

# Financial Review Check-List

## I. RISK MANAGEMENT PLANNING

	High Frequency	Low Frequency
High Severity	<b>Avoidance</b>	<b>Transfer / Sharing</b>
Low Severity	<b>Reduction</b>	<b>Retention / Sharing</b>

### Auto Insurance:

1. What is the deductible on your auto insurance (Comprehensive and Collision)?  
(Increase it to \$1,000).
2. What is the liability limit on your auto insurance (Bodily Injury and Property Damage)?  
(Increase it to \$300,000).

### Home Owner Insurance:

3. What types of Home Owner Insurance?  
HO-2 (Broad Form), HO-3 (Special Form), HO-8 (Older Home), HO-6 (Condominium) or HO-4 (Renting, contents only).
4. What is the deductible on your homeowner insurance? (Increase it).
5. What is the liability limit (Section II Part E) on your homeowner insurance?  
(Increase is to \$300,000).
6. Do you have earthquake coverage? Is it adequate?
7. Is replacement cost on dwelling (Section I Part A) adequate?  
(Other structures-10% of A, Personal Property-50% of A, Loss of Use-20% of A).

### Liability Insurance:

8. Do you have Umbrella Policy? (\$1,000,000 to \$5,000,000, \$300,000 deductible).

### Life Insurance:

9. Do you have life insurance coverage?
10. Is your life insurance coverage adequate?  
(Debt repayment, Income replacement, Mortgage protection and Education Funding).
11. What types of insurance?  
-Term insurance: ART, 10, 20, 30 year level term, decreasing term or convertible.  
-Permanent insurance: Whole Life, Universal Life, Variable Universal Life or Second to Die.
12. If Whole Life, what is the "Nonforfeiture Clause"? (Cash Value, Reduced Paid-Up and Extended Term Insurance).
13. If permanent, is your policy issued before June 20, 1988? (No MEC Limit).
14. Which "Death Benefit Compliance Test" your policy used? (Guideline or Cash Value).
15. Which Death Benefit Option? (1, 2 or 3).
16. What is your health classification? (Preferred Plus, Preferred, Standard Non-Tobacco..)
17. Does your policy have the Maturity Extension Rider? (Cash Value or Death Benefit).
18. Does your policy have the Accelerated Death Benefit Rider?
19. Does your policy violate the MEC Limit or the 7-Pay Limit?
20. Do you have any outstanding loan against your life insurance?
21. What is the loan spread on your policy? (Interest charged minus interest credit).
22. How much are the M&E, expenses and the COI (Cost of Insurance)?
23. Which CSO Mortality Table was used? (1941SO, 1958 PS58, 1980CSO, UP1984 or 2001CSO).
24. What are the ratings of your insurance companies on Financial Strength and Claim Paying Ability? (AM Best, S&P, Duff & Phelps, Fitch and Moody's Investor).

25. Who is the owner of the policy? (Spouse, children or ILIT).
26. Who is the insured and who are the beneficiaries (primary/contingent)?
27. Is your life insurance premium tax deductible?
28. What is your life insurance settlement option? (Lump sum, fixed income or life income).

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**Health Insurance:**

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29. Is your health insurance coverage adequate?
30. What types? (EPO, PPO or HMO).
31. What are the co-payment, deductible, maximum annual out-of-pocket, lifetime maximum and coinsurance percentage?
32. Does your policy have Prescription Drug Coverage?
33. What are the ratings of your Health Insurance Company?
34. Do you qualify for an HSA (Health Savings Account)?  
Tax Deferred Contribution: single \$2,400; family \$4,800.
35. Which part of Medicare Supplement (MediGap) do you have? (A to J).

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**Long Term Care Insurance:**

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36. Is your Long Term Care insurance coverage adequate?
37. What is the daily benefit? (\$150 per day).
38. How long is the benefit period? (2, 4, 6 years or life).
39. What is the elimination period? (30, 60, 90 or 120).
40. Does your policy have Guaranteed Renewability, Custodial Care Coverage, Home Health Care Coverage, Pre-hospitalization and Alzheimer's Coverage?
41. What are the qualifications to receive benefits? (ADL: bathing, continence, dressing, eating, toileting or transferring).
42. Does your policy have Inflation Protection (COLA)? (Simple or compound).
43. Is your policy Reimbursement or Indemnity?
44. Is your policy Stand-alone or Rider? (Guaranteed Return Premium).
45. If Stand-alone, are you enrolled in California Partnership Program?

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**Disability Insurance:**

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46. Is your Disability insurance coverage adequate?
47. How does the policy define disability? (Partial Disability is preferred over total disability).
48. What is the elimination period? (90 days is preferred).
49. Is your policy Own Occupation or All Occupation? (Your occupation not any job).
50. Is your policy non-cancelable and guaranteed renewable to age 65?
51. Does your policy cover disability resulting from both accident and illness?
52. What is the monthly benefit? (60% of earned income).
53. How long is the benefit period? (Short, long or life).
54. Does your policy have Inflation Protection (COLA)? (Simple or compound).
55. Does your policy allow standard-of-living adjustments increase without a medical exam once policy is in force?
56. Is benefit taxable or non-taxable?
57. Does your policy have Social Security Integration? (Preferably "No").

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**II. EDUCATIONAL PLANNING**

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**Educational Planning:**

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58. Which university? (Public, private, In-State or Out-State).
59. How much will it cost? (Tuition and fees, room and board, inflation).
60. How much does family expected to contribute?

61. What types? UGMA (Uniform Gift to Minor Act), UTMA (Uniform Transfer to Minor Act), Coverdell Educational Savings, 529 College Saving Plan, Zero-Coupon Treasury Bonds, Savings Bonds, Low-Load Insurance, Roth IRA, CollegeSure CD.
62. Will they qualified for financial aid or student loans? (EFC has to be low).  
Expected Family Contribution (EFC):
  - Parental Income (22% - 44% of Parent AGI).
  - Parental Assets (3% - 5.5% of non-retirement assets).
  - Student Income (50% of anything over \$3,000)
  - Student Assets (35% of all assets).
 Financial Aid: Pell Grant, Cal Grant A, Cal Grant B and SEOG.  
Perkins Loans, Stafford Loans (Guaranteed Student Loans), PLUS Loans (Federal Parent Loans to Undergraduate Student).  
Work Study Programs.
63. Hope and Lifetime Learning Credits.

### **III. CASH MANAGEMENT, CREDIT and DEBT PLANNING**

#### **Cash Management:**

64. Do you maintain a budget? (The 10/20/70 Rule).
65. Do you have an emergency fund? (6 months worth of income).
66. Do you measure your financial progress on a regular basis?
67. Do you measure your cash flow on a monthly basis?
68. Is your annual rate of growth in net worth meets the pre-specified target?  
(Positive net cash flow or savings increase net worth)  
Reduce expenses and increase cash flow.
69. Have you set aside adequate funds for children's education, retirement and other long-term goals?

#### **Credit and Debt Planning:**

70. Have you restructuring and consolidating all your debts? (Refinance the mortgage).  
Debts:
  - Maximum of 28% of gross income on housing expenses.
  - Maximum of 36% of gross income on total debt.
  - Maximum of 28% of net income on personal debt.
71. What is your FICO score?
72. Do you ever file for a bankruptcy?

### **IV. ESTATE PLANNING**

#### **Basic Structure:**

73. Do you know the law of intestacy of your state? (Spouse share the estate with children, siblings or parents).
74. Do you have a will and what type? (Simple, reciprocal, mutual or holographic).
75. Do your will contain the following clauses?  
Exordium Clause, Payment of Debt and Tax Clause, Disposition of Personal and Real Property Clause, Trust Clause, Appointment of Fiduciary Clause, Power Clause, Appointment of Guardian Clause, Common Disaster Clause and Testimonium and Attestation Clause.
76. Does your will contains a Codicil?
77. Have you appointed a personal representative?
78. Do you have a Power of Attorney? (Special, General or Durable).
79. Do you have an Advance Health Care Directive?
80. Have you named a custodian to your assets and investments?

81. Have you named a guardian to your minor children or grandchildren?
82. Do you have a Letter of Last Instructions?
83. Community Property States: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.
84. How do you hold title to your properties?  
Sole Ownership, Joint Tenancy WROS, Tenancy by the Entirety, Tenancy in Common, Community Property WROS or Trust.
85. Do you know the advantages and disadvantages of each title?
86. Do you know the Stepped-Up Basis Rules for each title?
87. Do you have a trust? What type? Inter vivos (living trust) or testamentary trust
88. QDOT (Qualified Domestic Trust).
89. QTIP (Qualified Terminal Interest Properties), ABC Trust.
90. QPRT
91. Credit Shelter Trust, A-B Trust, By-Pass Trust, Marital Trust.
92. Disclaimer Trust
93. Is the trust revocable or irrevocable?
94. If Irrevocable, did you obtain an EIN by completing form SS-4.
95. Have you selected the trustee? How is he/she compensated?
96. Did you recorded the trust and leave one copy each with the trustee, with the attorney, with the grantor and in the bank safety deposit?
97. TOD Account.
98. Per Stirpes, Per Capita.
99. Aggregate Theory Agreement.
100. IRD (Income in Respect to Decedent)
101. Probate, Pour-Over Will.
102. 4 different ways to paid for Estate Tax.
103. IRC Section 6166.
104. Second-to-die, Last-Survivor Life, ILIT and the Crummy Letter.
105. Annual Gift Tax Exclusion.
106. Gift Tax Unified Credit Exemption.
107. Generation Skipping Transfer Tax Exemption.
108. Exclusion Amount, Applicable Credit and Estate & Gift taxes.
109. Do you have a Conflict Agreement?
110. Do you have a Community Property Agreement?
111. Proposition 13
112. Proposition 60
113. Proposition 90

## **V. INCOME TAX PLANNING**

### **Basic Structure:**

114. What is your Marginal Tax Rate?
115. What is your Effective Tax Rate?
116. What is your AGI (Adjustable Gross Income)?(Med 7.5%, Misc 2%, Casualty 10%)
117. Tax Efficiency Check-Up (Tax Now, Tax Later and Tax Never).
118. Tax Deduct, Tax Defer, Tax Advantage Distribution and Tax Credit.
119. Short Term and Long Term Capital Gain Rate.
120. Standard Deduction, Itemized Deduction.
121. Do you know the Limit on Itemized Deductions?
122. Do you know your AGI threshold when Personal Exemptions are phased out?
123. Maximum Compensation subject to FICA Taxes.

124. IRA and Roth IRA Contribution Limit.
125. Catch Up Contribution Limit for Qualified Plans.
126. Different types of Qualified Plans and their advantages.
127. Education IRA Contribution Limit.
128. Hope and Lifetime Learning Credits.
129. Student Loan Interest Deduction
130. US savings Bond Income Phase-Outs.
131. Saver Tax Credit.
132. Health Savings accounts.
133. Maximum Qualified LTC Premiums Eligible for Deduction.
134. Base Amount of Modified AGI causing SS Benefits to be taxable (50%, 85%).
135. Maximum Earnings before SS Benefits are reduced.
136. AMT (Alternative Minimum Tax).
137. Mortgage Interest, Property Tax, Loan Origination Fee Deductions.
138. Depreciation, Depreciation Recapture.
139. Married Filing Jointly, Married Filing Separate, Single or Head of Household.

## **VI. MISCELLANEOUS**

### **Basic Structure:**

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140. IRC Section 72(t), 72(q).
141. RMD (Required Minimum Distribution).
142. Exclusion Ratio
143. Stretch IRA.
144. Roth IRA Conversion.
145. Life Settlement / Viatical
146. Full Retirement Age
147. Reverse Mortgage
148. Buy Sell Agreement.
149. Business Structure: Sole Proprietorships, C-Corp., S-Corp., LLC, LLP and Partnership.
150. 1040, 1065, 1120, 1120s
151. Defined Benefit Plans.
152. Defined Contribution Plans.
153. Split IRAs.
154. Split Annuities.
155. Fixed Income Instruments.
156. Split Dollar, Section 162.
157. ETF. (iShares)
158. Equipment Leasing.
159. CRT, CRUT, CRAT.
160. 1031 Exchange, TIC and DST.
161. Six-Step Financial Analysis.
162. Year by Year Analysis.
163. Five-Buckets Strategy.
164. Asset Allocation.
165. Asset Rebalancing.
166. Sector Rotation.
167. Investment Risk Analysis.
168. Fee-only, Fee-and-Commission and Commission Only.