAX PLANNING:



JVL is very aware of the impact taxes have on an overall financial plan. We help client's plan for their tax situation and monitor tax brackets and their impact on our planning techniques. We will interface with their tax preparer when necessary to ensure the client is taking maximum advantage of the tax laws. Creating strategies that lower the overall tax burden while fitting into a financial plan is key to preserving long term wealth.

## RETIREMENT PLANNING:

Since there are a variety of ways to save for retirement, we help clients understand their options and walk them through the impact of saving for the future. We help them understand the variety of IRA options available to them and help quantify the tax impact of each option. We can also help clients determine the appropriate investment options if they participate in a company provided 401k or 403b plan.

We have assisted clients in converting some or all of their retirement funds into a Roth IRA and talk them through the long term benefits of the Roth features. Since the current tax law never taxes the growth inside a Roth IRA, it can be one of the best long term tax efficient means of saving for the future.

We are also big proponents of using Health Savings Accounts (HSAs) as a long term savings vehicle. For many clients utilizing the HSA savings portion provides another vehicle for a long term "retirement" account. It is one of the few vehicles that allow you to receive a current tax deduction for making the contribution but never pay tax on the withdrawals if used properly for medical purposes later in life.

We also assist clients in the withdrawal stage. Understanding and computing Required Minimum Distribution (RMDs) after age 70 is a vital part of the retirement phase planning for our clients.



## CHARITABLE PLANNING:

We have helped clients understand and evaluate the many options available for charitable giving. We have experience with numerous Private Foundations, Private Operating Foundations and have assisted clients with creating Donor Advised Funds.



**Private Foundations:** Private Foundations must be established under state law and apply for and obtain Federal qualified 501(c)(3) charitable status from the IRS. Once established they can be funded at any time and the donor will receive a current tax deduction subject to certain tax law restrictions. Once funded the Foundation must pay out at least 5% per year in qualified charitable donations. The Foundation acts as a conduit between donor and the ultimate recipient, which must also be a qualified 501(c)(3) charitable organization.

We have experience in applying for and obtaining IRS approval as well as assisting clients in the administrative functions required by the governing authorities. The major benefit during the donors' lifetime is the ability to take a tax deduction in the year of funding which may be prior to the Foundation making the charitable gift to the end recipient. We have established investment strategies for Foundations that hold investment assets. We have also used Private Foundations for estate planning purposes which will provide funding after death and reduce estate taxes in the final estate.

**Private Operating Foundations:** Private Operating Foundations are similar to Private Foundations except that they actually conduct a charitable activity. Examples could be providing services to people in ministry or sending teams on charitable service projects. We have assisted clients who have utilized this strategy in giving.

## Private Foundations



## & Donor Advised Funds

**Donor Advised Funds:** Certain public organizations have established vehicles that take in charitable contributions from multiple donors and administer them on the donors' behalf. Donor Advised Funds eliminate the administrative responsibility of Private Foundations while still allowing the donor (or designated representative / family member) to designate when and where the fund distributes the charitable contribution. Donor Advised Funds charge an administrative fee for their services.

We also work with clients on gifting strategies for appreciated assets. This strategy allows the donor to receive a tax deduction for the fair market value of the asset gifted while avoiding capital gain taxes on the appreciation in value.

## INVESTMENT PLANNING:

We believe that investing begins with a well developed strategy. Our clients are walked through the following steps before an investment plan is put into action:



**Understanding Risk:** We start by assisting clients in understanding their tolerance for risk. We explain the differences between risk of loss, risk of uncertainty and risk of volatility. Markets will go up and down, and we help clients understand how their time horizon affects how their investments should be allocated.

**Asset Allocation Strategy:** We are firmly in the camp that believes asset allocation is the foundation for every investment portfolio. Allocating funds, by percentages, to broad asset classes will have the greatest impact on a portfolio's performance - both annually and over long periods of time.

**Passive vs. Active:** Passive investing - also called index investing - means buying a security that tracks a predetermined asset class index. Since the security is made up of the same (or similar) items as the underlying index the security is used to attain whatever return the index makes. Active investing means owning securities that do not track an index but are purchased in a portfolio to lower overall risk or increase overall return. We primarily use low cost index securities for many asset classes. However, when we believe that active management adds value over an index we will select actively managed securities for the portfolio.



**Model Portfolios:** JVL has developed model portfolios that correspond to various asset allocation strategies. These securities have been selected based on our analysis of the security's risk and reward profile and their overall impact within the portfolio. Models are reviewed and analyzed on a consistent basis.

**Tax conscious:** We understand the tax impacts of the securities contained in the portfolio. Since taxes are a component of the overall strategy we evaluate the after-tax impact on security selection and / or trades.

## WITHDRAWAL PLANNING:

Many clients use their investment portfolio to live on and therefore take periodic withdrawals for life style expenses. We work closely with clients to help them understand the source of these funds. We plan for and determine the amount of interest and dividends that the portfolios produce. In addition, we may retain an amount of cash that secures their withdrawals for a predetermined length of time.



We also use the bucket approach for withdrawals during market volatility. By withdrawing funds from the more stable asset classes, we can allow the more volatile asset classes to stay invested until markets come back and stabilize.

This bucket approach to withdrawals allows clients to understand that they are not selling into a down market for their everyday living expenses.

At JVL we have consistently said that we are planners not predictors. While Yogi Berra is correct in that predicting the future is hard, we believe that by developing sound planning we can help clients believe in a future that positively affects their actions today.

If you know of anyone who could benefit from our services please feel free to pass our name along. We would love the opportunity to share our experiences with others.

All of our newsletters are archived on our website at [www.jvlassociates.com](http://www.jvlassociates.com)

For any of you who would like more information on our investment planning process please read our September, 2013 newsletter found on our website.

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 **JVL Associates, LLC**  
A Registered Investment Advisory Firm

Financial Planning, Wealth Management and Investment Advisory Services

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