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### **What is Asset Protection All About?**

Let me start by stating the obvious: I don't know if you have any need for assistance in protecting your family, your business, and your dreams. But I'm concerned about you because the numbers don't lie. Out of every 10 business owners and wealthy individuals/families, approximately:

- 1-2 will not even have a Simple Will to dictate who gets their assets after death.
- 9-10 will not have a Durable Power of Attorney that dictates what to do in the event they become incapacitated or a life-sustaining decision must be made.
- 5-6 will not have Marital Trusts which maximize estate tax exemptions and avoid the probate process.
- 9-10 will not have a Family Limited Liability Company or Family Limited Partnership which are used to discount the value of an estate for estate tax purposes.
- 7-8 will not have an Irrevocable Life Insurance Trust which could allow life insurance death benefits to pass to heirs both estate tax and income tax free.

These are just some of the basic tools of asset protection. Are your current advisors speaking to you about them?

### **Most People Believe They Are Protected**

Asset protection is the most basic and most important element of any financial plan. For a "normal" financial plan, this protection is typically addressed simply by purchasing a term life insurance policy that will help your family if something happens to you. But death, though inevitable, is not the only thing you must be protected from. The world is full of "creditors" who are trying to take your hard-earned money.

- The Income Tax is a substantial "creditor," taking upwards of 40% or more of income every year.
- The Capital Gains Tax is a substantial "creditor," particularly if you are selling highly appreciated assets such as real estate or stock.
- The Estate Tax is a substantial "creditor," especially in light of the fact that this tax is on your legacy.
- The Stock Market is a substantial "creditor." Most people don't view the market as a creditor, but it devastated investors in 1974, 1981, 1987, 2001, 2002, and most recently 2008. In the long-term, the market is a reasonable wealth-building tool, but asset protection strategies for business owners and wealthy individuals should emphasize controlling downside risk.
- Long-Term Care is a substantial and increasingly important "creditor." As we live longer and healthcare costs continue to rise, it is vital to plan in advance for such costs.
- Claimants are a substantial potential "creditor." We live in the most litigious country in the world in the most litigious time in history. 80 million claimants file lawsuit every year in the US because we have 70% of the world's attorneys. 1 in 4 individuals will be sued in their lifetime, and those odds greatly increase the deeper your pockets are.

## **If You Already Work With an Advisor**

If you are like some of my clients, you already work with an advisor. If you're lucky, your advisor discussed the topic of asset protection with you. But take a moment to think about how protected you truly are.

- Your stock broker or asset manager has preached about asset allocation forever. But even if you used a balanced approach, in 2008 your equity holdings still took substantial losses. Younger investors may be able to endure such events, but what if you are in or approaching retirement? Did you have to change your lifestyle or put off retirement for a few years? Asset allocation is useful, but in many situations, it isn't enough.
- Your insurance agent has preached that life insurance is the base of any financial plan. But are you certain that you have the most appropriate policy for your needs? If you have a cash-building policy, is the cash value subject to the whims of the stock market? And if you die, will estate taxes and income taxes destroy the policy's value to your beneficiaries?
- Your attorney has discussed corporate and trust planning as a means of siloing assets. But you should be wary of any attorney who sells services on the basis of "hiding your assets" to protect your estate from lawsuits or reduce taxes.
- Your accountant has discussed strategies that maximize deductions and deferrals as a means of limiting your income taxes. But many accountants typically only discuss such strategies in regard to the deduction, and not in terms of cost benefit analysis. Deductions are earned by paying expenses, so it makes sense to consider if the expense will have a net positive impact on your financial future.

Access to all of these experts is vital, but it takes one central planner who has education in all of these areas to ensure your plan is the most appropriate for you. That's what I do.

## **Why Work With Me?**

Given the complexity of our current legal and financial systems, it is literally not possible for one person to know everything. However, it is vital that your "go to" advisor have advanced training across all the fields listed above because single-discipline solutions provide inadequate protection in an increasingly complex world. In this way, you are not relegated to a limited, "patchwork" solution; you get a fully integrated solution that addresses your individual needs.

**Thank you for your interest in Rational Capital Management and our approach to protecting your financial future. For a complimentary review of your current plan, feel free to contact me directly.**

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