HELPING YOU UNDERSTAND THE COMPLEXITIES OF WEALTH MANAGEMENT AND PROVIDING SOLUTIONS AS UNIQUE AS YOUR GOALS

WEALTH MANAGEMENT NEWSLETTER

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TIPS FOR WOMEN ENTREPRENEURS

According to the National Women's Business Council, nearly 8 million women-owned businesses exist in the United States. Women-owned firms comprise 28.7 percent of all nonfarm businesses and generate more than $1.2 trillion in revenue. Interestingly, 88.3 percent of women-owned businesses have no employees, indicating that many women strike out on their own, perhaps to better balance work and family.[1] If you're considering the launch of a new venture (or know someone who is), the following information may be helpful.

1 National Women's Business Council fact sheet, June 2015

Facing unique challenges

Although there are no gender differences in the steps involved in starting a business, women may indeed face unique challenges when it comes to implementing those steps.

According to a Babson College study, women entrepreneurs tend to have less confidence than their male peers. Among those who have identified new business opportunities, 34 percent of women admit to a fear of failure, compared with 29 percent of men, and less than half of women believe they have the capabilities to start a business, compared with 63 percent of men.[2]

2 Babson College, *Global Entrepreneurship Monitor, 2013 United States Report*

Women may also face challenges in securing venture capital (VC) funding. In a different study, Babson researchers found that 85 percent of all VC-funded companies have no women on the executive team, and only 2.7 percent of VC-funded companies are led by a woman CEO. However, VC firms with women partners were more than twice as likely to invest in firms with women on the executive team and more than three times as likely to fund a company with a woman at the helm.[3]

Overcoming the obstacles

So what should a woman with a great business idea do?

First and most important, define what success means to you. Do you want a thriving operation with dozens of employees, or are you looking for self-employment to bring in additional income while allowing more time for family needs? Or maybe it's something in between? Be sure you have a clear vision of your dream before you launch.

Understand that preparation and knowledge are keys to building confidence. Develop a written business plan that describes your business's products and services, target market, marketing and sales strategy, opportunities and challenges, competition and how you will address it, and other key success factors. This document and the hard work involved in preparing it will be especially important if you plan to seek financing from lenders, angel investors, VC firms or other outside sources. The required research will help prepare you to answer the tough questions from potential financiers.

Know that successful entrepreneurs are typically willing to take calculated risks. Don't let fear drive your decision making. Once again, preparation is important, but don't let your analysis end up in paralysis.

Be sure you have enough funds set aside to survive the start-up phase, which can last as little as a few weeks or as long as several years, depending on your business. Having enough money to live on during this period may further bolster your confidence, reduce fear of failure, and support wise risk taking.

Finally, take heart in knowing help is available. The Small Business Administration,Women's Business Centers, and Community Development Financial Institutions (CDFIs) across the country provide resources and information especially for women business owners.

3 Babson College, *Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital*

PERIODIC REVIEW OF YOUR ESTATE PLAN

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. It allows you to control what happens to your property if you die or become incapacitated. An estate plan should be reviewed periodically.

When should you review your estate plan?

Although there's no hard-and-fast rule about when you should review your estate plan, the following suggestions may be of some help:

- You should review your estate plan immediately after a major life event
- You'll probably want to do a quick review each year because changes in the economy and in the tax code often occur on a yearly basis
- You'll want to do a more thorough review every five years

Reviewing your estate plan will alert you to any changes that need to be addressed.

There will be times when you'll need to make changes to your plan to ensure that it still meets all of your goals. For example, an executor, trustee, or guardian may die or change his or her mind about serving in that capacity, and you'll need to name someone else.

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

Events that should trigger a periodic review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren
- There has been an addition to your family through birth, adoption, or marriage (stepchildren)
- Your spouse or a family member has died, has become ill, or is incapacitated
- Your spouse, your parents, or other family member has become dependent on you
- There has been a substantial change in the value of your assets or in your plans for their use
- You have received a sizable inheritance or gift
- Your income level or requirements have changed

- You are retiring
- You have made (or are considering making) a change to any part of your estate plan

Some things to review

Here are some things to consider while doing a periodic review of your estate plan.

- Who are your family members and friends? How do you feel about them?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die?
- Does your choice of an executor or a guardian for your minor children remain appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust, durable power of attorney, or joint ownership to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiary at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

WHEN 401K PLANS GO BAD, AVOIDING DISQUALIFICATION

Tax effects of plan disqualification

Plans that comply with the tax rules are said to be "qualified" and therefore entitled to their favorable tax status. But plans that run afoul of the rules (for example, by improperly excluding participants, missing contributions, or failing discrimination tests) can become "disqualified." The potential consequences of disqualification are severe:

- Employees are taxed on their pretax contributions in the year those contributions are made to the plan, rather than the year the contributions are paid from the plan.
- In general, employees are taxed on employer contributions, and plan investment earnings, in the year they vest, rather than the year benefits are paid; in certain cases, highly paid employees are taxed on the entire value of their accounts (to the extent not already taxed).
- Employers take deductions for plan contributions in the year their employees vest in that contribution, rather than the year the employer made the contributions to the plan.
- The plan trust must pay taxes on its earnings.
- Distributions from the plan are ineligible for special tax treatment and cannot be rolled over tax free to IRAs or other qualified employer plans.

> The IRS correction programs—SCP, VCP, and Audit CAP—are components of the IRS Employee Plans Compliance Resolution System (EPCRS), currently described in Revenue Procedure 2013-12. The Rev. Proc. contains general guidance on how failures should be corrected and describes correction methods already approved by the IRS for many common plan failures.

Even worse, a plan may be disqualified *retroactively* if the plan defect occurred in a prior year. This means that employers and employees would likely need to file amended returns to reflect the tax effects of disqualification for those prior years. Penalties for underreporting income in those prior years could also be imposed. And while the IRS generally can't go back more than three years (six years if there was a substantial underreporting of income) to collect taxes for any earlier year, the IRS might require correction of those closed years if an employer seeks to requalify its plan.

IRS to the rescue

Luckily, the IRS has adopted several programs that may help you avoid the potentially disastrous consequences of disqualification.

The Self-Correction Program, or SCP, is generally the program of choice if you're eligible. This program allows you to self-correct many plan errors—and preserve the tax-favored status of your plan—without contacting the IRS or paying a fee, and there are no application or reporting requirements. "Correction" generally means that the plan and participants must be placed in the same position they would have been if the failure had not occurred. The program is available for any errors that occur when you don't follow the written terms of your plan. You can correct insignificant errors at any time. And you can even self-correct significant operational errors if you act promptly. ("Egregious" errors can't be corrected using SCP.)

If you're not eligible for SCP (or if you'd like the comfort of IRS approval of your corrections), the next step is the Voluntary Correction Program (VCP). This program is available only if your plan is not being audited. You must submit an application to the IRS describing the plan failure(s), describe how you intend to correct those failures, and detail the administrative changes you intend to adopt to avoid those failures occurring in the future. You must also pay a compliance fee, ranging from a few hundred dollars to $25,000, depending on the nature of the failure and the number of plan participants. If your application is approved, the IRS will generally agree not to disqualify your plan because of the disclosed failures if you complete the approved corrections within 150 days.

If you don't use SCP or VCP to voluntarily correct plan errors, and the IRS discovers the failures itself (for example, during a plan audit), you may still be able to preserve your plan's tax benefits by using the Audit Closing Agreement Program (Audit CAP). Under this program, you must correct the plan failures, enter into a "Closing Agreement" with the IRS, and pay a penalty equal to a negotiated percentage of the additional taxes that would have been payable had the plan been disqualified.

The qualified plan rules are complicated. Working with a retirement plan professional can help you avoid mistakes that could lead to the ultimate penalty of disqualification.

HOW DO I CHANGE OR REVOKE A WILL?

Your will does not take effect until you die. You can create a new will or revoke or amend an existing will up until your death.

A will remains valid until properly revoked or superseded. Revoking your will must be done very carefully. Most state laws require that the will be revoked by a subsequent instrument (a new will) or by a physical act (e.g., destroying or defacing it). This means the will must either be burned, torn, or canceled with the intent to revoke. You might, for example, write REVOKED across the will and sign and date the revocation.

You can amend (change) your will by executing a codicil. A codicil is a separate, written, and formally executed document that becomes part of your will. More specifically, a codicil is a supplement or addition to a will that explains, modifies, or revokes a previous will provision or that adds an additional provision. A codicil generally should be used only for minor changes to your will. You should execute a new will if there are many changes or a major change.

A codicil should generally be executed with the same formalities as required for a will. In general, the codicil must be signed, dated, and witnessed in accordance with the laws of the appropriate state.

The codicil should be attached to the will it is amending. Be sure to draft, execute and attach a copy of the codicil to each copy of your will.

Although a new will usually must be contested in its entirety, some states will allow a codicil to be contested on its own. If it is found to be invalid, only the changes contained in the codicil will be voided and the remaining will provisions remain valid.

Some states provide that provisions in a will may be revoked automatically upon marriage or divorce. It is generally a good practice to review your will and make changes as needed upon marriage or divorce, or for any other major changes in your life.