EXHIBIT 1 — HOW TO USE YOUR CLIENT'S 1040 FOR FINANCIAL PLANNING SERVICES

Clues to Tax Savings and Financial Planning Services on Your Client's 1040[1]

Item to consider	Considered (or W/P Refer.)
Address label	
1. Change in state of residence may require new will	
2. Change in address may indicate sale of residence	
3. Adequate property, liability and casualty insurance?	
4. Adjust withholding because of increased mortgage payments	
5. Title held correctly	
6. Home office deduction	
Filing status	
7. Married filing joint, or separate	
8. Single or living together (consider impact of marriage penalty on expected wedding date, if any)	
9. Contemplating divorce (wills, trusts, insurance, pension plan beneficiaries, etc. must be changed)	
10. Can client file as head of household	
11. If taxpayer or spouse over age 65, discuss wealth-transfer techniques, estate taxes, and retirement distribution requirements.	
Exemptions	

[1]This section was inspired by Danny Santucci's presentation at the 1997 AICPA Practitioners Symposium and articles by James F. Reeves from *Today's CPA,* July/August 1997 and November/December 1999 and Nancy J. Foran from the *Journal of Accountancy*, November 1999. **It has not been updated for subsequent tax law changes.**

Item to consider	Considered (or W/P Refer.)
12. Children	
13. Child care to include payments to maids, relatives and day camp?	
14. Should family members be employed by taxpayer or taxpayer□s company?	
15. Child with earned income can have IRA	
16. Educational fund	
17. Educational IRA for children	
18. Hope Scholarship Credit	
19. Lifetime Learning Credit	
20. Interest deduction on education loans	
21. Is life insurance adequate?	
22. Other dependent family members	
23. Dependent parents may need Eldercare assurance services if not living with client.	
24. Do parents of taxpayer have estate plans?	
25. Split income with children or other family members	
26. Gifts to family members needed?	
27. Special treatment of dependents in estate plan	
28. Age in 50s. Is client aware of required beginning date for retirement plan distributions?	
Income items	

Item to consider	Considered (or W/P Refer.)
29. Mix of taxable and tax-exempt income appropriate?	
30. If municipal bonds have decreased in value due to interest rate rise, consider bond swap to recognize loss while maintaining cash flow	
31. Any income to be delayed or postponed	
32. Excessive concentration of investments in one industry or one type or one financial institution (over $100,000). Discuss diversification and asset allocation with client.	
33. If 1099 shows title as Joint Interest with Right of Survivorship, show client how disposition at death will not be controlled by will and could thwart estate plan	
34. Director□s fees or consulting fees can be sheltered with a retirement plan	
35. Large capital gain mutual fund distributions, consider switch to index funds or other tax efficient funds	
36. For unrecognized installment sale income, could unrecognized capital losses offset the investment gain?	
37. Taxable IRA distributions. Review beneficiary designations and recalculate life expectancies on minimum required distributions. Coordinate cash flow needs and estate plan.	
38. If Schedule C, should they incorporate or form single-member LLC?	
39. If Schedule C or closely-held corporation, is there an appropriate succession plan?	
40. If Schedule C or closely-held corporation, is there an appropriate buy-sell plan?	
41. Has business been considered in estate plan?	

Item to consider	Considered (or W/P Refer.)
42. For desired transfer of business to children, should estate be restructured to meet requirements of qualified family-owned business deduction?	
43. High income or risky business indicates asset protection is needed	
44. Is only one spouse working?	
45. Schedule C reflects real estate ownership, consider transfer to children and leaseback to taxpayer	
46. Schedule E reflects real estate ownership, consider transfer to children and retention of life interest	
47. For Form 8582, does client understand the impact of passive activity loss rules?	
48. Do clients have cash flow problem?	
49. Is income declining or subject to wide fluctuation?	
50. Capital gains or losses	
51. W-2 indicates coverage under company retirement plan. Does client understand all options available under the plan and the tax ramifications of elections, beneficiary designations, and default provisions?	
52. Should salary from closely-held corporation be increased or decreased to minimize overall tax liability?	
53. Elect S Corporation status and take dividends instead of salary?	
54. Schedule A ownership of home, estate planning	
55. Schedule B interest and dividends indicate estate planning	
56. Educational IRA gifts to grandchildren, if parents of grandchildren are in appropriate income range.	

Item to consider	Considered (or W/P Refer.)
Adjustments to income	
57. IRA? Does client understand all options available under the plan and the tax ramifications of both elections and default provisions?	
58. Consider establishing a Roth IRA.	
59. Make IRA contributions as early in year as possible to get the income on the funds out of the taxpayer's pocket and into the tax-free IRA.	
60. Pay IRA fees from separate funds and keep the IRA earning more money.	
61. Consider Roth IRA conversion	
62. Keogh Plan? Does client understand all options available under the plan and the tax ramifications of both elections and default provisions?	
63. Deductible medical expenses, or does client need Medical Savings Account?	
64. Alimony	
Adjusted gross income	
65. Charitable donations, provide for in will	
66. Charitable remainder trust could convert appreciated assets into cash flow with no immediate taxation.	
67. Investment interest expense	
68. Large casualty and theft losses	
69. Unreimbursed employee expenses	
70. Allocation of tax preparation charges	
71. Foreign earned income	

Item to consider	Considered (or W/P Refer.)
Itemized deductions	
72. Medical deduction, Medical Savings Account	
73. Mortgage interest or taxes indicating second residence, consider qualified personal residence trust	
74. Alternate standard and itemized deductions by bunching contributions and real estate taxes in alternate years	
75. Self-employed health insurance premium deduction, Medical Savings Account	
76. Consider charitable gifts of appreciated securities in lieu of cash	
77. Other itemized deductions, consider having employer reimburse to save the two percent exclusion.	
Tax computation	
78. Self employment tax. Consider incorporation, leasing property to proprietor□s spouse, employing children.	
79. Kiddie tax. Restructure investments to minimize investment income.	
80. Alternative Minimum Tax	
81. Ratio of total tax to total income	
Payments	
82. Excessive withholding	
83. Inadequate withholding	
84. Large refund	
85. Large amount due	
Signature	

Item to consider	Considered (or W/P Refer.)
86. Occupation may indicate requirement for special insurance	

Other items to discuss with client:

Exhibit 2 -- Family Discussion Checklist

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Complete the Family Discussion Checklist for each spouse (information may be different for each person).

- $ Place a check (✔) or *NA* for "not applicable" in the box next to each item.
- $ When complete, send the executor and key family members a copy of the checklist; tellthem where it can be found upon death.
- $ The items on the Checklist should be easy to locate, ideally organized together in a fireproof filing cabinet, safe deposit box

, or home safe. whenever changes are made.

$ The executor should review the Checklist

✔	Item	Location and comments
Emergency papers and information		
	Anatomical gift/organ donor statement	
	Burial instructions, cemetery plot deed, prepaid cremation documents, preferences of funeral home, cremation or burial, donations	
	Key advisor and contact list (phone numbers, addresses)	
	Last will and testament	
	Living will/Health care proxy	
	Military records (discharge papers)	
	Powers of attorney/Durable powers of attorney	
	Safe and combination	
	Safe deposit box and keys	
Non-financial personal papers		
	Adoption papers	
	Birth certificate	
	Citizenship (naturalization) papers	

✔	Item	Location and comments
	Divorce/Separation papers	
	Driver's license number and expiration date	
	Marriage certificate, prenuptial agreement	
	Passport number and expiration date	
	Social Security card	
Bank/Credit accounts		
	Bank account statements/bank books (includes IRAs, Keogh plans, etc.)	
	Canceled checks and blank checks (from checking or money market accounts)	
	Credit cards, credit account statements	
	Credit union account books	
	U.S. savings bonds	

Personal financial papers		
	Appraisal, video tape or inventory of valuables	
	Automobile, boat, R.V. titles	
	Loans outstanding or debts owed to you (promissory notes)	
	Mortgage documents	
	Prescription plan card/records	
	Property and school tax records	
	Real estate deeds, other titles of ownership	
	Rental and/or lease agreements	
	Trust agreements	
	Partnership agreements	
Investment documents		
	Annuity statements and policy documents	
	Bearer bonds (old style bonds - coupons are clipped for redemption)	
	Brokerage account statements (Includes IRAs, Keogh plans, etc.)	
	Investment club agreement and statements	
	Retirement plan statements	
	Stock certificates not held in a brokerage account	
Insurance documents		
	Group life and retirement policies (booklets, certificates)	
	Health and accident insurance identification cards and claim records	
	Life insurance policy documents	
	Mortgage insurance policy	
	Property and casualty policy documents (homeowners, automobile, boat, etc.)	
	Travel insurance policies	
	Veterans administration insurance papers	
	Disability documents and insurance policies	

It is advisable to place your will in your attorney's will safe, another person's safe deposit box, or a home safe, rather than in a safe deposit box in your name. Entering a safe-deposit box in the name of a decedent may be blocked upon your death.

EXHIBIT 3 — CLIENT CONFERENCE AGENDA

Personal Questions

- Do any members of your family have significant health problems? If so, what would happen to them if you or your spouse died? Became disabled?
- Are you aware of and comfortable with your current level of credit card and mortgage debt? Do you know your "debt-free day?"

Help your clients document their current level of debt and review the appropriateness of this level. Then help them develop a debt-reduction strategy.

- What is your net worth?
- How much of your net worth produces income?
- How much life insurance do you have? Your spouse?
- When was the last time the life insurance policies were reviewed by an expert insurance tax consultant for coverage, premiums, beneficiaries, etc.?
- When do you plan to retire?
- How much will you need to support your standard of living?
- Where will the money come from?
- How much have you saved so far?
- What sources of income are you counting on during retirement?
- Have you recently obtained an *Earnings and Benefit Estimate Statement* from the Social Security Administration?
- How will inflation affect your savings and investing plan? (Inflation does not have to be high to affect your retirement. A dollar today will be worth only 75 cents in ten years even at 3 percent inflation annually.)
- How much income will your investments supply?
- Do you or your spouse expect to receive any inheritances? How do you know how much it will be?
- Do you and your spouse have wills? Have they been updated recently to reflect your current situation and wishes?
- How long since your wills (and trusts, if any) were reviewed by a tax expert for estate tax ramifications?

Asset protection questions

- Have you given personal guarantees to banks in support of loans of corporations or other individuals? Would you like to understand what would happen if the business failed?

You may need to educate your clients about the effect of personal guarantees should the business fail. Then help them to restructure their business finances.

- Do you know whether you have a debit or a credit loan account in your company's balance sheet?

Many clients don't understand the possible tax consequences of undocumented unpaid advances from their closely held corporations. Likewise, they may have better financing alternatives than non-interest bearing undocumented advances to their business.

- Would you like to understand the ramifications of your guarantees were you to die prematurely or become totally disabled?

Arrange to document all guarantees the client has made and develop an asset protection strategy.

- In the event of the death or disability of your business partner, would there be sufficient funds available to meet all financial commitments of the business?

Help your clients develop a succession plan for the business. Help them investigate and obtain disability and life insurance to fund a buyout.

- Have your corporate minutes of meetings of shareholders and directors been documented in writing?

In the event of an unexpected lawsuit, a potential creditor could "pierce the corporate veil" if the company has not complied with all corporate law requirements. This is a good way to develop small but regular referrals to an attorney. All clients need an attorney. See to it that your clients meet with an attorney before they need one. Ask the attorney to review documentation for compliance with the law.

Business planning

- Are you aware of and comfortable with the current level of debt in the company? Do you know your company's "debt-free day?"

Help your clients document the current level of debt in the business and review the appropriateness of this level. Then help them develop a debt-reduction strategy.

- Are you completely happy with the way your business is currently progressing?

Help your clients develop business strategies to enable their businesses to be easier and more fun to run and to help them develop and succeed.

- Do you know the value of your business should you have to sell it urgently for whatever reason?

Consider performing regular business valuations to determine the value of your client's business so that they are fully aware of what creates business value and can measure their progress toward their goal.

- Do you have problems meeting all of the business's financial commitments out of current cash flow?

Most businesses run better if the owners have a detailed profit plan and cash flow forecast to compare to actual.

- What do you want this business to look like in five years? In ten years? When you retire?
- If you did not have to worry about financing or regulatory approvals, what would you like to achieve with this business?
- What role do you realistically expect your children or spouse to play in the business?

Many family-owned businesses pass successfully to subsequent generations; many do not. Successful transitions take careful planning. If your clients expect a son or daughter to succeed them, ask the clients, "When should you and your son or daughter start planning for that day?" Most clients will answer, "Right now." If so, arrange an appointment with the clients and their child or children to begin planning for the succession.

$ What do you want your business to be worth in five years? Ten years? When you retire?

Many clients assume that the eventual sale of their business will form the major part of their retirement portfolio. Yet many have never quantified their expectations.

First determine what the business is worth now by performing a business valuation. If the client does not know or has an unrealistic idea of what the business is currently worth, a business valuation can

serve as a base point from which to measure future increases in the value of their business. The initial business valuation will also indicate the factors that create value in the business. This will show you and the client what items need to be improved to increase the value of their business. Perform a new business valuation every two years to measure the client's progress toward the goal.

- How many hours a week do you work? How many would you like to work?
- What would have to happen to allow you to work fewer hours?
- What would happen to your business if you took a three-month sabbatical?
- What would have to change in your business to allow it to survive if you were gone or disabled for three months?

Most owner-managed businesses would collapse if the owner were not available for more than a few days. Many of your clients have not had a real vacation in years because of this. Yet if the business revolves around them and would have difficulty existing without their presence, they don't own a business; they own a job. Advise the client on how to work *on* the business rather than *in* it. Help the client design the systems and develop the management team so other employees can do more of the running of the business. *The E-Myth Revisited* will give you good ideas how to help clients in this area.