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How Lawyers Can Plan for Sustainable Financial Independence

by Kevin DuPree & Mike Jacob, Wealth Management Advisors, Northwestern Mutual Irvine

If you listen to some financial experts, planning for financial independence is a one-size-fits-all process. You put a portion of your income aside and invest it in diversified assets that you gradually reallocate to make more conservative as you age.

But financial planning isn't one-size-fits-all. In fact, it's one of the most individualized experiences in life and that means strategies for it should be tailored to your particular goals and dreams. But despite the highly individualized planning required to help you meet your financial goals, there are certain fundamental elements that lawyers can utilize to ultimately achieve sustainable financial independence.


Kevin DuPree


Mike Jacob

It can often help to break down this process into three major categories. In chronological order, they are: the contribution phase, accumulation phase, and distribution phase. Within each category, attention to details such as tax implications, plan limits and time horizons can have a significant impact on the successful completion of your financial goals.

When completing each phase of the planning process, keep in mind these key components for building sustainable financial independence:

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Tax Diversification
While we can't predict the future, most would agree that the current income tax environment will ultimately change. Some investment strategies; such as 401(k) and IRA distributions, can only be taken as taxable distributions, subject to then applicable ordinary tax rates. A portion of an individual's retirement wealth should be protected from the risk of future tax rate increase. Personal planning strategies as well as executive non-qualified planning strategies exist to help allocate resources in the most tax efficient manner possible.

Tiered Asset Allocation
Often overlooked when implementing a financial plan are the numerous asset categories in addition to taxable investments. By spreading your money across many types of assets, you'll be setting yourself up to make the most of your pre- and post-retirement income. Diversifying the types of assets in your financial plan allow the opportunity to include investments in vehicles like defined benefit plans, deferred annuities, Roth accounts and other assets such as permanent life insurance that allows you to build cash value which you can later access; often in a tax efficient manner. Having money allocated to various asset categories can often help mitigate the need to take withdrawals from marketable investments during negative return years. This approach can have a significant impact on the future balance of invested assets.

Protecting Your Biggest Asset
Financial planning isn't just about socking as much money away as you can, it's also about making sure you guard against bad things that could happen and push you off course. As a lawyer, your greatest asset is your ability to earn income – not your home. Yet, many professionals who don't think twice about getting homeowners insurance, balk at ensuring they have proper disability income insurance. If something were to compromise your income your family could struggle to make ends meet or you could have a severely diminished retirement. According to the Social Security Administration, one in four people today will become disabled at some point in their career. That's why it's so important to protect your income with disability insurance.

Implementing a well rounded defensive strategy is critical to achieving sustainable financial independence and should address key issues such as estate planning, long term care needs and legacy planning.

The Bottom Line
Consider working with professional advisors that have the knowledge and resources to answer more than just the investment management aspect of your wealth. Retirement income distribution planning, estate planning, family gifting, charitable planning, and long-term care planning are all areas that should be integrated into your overall strategy. Together, they may pay major dividends in terms of financial security for you and your family for years to come.

Kevin DuPree and Mike Jacob are Wealth Management Advisors at Northwestern Mutual Irvine. They specialize in the professional market, providing strategic and comprehensive advice to help successful lawyers and their families meet their financial goals. All investments carry some level of risk including the potential loss of principal invested. No investment strategy can guarantee a profit or protect against loss.

Kevin DuPree CA License: #0A96987; Michael Conrad Jacob CA License: #0D10781

Kevin DuPree, CLU®
18191 Von Karman Avenue, Suite 100
Irvine, CA 92612
Office: 949.622.7204
Email: kevin.dupree@nm.com
Website: www.kevindupree.com

Mike Jacob, ChFC®
18191 Von Karman Avenue, Suite 100
Irvine, CA 92612
Office: 949.622.7253
Email: mike.jacob@nm.com
Website: www.mikejacob.com