

## FINANCIAL PLANNING AND LAW FOR SETTLEMENT PLANNERS

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If it is important that you speak to either of us, feel free to email or call us at any time.

### **REQUIRED TEXTS:**

The Legal & Regulatory Environment of Business   **ISBN:** 978-0-07-304849-9  
Tools & Techniques of Financial Planning           **ISBN:** 0-87218-656-3

### **GRADING:**

Final course grades will be determined based on your average score on the online tests. An average score of 70% will be required to pass the course.

### **COURSE DESCRIPTION:**

This course explores the theoretical and practical environmental framework upon which settlement planning rests. In particular, the most relevant parts of the legal and financial planning environment to settlement planning will be discussed. Topics include: principles of financial planning, financial institutions, time value of money, trial procedure, property law, alternative dispute resolution, torts, wills & trusts, planning for incapacity, income and estate tax systems, investment principles, life insurance, annuities, and estate planning.

### **EXAMS AND PARTICIPATION:**

Exams will be completed online. All exams are open book and must be done alone.

### **ASSIGNMENTS AND LECTURES:**

Students are expected to complete the reading assignments, other assignments and view all of the slideshows and other information pertaining to a unit before taking the exam for that unit. Students are encouraged to attempt to “master the material” instead of just gaining exposure to it before attempting the exam.

**SCHOLASTIC DISHONESTY:** Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and dismissal from the University. Since dishonesty harms the individual, fellow students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. We expect that each of you will follow an honor code and behave in accordance with the rules of the University. You are responsible for the information on this subject contained in the latest Bulletin of Texas Tech University.

**The course syllabus provides a general plan for the course; deviations may be necessary.**

# **FINANCIAL PLANNING AND LAW FOR SETTLEMENT PLANNERS**

## **Unit 1. Trial Procedure and Alternative Dispute Resolution**

- 1) Pre-filing negotiations
- 2) Plaintiff's Complaint or Petition
- 3) Service of Process
- 4) Defendant's Response or Answer
- 5) Ad litem appointed
- 6) Discovery
- 7) Summary judgment
- 8) Pre-trial
- 9) Trial process
- 10) Appeals
- 11) Enforcement of judgment

### **Alternative Dispute Resolution**

- 1) Mediation
- 2) Arbitration
- 3) Settlement conferences

## **Unit 2. Torts & Insurance Claims**

- 1) Intentional Torts
- 2) Unintentional Torts
- 3) Elements of a tort
- 4) Defenses
- 5) Burden of proof
- 6) Survival actions and wrongful death

### **Insurance Claims Procedure**

- 1) Claims personnel
- 2) Subrogation
- 3) Reinsurance
- 4) Alternate risk financing

## **Unit 3 Wills, Trusts, Incapacity Law & Estate Planning**

- 1) Wills & succession
  - a) Types of wills
  - b) Requirements of statutory written will
  - c) Goals of will
  - d) Probate estate
  - e) Probate avoidance strategies
  - f) Non-probate transfers at death
  - g) Intestacy
  - h) Executors & personal representatives
- 2) Trusts
  - a) Parties
  - b) Classifications
  - c) Income taxation of trusts & estates
- 3) Legal Incapacity
  - a) Definition of incapacity

- b) Procedure for appointment of guardian
- c) Planning for incapacity
- 4) Characteristics and consequences of property titling
  - a) Community vs. non-community property
  - b) Forms of property ownership
  - c) Marital property agreements
- 1) Liquidity needs analysis
- 2) Transfer taxation
- 3) Lifetime gifting strategies
- 4) Gift tax compliance & calculation
  - a) Annual exclusion
  - b) Applicable credit amount
  - c) Gift splitting
  - d) Prior taxable gifts
  - e) Education and medical exclusions
  - f) Marital and charitable deductions
  - g) Tax liability
- 5) Estate tax compliance and tax calculation
  - a) Estate tax filing requirements
  - b) The gross estate
    - 1. Inclusions
    - 2. Exclusions
  - c) Deductions
  - d) Adjusted gross estate
  - e) Deductions from AGE
  - f) Taxable estate
  - g) Adjusted taxable gifts
  - h) Tentative tax base
  - i) Tentative tax calculation
  - j) Credits
  - k) Gift tax payable
  - l) Applicable credit amount
  - m) Prior transfer credit
  - n) Generation-skipping transfer tax (GSTT)
  - o) Trust solutions
  - p) Spendthrift trust
  - q) Marital deduction planning
  - r) Sprinkle and spray

#### **Unit 4 Insurance concepts**

- 1) Insurance Planning and Management
- 2) Life insurance (individual)
  - a) Concepts and personal uses
  - b) Policy types
  - c) Contractual provisions
  - d) Dividend options
  - e) Nonforfeiture options
  - f) Settlement options
  - g) Illustrations
  - h) Policy replacement

- i) Viatical and life settlements
- 3) Income taxation of life insurance
  - a) Dividends
  - b) Withdrawals and loans
  - c) Death benefits
  - d) Modified endowment contracts (MECs)
  - e) Transfer-for-value
  - f) §1035 exchanges
- 4) Insurance needs analysis
  - g) Life insurance
  - h) Disability income insurance
  - i) Long-term care insurance
  - j) Health insurance
  - k) Property insurance
  - l) Liability insurance
- 5) Insurance policy and company selection
  - m) Purpose of coverage
  - n) Duration of coverage
  - o) Participating or non-participation
  - p) Cost-benefit analysis
  - q) Company selection
    - 1. Industry ratings
    - 2. Underwriting
- 5) Umbrella Liability Coverage
  - a) Purpose of coverage
  - b) Coverage amounts
  - c) Underlying limits
- 6) Worker's compensation insurance
  - a) Opting out
  - b) Claims
  - c) Subrogation
  - d) Integration
- 7) Broker v. agent

## **Unit 5            Income Taxation**

- 1) Income tax law fundamentals
  - a) Types of authority
    - 1. Primary
    - 2. Secondary
- 2) Income tax fundamentals and calculations
- 3) Filing status
- 4) Gross income
  - a) Inclusions
  - b) Exclusions
    - 1. Adjustments
    - 2. Standard/Itemized deductions
      - a. Types
      - b. Limitations
- a) Personal and dependency exemptions
- b) Taxable income

- c) Tax liability
  - 1. Rate schedule
  - 2. Kiddie tax
  - 3. Self-employment tax
- d) Tax credits
- e) Payment of tax
  - 1. Withholding
  - 2. Estimated payments
- 5) Estate income tax
- 6) Basis
- 7) Original basis
- 8) Adjusted basis
- 9) Amortization and accretion
- 10) Alternative minimum tax (AMT)
- 11) Mechanics
- 12) Preferences and adjustments
- 13) Exclusion items vs. deferral items
- 14) Deferral of income
- 15) Economic Benefit Doctrine
- 16) Constructive Receipt
- 17) Authority
  - a) Primary
  - b) IRC
  - c) Treasury regulations
  - d) Revenue rulings
  - e) Revenue Procedures
  - f) Letter Rulings (PLR & TAM)
  - g) Case law
  - h) Secondary

## **Unit 6                      Basic Financial Concepts**

- 1) Financial Statements
- 2) Personal
  - a) Statement of financial position
  - b) Cash flow
- 3) Cash flow management
  - a) Budgeting
  - b) Emergency fund planning
  - c) Savings strategies
  - d) Monte Carlo Analysis
- 4) Financing Strategies
  - a) Long v. short term debt
  - b) Secured v. Unsecured debt
  - c) Mortgage financial
- 5) Function, purpose, and regulation of financial institutions
  - a) Brokerage companies
  - b) Insurance companies
  - c) Mutual fund companies
  - d) Trust companies
- 6) Economic concepts

- a) Inflation, deflation, and stagflation
- b) Yield curve
- 7) Time value of money concepts
  - a) Present value
  - b) Future value
  - c) Ordinary annuity and annuity due
  - d) Net Present Value
  - e) Internal Rate of Return
  - f) Uneven cash flows

## **Unit 7            Investment Concepts**

- 1) Fixed Income Securities
  - a) Cash and money market securities
    - 1. Certificates of deposit
    - 2. Money market funds
    - 3. Treasury bills
    - 4. Commercial paper
  - b) Bonds
    - 1. U.S. Government bonds
      - a. Treasury bonds
      - b. Treasury Notes
      - c. Treasury inflation-protection securities (TIPS)
      - d. U.S. Savings Bonds
      - e. Agency Bonds
    - 2. Municipal Bonds
    - 3. Corporate Bonds
- 2) Stocks
  - a) Common
  - b) Preferred
- 3) Investment Companies
  - a) Mutual Companies
    - 1. Open-end
    - 2. Closed-end
  - b) Exchange-traded funds (ETFs)
  - c) Unit investment trusts
  - d) Hedge Funds
  - e) Limited Partnerships
  - f) Separately Managed Accounts
- 4) Real Estate
  - a) Direct investments
  - b) Indirect investments (REITs, LPs, REMICs)
- 5) Types of Investment Risk
  - a) Systematic v. Unsystematic
  - b) Purchasing power risk
  - c) Interest rate and reinvestment
  - d) Liquidity and marketability
  - e) Mortality Risk
- 5) Portfolio theory
- 6) Annuities
  - a) Nature of annuities

- b) Types
  - 1. Single Premium Immediate Annuity (SPIA)
    - a. Straight life
    - b. Joint and survivor
    - c. Annuitant
    - d. Guaranties
      - 1. Installment
      - 2. Cash
      - 3. Period certain
- e) Fixed v. variable
- f) Taxation
  - 1. 10% penalty tax
  - 2. Exclusion ratio
- g) Medical underwriting
- h) Qualified v. non-qualified
  - 1. Equity indexed annuities
  - 2. Deferred annuities
    - a. Fixed v. variable

## **Unit 8 Retirement Planning & Employment Benefits**

- 1) Employee benefits planning
  - a) Group life insurance
  - b) Group medical insurance
    - 1. Types and basic provisions
    - 2. COBRA/HIPAA provisions
    - 3. Continuation
    - 4. Savings accounts
      - a. Health savings account (HSA)
      - b. Archer MSA
      - c. Health reimbursement arrangement (HRA)
  - c) Retirement needs analysis
  - d) Assumptions for retirement planning
    - 1. Inflation
    - 2. Life expectancy
    - 3. Lifestyle
    - 4. Total return
  - e) Income sources
  - f) Financial needs
    - 1. Living costs
    - 2. Gifting objectives
    - 3. Medical costs
    - 4. Long-term care
  - g) Constant return projections
  - h) Probability analysis (Monte Carlo)
  - i) Types of retirement plans
  - j) Qualified plans
  - k) Types
    - l) Defined Benefit
    - m) Defined Contribution
    - n) Thrift plans

- o) Nondiscrimination and eligibility requirements
- p) Integration with Social Security/disparity limits
- q) Contribution limits
- r) Loans from qualified plans
- s) Non-qualified plans
- t) Other tax-advantaged retirement plans
- u) Types and basic provisions
- v) Traditional IRA
- w) Roth IRA, including conversion analysis
- x) SEP
- y) SIMPLE
- z) Keogh (HR-10) plans
- aa) Premature distributions
- bb) Penalties
- cc) Exceptions to penalties
- dd) Substantially equal payments (§72(t))
- ee) Election of distribution options
- ff) Lump sum distributions
- gg) Annuity options
- hh) Rollover
- ii) Direct transfer
- jj) Required minimum distributions
- kk) Beneficiary considerations/Stretch IRAs
- ll) Qualified domestic relations order (QDRO)
- mm) Taxation of distributions