

PARACLETE
WEALTH PARTNERS

Principal Protection & Legacy

HOW WILL YOUR WEALTH BE PROTECTED AND ULTIMATELY TRANSFERRED?

Not Every Dollar Needs to Take the Same Risk

Growth is important.

But growth is not the only job wealth has to perform.

As families approach retirement and accumulate meaningful assets, the conversation begins to change. Some wealth may need to continue growing for decades. Some may eventually provide income. Some may need to remain accessible.

And some may simply be too important to expose to unnecessary risk.

At Paraclete Wealth Partners, we believe protection should be intentional. Rather than viewing investments, insurance and principal protected strategies as competing philosophies, we consider the role each can play within the larger financial architecture.

The objective is to decide which risks are worth taking and which ones you no longer need to take.



Protection Creates Options

Protection and growth are often presented as competing objectives. We see them differently.

When a portion of a retirement strategy is intentionally positioned for protection or dependable income, it can provide greater flexibility for assets that remain invested for long term growth.

Protected assets may provide another financial resource during difficult markets. A dependable source of retirement income may reduce reliance on portfolio withdrawals. Life insurance may create financial flexibility during life while also providing a death benefit for the people or purposes that matter after you.

In the right circumstances, protection can do more than provide safety.

It can give the rest of the strategy room to work.

Protecting Against Sequence of Returns Risk

Market volatility is part of investing. During the accumulation years, investors often have time to recover from significant market declines.

Retirement introduces a different challenge.

When withdrawals are occurring at the same time a portfolio is declining, losses can become more difficult to recover from. Selling investments to fund retirement expenses during a significant downturn can permanently reduce the amount of capital available to participate in a future recovery.

This is known as sequence of returns risk.

For appropriate clients, we may use fixed indexed annuities as one component of the

retirement architecture to help address this risk.

A fixed indexed annuity can protect against direct market losses while providing the opportunity for interest credits based in part on the performance of an external market index.

The purpose is not to replace the investment portfolio.

It is to determine whether protecting a portion of retirement assets can allow other portions of the portfolio to remain focused on long term growth.

Protection and growth can work together when each is given the right job.

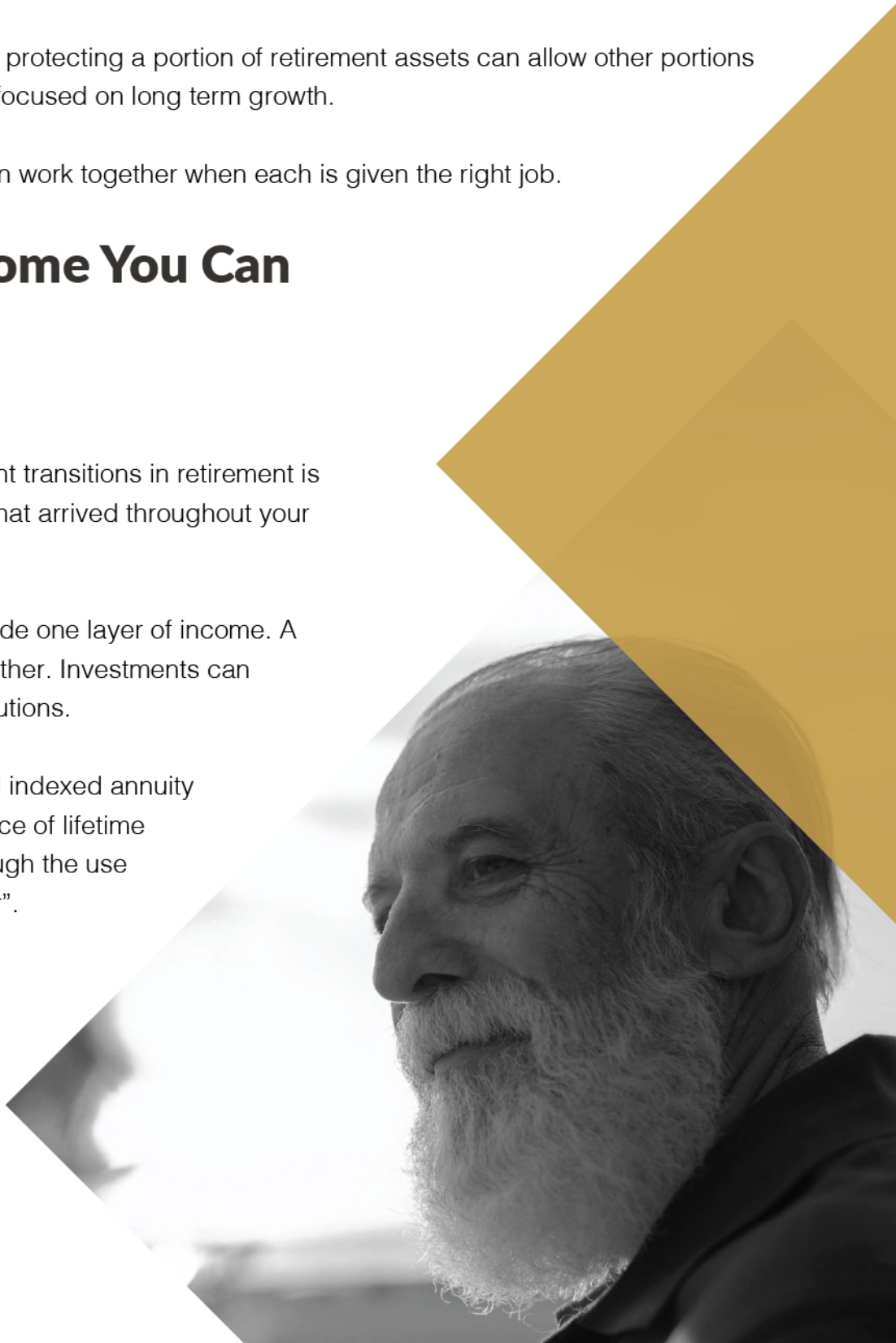
Creating Income You Can Depend On

One of the most significant transitions in retirement is replacing the paycheck that arrived throughout your working years.

Social Security may provide one layer of income. A pension may provide another. Investments can provide additional distributions.

For some families, a fixed indexed annuity can provide another source of lifetime pension-like income through the use of a “lifetime income rider”.

Creating a dependable income floor can change the role the investment portfolio needs to play.



Rather than asking every investment dollar to simultaneously provide growth, liquidity and retirement income, different assets can be assigned different responsibilities.

> **The objective is not to place every retirement dollar into an annuity.**

It is to determine how much income needs to be dependable and how much wealth should remain positioned for long term growth.

Creating Tax Free Lifetime Income

Taxes can have a significant impact on how much retirement wealth ultimately becomes spendable income.

Traditional retirement accounts can be powerful accumulation tools, but distributions from tax deferred accounts are generally subject to ordinary income tax. Required minimum distributions may also create taxable income later in retirement whether or not the income is actually needed.

For appropriate clients, Roth conversions may provide an opportunity to intentionally move portions of tax deferred retirement assets into a Roth IRA over time.

Taxes are paid when the conversion occurs. Once applicable Roth requirements are satisfied, qualified distributions can generally



be received free from federal income tax under current law.

For some clients, we may combine this Roth conversion strategy with a fixed indexed annuity offering a lifetime income benefit.



This can create a powerful combination.
The Roth provides the tax treatment.

The fixed indexed annuity provides principal protection and, when an appropriate lifetime income feature is elected, an income stream designed to continue for life subject to the terms of the contract and the claims paying ability of the issuing insurance company.

Together, these strategies can create a source of federally income tax free income designed to continue for life.

Roth conversions are not appropriate in every situation. They create taxable income in the year of conversion and should be evaluated in the context of current and expected future tax rates, required minimum distributions, available funds to pay conversion taxes and the client's overall financial strategy.

The goal is not simply to pay taxes sooner.

It is to evaluate whether intentionally repositioning assets today can provide greater control and flexibility over retirement income tomorrow.

Building Tax Flexibility With Life Insurance

Roth accounts are not the only assets that can provide different tax characteristics in retirement.

For appropriate clients, properly structured permanent life insurance may provide

another source of financial flexibility while also addressing protection and legacy objectives.

This strategy is sometimes referred to as a Life Insurance Retirement Plan or LIRP.

A LIRP is not a qualified retirement plan. It is a planning concept that uses permanent life insurance as one component of a broader financial strategy.

A properly designed and adequately funded permanent life insurance policy may accumulate cash value in addition to providing a death benefit.

When properly structured and maintained, this can create another potential source of tax advantaged retirement distributions alongside taxable assets, tax deferred retirement accounts and Roth assets.

This can provide greater flexibility when deciding where retirement income should come from in a given year.

A LIRP is not a replacement for a well constructed investment portfolio, a 401(k), IRA or Roth IRA.

It is another tool that may earn a place within the strategy when its unique characteristics solve a specific planning need.



Different Tax Environments Create More Choices

Rather than allowing all retirement wealth to accumulate within a single tax

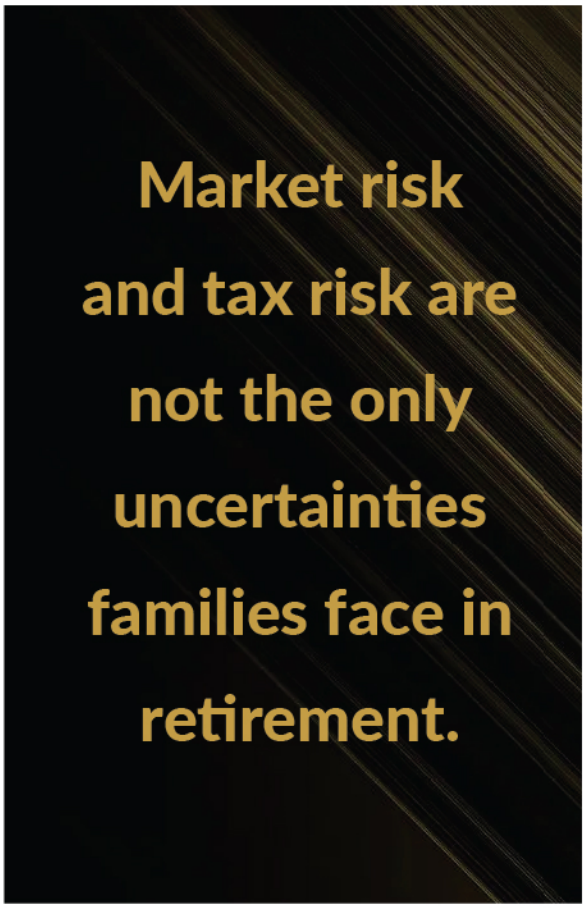
environment, we may help clients evaluate opportunities to diversify the tax characteristics of their assets.
That can include taxable investment accounts, tax deferred retirement accounts, Roth assets and, when appropriate, properly structured permanent life insurance.

Having different pools of wealth available can create more choices when determining how to fund retirement from year to year.

Some years may favor distributions from taxable assets.

Others may create opportunities for Roth distributions.

In other circumstances, accessing available life insurance cash value may be appropriate.



Preparing for a Major Decline in Health

A significant decline in health can quickly become both a personal and financial event.

There are several ways to prepare for future care needs. Traditional long term care insurance may be appropriate for some families. Others may choose to retain assets specifically for future care. Insurance based strategies may also provide another potential resource.

Certain permanent life insurance policies offer chronic illness riders that may allow a policy owner who meets the rider's qualifying requirements to accelerate a

portion of the policy's death benefit during life.

For an appropriate client, this can add another dimension to the role life insurance plays within the financial strategy.

The policy may provide cash value that can potentially be accessed during retirement.

It may provide a death benefit for beneficiaries.

And when a qualifying chronic illness rider is included and its requirements are satisfied, it may provide access to a portion of the death benefit during life following a qualifying chronic illness.

Chronic illness riders are not necessarily long term care insurance. Benefits, qualification requirements, costs, limitations and exclusions vary by policy and insurance company.

We view them as one potential resource that may help supplement a broader strategy for future care needs.



Protecting the People Behind the Plan

Every financial plan contains assumptions.

Income will continue.

Assets will have time to grow.

A spouse will be there to share the financial

the financial responsibilities of the household.

Life does not always cooperate with those assumptions.

Life insurance can help transfer certain financial risks away from the family when the consequences of carrying those risks would be significant.

During the accumulation years, that may mean replacing income or providing financial security for a surviving spouse and children.

Later in life, the purpose of insurance may change.

It may provide liquidity, help create an inheritance, support charitable objectives or allow other assets to be used differently during retirement.

The important question is not simply whether someone owns life insurance.

It is what job the life insurance is intended to perform.

Wealth Should Outlive You When You Want It To

For many successful families, retirement planning eventually becomes about more than their own lifetime.

> *The question changes from:* ***Will we have enough?***
> *To:* ***What happens to everything we do not use?***

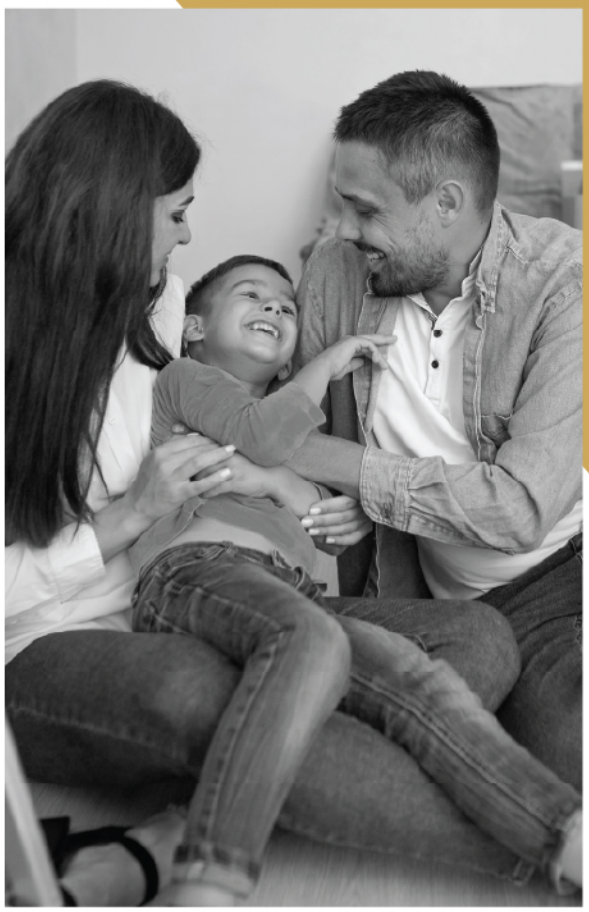
That may mean providing for children or grandchildren. Supporting a church or charitable organization. Protecting a surviving spouse. Preserving a family property or business. Creating liquidity for future obligations. Or simply transferring wealth in a thoughtful and intentional way.

Legacy planning begins by understanding what the wealth is ultimately meant to accomplish.

Only then should the appropriate financial strategies be considered.

Passing Assets Is Not the Same as Creating a Legacy

An account balance can be inherited. A legacy has intention behind it.



Beneficiary designations, ownership structures, taxes, insurance, investment accounts and estate documents can all influence how wealth ultimately moves from one generation to another.

But the technical pieces are only part of the conversation.

We want to understand what matters to the family.

Who should benefit from the wealth?

When should they receive it?

Are there causes or institutions the family wants to support?

Is there a family business, property or other asset they hope to preserve?

Are there assets that carry significance beyond their financial value?

Those conversations help transform estate planning from a collection of documents into a broader legacy strategy.

Coordinating With the Professionals Around You

Wealth protection and transfer often cross multiple disciplines.

Attorneys draft legal documents.

CPAs provide tax advice.

Investment professionals manage assets.

Insurance professionals address specific financial risks.

The problem arises when each professional works independently.

Paraclete helps clients understand how those pieces interact and works alongside their existing tax and legal professionals when appropriate.

Our role is not to replace the attorney or CPA.

It is to help make sure the financial strategy and the work of the client's professional team are moving in the same direction.

The Strategy Determines the Tool



We are not afraid to use insurance at Paraclete.
We are equally unwilling to use it simply because it is available.

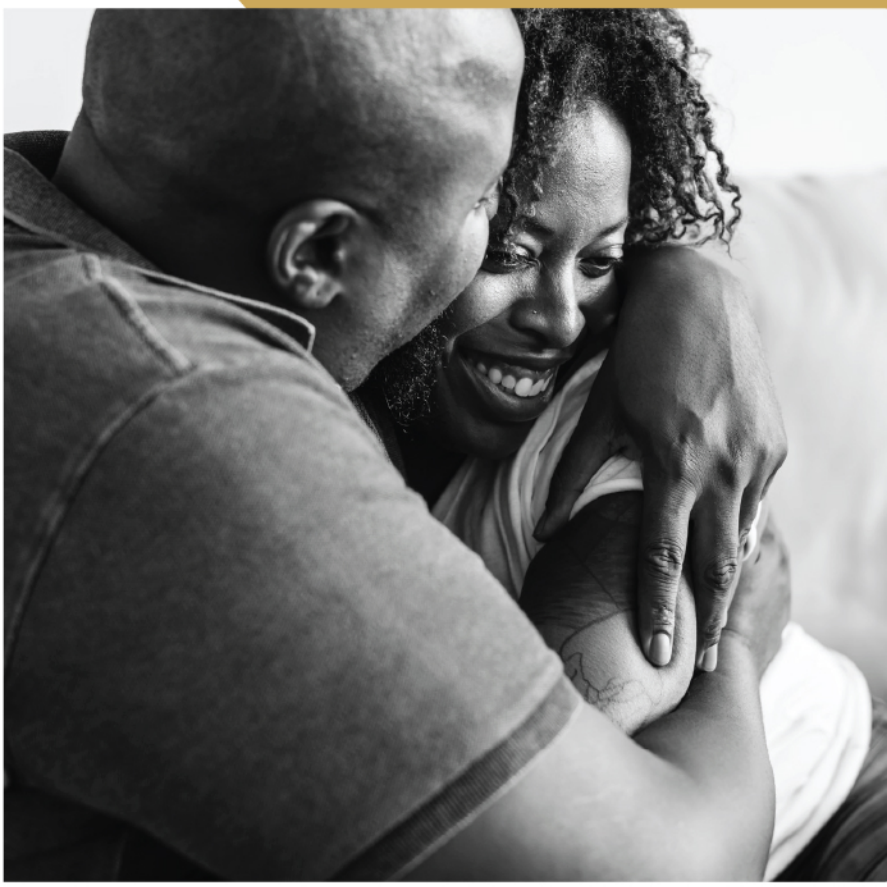
A fixed indexed annuity should solve a specific income, longevity or principal protection problem.

A Roth conversion should make sense within the client's broader tax strategy.

A LIRP should serve a clearly defined retirement, tax diversification, protection or legacy objective.

A chronic illness rider should be evaluated for the actual protection and benefits it provides.

And investments should remain investments when market participation and long term growth are the jobs those assets need to perform.



Sometimes the analysis confirms that the client's existing strategy is already appropriate.

Sometimes it reveals a risk or opportunity that deserves attention.

And sometimes repositioning a portion of the financial picture can make the entire strategy stronger.

The strategy determines the tool. The tool does not determine the strategy.

Protect What Matters. Prepare What Comes Next.

You worked hard to build your wealth.

Eventually, good planning requires asking two additional questions.

What needs to be protected?

And what do you want your wealth to accomplish after you?

At Paraclete Wealth Partners, we help families answer those questions within the same financial architecture guiding their investments and retirement strategy.

Because building wealth matters.

Using it well matters.

And so does protecting the people and purposes you built it for.

Fixed indexed annuities are insurance products and are not direct investments in a securities market or market index. Index performance does not include dividends, and interest credits are determined according to the crediting methods and limitations of the specific contract. Annuities may include surrender charges, withdrawal limitations, rider costs and other restrictions. Guarantees and lifetime income benefits are subject to the terms of the contract and the claims paying ability of the issuing insurance company.

Roth conversions are taxable events and may increase taxable income in the year of conversion. Qualified Roth IRA distributions are generally free from federal income tax when applicable requirements are satisfied. Tax laws and individual circumstances can change, and state tax treatment may differ. Life insurance policies contain costs, limitations and eligibility requirements and may not be appropriate for every client. Cash values and death benefits depend on policy terms, premiums, charges and policy performance. Policy loans and withdrawals reduce available cash value and death benefits and may cause a policy to lapse. A lapse or surrender with outstanding loans may result in taxable income. Modified Endowment Contracts are subject to different tax treatment.

Chronic illness riders vary by carrier and policy and are subject to specific definitions, eligibility requirements, limitations and exclusions. Chronic illness benefits are not necessarily long term care insurance and should not be considered equivalent coverage.

Paraclete Wealth Partners does not provide legal or tax advice. Clients should consult qualified tax and legal professionals regarding their individual circumstances.