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## COURSE INFORMATION

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**Course Title:** *Asset Protection Tax Strategies #490117*

**Recommended CPE credit hours for this course**

In accordance with the standards of the CFP Board, the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

**CFP®:** 12 (All States) CFP Board Course ID# 195321  
CFP Board sponsor number: 1008.

**CPA:** 17.5 (All States)  
National Registry of CPE Sponsors ID Number: 107615.  
Sponsor numbers for states requiring sponsor registration:  
Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)  
Hawaii Board of Public Accountancy: 14003  
New York State Board of Accountancy: 002146  
Ohio State Board of Accountancy: M0021  
Texas State Board of Accountancy: 009349

**EA/OTRP:** 17 (All States) IRS: Qualified Sponsor number: *FWKKO* .

**CDFA®:** 1.5 (based on one chapter in the course).

**CLU, ChFC Professional Recertification:** 17

**Course Description:**

This informative course covers traditional planning tools and their utilization to protect assets. The Uniform Fraudulent Conveyance Act, the Bankruptcy Code and various aspects of the tax law are highlighted in describing asset protection aspects of corporations, partnerships, limited liability companies, family partnerships, trusts, retirement plans, insurance products and other conventional tools. Special topics include: protection against lawsuits, costs of long-term illness, divorce settlements, foreign asset protection trusts, statutory protections, homestead provisions, exempt assets, cancellation of indebtedness taxation and marital agreements.

**Program Delivery Method:** Self-Study (NASBA QAS Self-Study/Interactive)

**Table of Contents is located on page xi.**

## **Subject Codes/Field of Study**

CPA, CFP Board; Taxes.

EA, OTRP: Federal Tax Law.

NAPFA: Taxes

## **Course Level, Prerequisites, and Advance Preparation Requirements**

Program Level: CFP Board: Intermediate; NASBA/CPA, IRS: Overview.

This program is appropriate for professionals at all organizational levels. Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

## **Course Content**

Publication/Revision Date: 2/7/2017.

Author: Danny Santucci, J.D.

Final exam (online): One-hundred twenty questions (multiple-choice).

## **Instructions for taking this course**

You must complete this course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed on the following page, studying the text, and studying the review questions at the end of each major section (or at the end of the course). Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

## **Instructions for Taking the Final Exam Online**

- Login to your account online at [www.bhfe.com](http://www.bhfe.com).
- Go to "My Account" and view your course.
- Select "Take Exam" for this course and follow instructions.

### **Additional Information**

- The exam may be started, stopped, then resumed at a later date.
- The exam is "open book," it is not timed, and it may be retaken if not passed on the first attempt (no charge).
- Results (correct, incorrect answers) and certificate appear immediately upon passing the exam.
- CFP® and EA credits are reported weekly.

**Have a question?** Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).

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# LEARNING ASSIGNMENTS & OBJECTIVES

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As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

**ASSIGNMENT**

**SUBJECT**

**Chapter 1**

**Introduction to Asset Protection**

At the start of Chapter 1, participants should identify the following topics for study:

- \* Situations that create danger
- \* Sources of lawsuits
- \* Types of liability
- \* Basic protection concepts
- \* Types of creditors
- \* Badges of fraud
- \* Statute of limitations & criminal penalties
- \* Permissible asset transfers
- \* Asset protection goals
- \* Preparation for asset protection

**Learning Objectives**

After reading Chapter 1, participants will be able to:

1. Specify the goals and purposes of asset protection, the objections some people have about shielding assets from creditors, and reasons for asset protection.
2. Identify situations that can unexpectedly put assets and financial security at stake and the common sources of lawsuits.
3. Recognize the author's concept of exploding and imploding liability how dealing with them is necessary for complete asset protection plan, and the concepts of insurance, asset placement, and statutory protections when applied to asset protection.
4. Specify the types of creditors associated with asset protection and fraudulent transfers noting their salient characteristics.
5. Identify the fraudulent transfer provisions which protect current and future creditors, the badges of fraud in the Uniform Fraudulent Transfer Act, applicable statutes of limitation, potential criminal penalties associated with fraudulent transfers, and the differences between fraudulent asset transfers and permissible asset transfers.

6. Determine net worth using a balance sheet, identify asset values, and show the preparation of a balance sheet in the context of determining the depth and scope of suitable asset protection planning.

After studying the materials in Chapter 1, answer the exam questions 1 to 26.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 2</b>	<b>Insurance</b>

At the start of Chapter 2, participants should identify the following topics for study:

- \* Homeowner's, automobile and disability insurance
- \* Life insurance
- \* Annuities
- \* Buy-sell agreements
- \* Entity & cross-purchase agreements
- \* Purchase price & terms
- \* Community property
- \* Professional corporations
- \* S corporations
- \* Sole shareholder planning

### **Learning Objectives**

After reading Chapter 2, participants will be able to:

1. Identify characteristics of homeowner's, automobile, and disability insurance and what asset protection they may offer.
2. Specify persons in which rights are placed by life insurance and reasons to purchase life insurance and the benefits, uses and types of life insurance, identify variables that influence when life insurance is taxable for federal estate tax purposes, and cite reasons for establishing an irrevocable life insurance trust in order to achieve several estate tax planning advantages.
3. Determine what constitutes an annuity and the types and characteristics of annuities noting their tax advantages and disadvantages.
4. Identify entity purchase and a cross purchase agreements noting tax and legal advantages and pitfalls.

After studying the materials in Chapter 2, answer the exam questions 27 to 41.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 3</b>	<b>Asset Placement</b>

At the start of Chapter 3, participants should identify the following topics for study:

- \* Individual titles & sole proprietorship
- \* Categories of C corporations
- \* S corporations
- \* Types of trusts

- \* Trust taxation
- \* Co-tenancy
- \* Partnership taxation & recapitalization
- \* Family partnerships
- \* Limited liability companies
- \* Retirement plans

### **Learning Objectives**

After reading Chapter 3, participants will be able to:

- 1.** Recognize ways to hold property, what taxpayers must do before beginning an asset protection program, and the advantages and disadvantages of holding property individually and through a sole proprietorship noting how these pitfalls can be avoided.
- 2.** Identify guidelines that corporate business owners should follow to protect their corporations, issues regarding potential personal liability for shareholders, officers and directors, protection ideas for corporate business owners, and §469 passive loss restriction considerations.
- 3.** Specify the advantages and disadvantages of using a corporation in asset protection planning, the differences among categories of C Corporations, recognize the importance of S corporations and their estate tax planning advantages, and determine the advantages and disadvantages of transferring farmland to a corporation.
- 4.** Identify testamentary trusts, living trusts noting subcategories of trusts, and changes necessary when used for asset protection.
- 5.** Determine how different trusts are taxed with regard to income tax, estate tax and gift tax, identify the grantor trust rules and the effect of the treatment on owners for income tax purposes, and specify the tax consequences of several trust types.
- 6.** Recognize the various types of co-tenancy and their impact on asset protection and tax liability.
- 7.** Identify partnerships noting their types, ways that partnerships may be better than corporations from an estate-planning viewpoint, how partnerships are taxed, how estate freezing works to minimize death taxes, and the structuring of family partnerships.
- 8.** Specify the advantages and disadvantages of a limited liability company (LLC), problems associated with its newness, and how professional firms, joint ventures, and families can benefit from establishing LLCs.
- 9.** Recognize how retirement plans can be used to provide substantial lifetime benefits to a business owner and to employees while simultaneously providing asset protection.
- 10.** Identify important characteristics of custodianship and estates as asset protection tools.

After studying the materials in Chapter 3, answer the exam questions 42 to 67.

**ASSIGNMENT****SUBJECT****Chapter 4****Bankruptcy**

At the start of Chapter 4, participants should identify the following topics for study:

- \* Tax law changes
- \* Bankruptcy types
- \* Automatic stay
- \* Preferences
- \* Priorities
- \* Debt discharge
- \* Individual bankruptcy estate
- \* Individual debtor
- \* Corporate bankruptcy
- \* Homesteading & garnishment

**Learning Objectives**

After reading Chapter 4, participants will be able to:

1. Determine how the 2005 Bankruptcy Act changed procedures, qualifications and tax law, and identify the most common bankruptcy types noting their influence on how an individual or business “goes bankrupt.”
2. Specify the rules for automatic stay and levy noting their impact on “freezing” creditor activity, tax assessment, and collection.
3. Identify the differences between preferential and nonpreferential payments noting the priority of creditor claims.
4. Recognize when debt is discharged under various bankruptcy types and how to establish an individual bankruptcy estate determining its taxable income and filing requirements, and identify the special rules that apply to individual debtors, partnership bankruptcies, and corporate bankruptcies.
5. Specify debts covered under homesteading, and determine permissible garnishment amounts noting special garnishment rules.

After studying the materials in Chapter 4, answer the exam questions 68 to 83.

**ASSIGNMENT****SUBJECT****Chapter 5****Avoiding Tax on Debt Cancellation & Foreclosure**

At the start of Chapter 5, participants should identify the following topics for study:

- \* Qualified farm debt exclusion
- \* Real property business debt
- \* General ordering of tax attribute reduction
- \* Reduction of tax benefits
- \* Basis reduction
- \* Partnership bankruptcy

- \* Corporation stock-for-debt rule
- \* S corporation bankruptcy
- \* Foreclosure
- \* Discounted acquisition of debt

### **Learning Objectives**

After reading Chapter 5, participants will be able to:

1. Recognize the effect that debt cancellation has on net worth and potential income inclusion from cancellation of indebtedness income, and specify exceptions to the general income inclusion rule noting their tax impact.
2. Identify tax attribute reductions noting their application when reducing canceled debt, cite the special basis reduction rules, recognize the depreciable property election in reducing the basis of depreciable property before reducing any other tax attributes, determine what constitutes individual, partnership and S corporation bankruptcy, and specify the variables used in determining whether shares of stock issued to a creditor are nominal or token.
3. Determine gain or loss resulting from foreclosure or repossession noting reporting and filing requirements, specify the timing and character of the gain or loss, and cite the hidden income tax danger of directly or indirectly acquiring one's own debt at a discount.

After studying the materials in Chapter 5, answer the exam questions 84 to 94.

### **ASSIGNMENT**

### **SUBJECT**

#### **Chapter 6**

#### **Divorce Settlements & Divisions**

At the start of Chapter 6, participants should identify the following topics for study:

- \* Premarital agreements
- \* Application of §1041
- \* Incident to divorce
- \* Property basis
- \* Purchase of residence between spouses
- \* Purchase of business & investment property between spouses
- \* Division of corporate business interests
- \* Division of partnership business interests
- \* Deferred v. present division of benefits
- \* Individual retirement arrangements

### **Learning Objectives**

After reading Chapter 6, participants will be able to:

1. Identify the formats that courts typically follow if a couple does not have a premarital agreement and post-nuptial and premarital agreements including how they relate to divorce settlements and divisions.

2. Determine the application of §1041 to interspousal transfers, the tax trap of deferred tax liability, and the transferor's and transferee's property basis under §1041(b).

3. Specify the deferred gain or loss associated with selling an interest in the marital residence, recognize the application of §1041 to selected business, retirement and investment assets, and identify conditions that must be met for a like-kind exchange to be nontaxable.

4. Recognize tax consequences resulting from the division of certain types of property between spouses or former spouses incident to divorce, and identify the elements of a Qualified Domestic Relations Order (QDRO).

After studying the materials in Chapter 6, answer the exam questions 95 to 107.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 7</b>	<b>Protecting Assets from Old Age &amp; Catastrophic Illness</b>

At the start of Chapter 7, participants should identify the following topics for study:

- \* Managing the estate
- \* Medicare
- \* Medicaid & countable assets
- \* Medicaid & non-countable assets
- \* Medicaid & inaccessible assets
- \* Private insurance
- \* Health care decisions
- \* Supplemental Security Income
- \* Income & assets
- \* Disability benefits

### **Learning Objectives**

After reading Chapter 7, participants will be able to:

1. Specify ways to manage an incompetent person's estate, determine joint tenancy and its benefits, and identify the levels of conservatorship that can influence assistance in management and protection of an estate and/or personal care.

2. Recognize the concept of durable power noting how maximize its use, and identify funded revocable living trust variations and their advantages.

3. Determine eldercare benefits of Medicare and Medicaid, countable income and asset groups under Medicaid.

4. Identify possible health care decisions such as having a living will, determine the distinctions between Supplemental Security Income and Social Security disability benefits, identify assets groups for SSI, and specify requirements for SSI and Social Security disability benefits.

After studying the materials in Chapter 7, answer the exam questions 108 to 120.





## **Asset Protection Tax Strategies**

**By  
Danny C. Santucci**

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