

IMCA

investment management consultants association

CPWA[®] Designation Program Core Topic List November 2011–May 2012

Section 1: Ethics

- A. IMCA –Code of Professional Responsibility”
- B. Fiduciary responsibility and due diligence
- C. Forms of compensation
- D. Conflicts of interest
- E. CPWA designation requirements

Section 2: Tax Planning

- A. Overview of rate-structure and income-tax calculations for individuals
 - 1. Overview of income-tax calculation using Form 1040
 - 2. Overview of income-tax rate structure
 - 3. Limitations on itemized deductions
 - 4. Estimated income tax payment requirements
- B. Alternative Minimum Tax (AMT)
 - 1. Overview of AMT calculation
 - 2. Adjustments, exclusions, preferences
 - 3. AMT rate, tax credits, credit carryforwards
 - 4. Transactions or situations that lead to AMT exposure
 - 5. Strategies that avoid or minimize AMT
 - 6. Need for multi-year modeling
- C. Charitable income-tax deductions and corresponding limitations
 - 1. Contributions of cash, short-term capital gain property, long-term capital gain property
 - 2. Application of limitations – 20%, 30% and 50% of AGI
 - 3. Interaction of AGI limitations
- D. Interest-expense classification and applicable limitations
 - 1. Mortgage-interest requirements and special rules
 - 2. Investment-interest expense classification and limitations
 - 3. Interest on business activities
 - 4. Limitations on interest deductibility and carryforward provisions
- E. Income taxation of investments
 - 1. Qualified-dividend income—rules and exclusions
 - 2. Wash sale rules
 - 3. Key components of capital-gain tax rules
 - 4. Definition of short-term and long-term capital gains
 - 5. Netting of gains and losses
 - 6. Deducting net capital losses
- F. Income taxation of stock options
 - 1. Taxation of incentive stock options
 - 2. Qualification as incentive stock options
 - 3. Basis and holding period of stock acquired for regular and AMT purposes
 - 4. Taxation of nonqualified stock options
 - 5. Basis and holding period of stock acquired

CPWA® Designation Program Core Topic List *(continued)*

- G. Overview of pass-through entities and their impact on tax liability
 - 1. Character of flow-through income and deductions
 - 2. Calculation of basis
 - 3. Basis and at-risk limitations
 - 4. Passive loss limitations and carryforwards
 - 5. Classification of pass-through income as passive or non-passive
 - 6. Treatment of passive losses, disposition of passive activities
- H. Non-taxable transactions or gain/loss deferral provisions
 - 1. Taxation of like-kind exchanges
 - 2. Gain and loss deferral, basis of property acquired in exchanges
 - 3. Section 1244, 1045, and 1202 transactions
- I. Tax-planning strategies
 - 1. Multi-year income tax modeling
 - 2. Reviewing client tax returns for planning opportunities
 - 3. Tax timing and recognition of income and deductions
- J. Role of advisors in providing tax planning services to high net worth families

Section 3: Portfolio Management & Behavioral Finance

- A. Tax-Aware investing
 - 1. Impact of taxes on long-term wealth accumulation and investment returns
 - 2. Measures of tax efficiency and after-tax returns
 - 3. Tax-loss harvesting strategies
 - 4. After-tax asset class assumptions
 - 5. After-tax evaluation of equity and fixed income managers
 - 6. Tax-aware investment policies
 - 7. Asset positioning based on the tax characteristics of the entity
- B. Alternative investments
 - 1. Structures
 - 2. Strategies
- C. Socially responsible investments
 - 1. Structures
 - 2. Strategies
- D. Behavioral finance
 - 1. Prospect theory
 - 2. Adaptive Markets Hypothesis
 - 3. Decision making process
 - a. Intuitive
 - b. Deliberative
 - 4. Decision making biases
 - a. Cognitive
 - b. Emotional
 - 5. Paradox of Choice

CPWA® Designation Program Core Topic List (continued)

Section 4: Planning for Executives

- A. Types of stock options
 - 1. Qualified—tax rules, advantages and disadvantages
 - 2. Nonqualified—tax rules, advantages and disadvantages
- B. Strategies for exercising groups of options with differing maturities, exercise prices, and terms
 - 1. Exercise strategies for portfolios of stock options
 - 2. Incentive stock options and their impact on the overall exercise strategy
 - 3. Minimizing AMT on incentive stock-option exercises
 - 4. Simultaneous exercise of qualified and nonqualified
 - 5. Cashless exercise, exercise and hold, pyramiding options
 - 6. Tax basis and holding period of option shares
- C. Concentrated position risk and client education
 - 1. Quantifying downside risk from excess concentration
 - 2. Use of Monte Carlo to illustrate probable outcomes of single stock positions versus diversified portfolios
- D. Key strategies for hedging and/or diversifying concentrated stock risk
- E. Understanding the operation of each strategy, best use of the strategy, major tax implications including taxation of options and straddle rules, risks, and limitations of each strategy
 - 1. Outright sale of stock
 - 2. Prepaid variable forward contracts
 - 3. Costless collars
 - 4. Exchange funds
 - 5. Charitable Remainder Trusts
 - 6. Section 10b-5 Plans
- F. Restrictions on senior executives of publicly traded businesses
 - 1. Short-swing profit rules
 - 2. Insider information
 - 3. Exercise “windows”
 - 4. Company policies

Section 5: Planning for Closely Held Business Owners

- A. Business entities
 - 1. Structures
 - 2. Taxation
- B. Buy-sell agreement planning
 - 1. Structures
 - 2. Strategies
- C. Closely held business valuation
- D. Structuring the sale of a closely held business
 - 1. Sale to third parties
 - 2. Sale to employees
 - 3. Sale to family members
- E. Taxation of the sale of a closely held business
 - 1. Sellers
 - 2. Buyers
- F. Intergenerational business transfer strategies

CPWA® Designation Program Core Topic List (continued)

Section 6: Retirement Planning

- A. Time Value of Money
 - 1. Financial calculator basics
 - 2. Case study calculations
- B. Spending policy in a “distribution” portfolio—maximizing the life of the portfolio
 - 1. Sustainable rate of withdrawal
 - 2. Impact of timing of retirement and “luck factor”
 - 3. Impact of asset allocation on the spending decision
- C. Spending from the qualified plan or the after-tax asset pool—strategy considerations
 - 1. Identifying the optimal priority of asset distributions
- D. Required Minimum Distribution (RMD) rules in retirement and estate planning
 - 1. Minimum distribution timing
 - 2. Minimum distribution calculations
 - 3. Impact of death of the account holder
- E. Investment strategies for assets inside qualified plans —integration with the portfolio
 - 1. Determining whether to invest qualified plan money for long-term growth or income
- F. Net Unrealized Appreciation (NUA) exception for employer securities
- G. Roth IRA strategies
- H. Distributions at Death
 - 1. Beneficiary Planning
 - 2. Stretch IRA

Section 7: Risk Management & Asset Protection

- A. Risks that give rise to the need for asset protection
- B. Property and casualty insurance as a component of risk protection
- C. Use of onshore entities for asset protection
 - 1. Family Limited Partnership
 - 2. Limited Liability Company
 - 3. Domestic Asset Protection Trusts
- D. Life insurance products in asset protection
- E. Offshore asset protection planning
 - 1. Selecting an appropriate jurisdiction
 - 2. Offshore protection trust structure and creation
 - 3. Cost and operation of offshore trust vehicles
 - 4. Limitations on offshore entities

Section 8: Charitable Planning

- A. Adjusted gross income (AGI) limitations on gifts to public charities
 - 1. Limitations on gifts of cash to public charities
 - 2. Limitations on gifts of long-term capital gain to public charities
- B. AGI limitations on gifts to private foundations
 - 1. Limitations on cash gifts to private foundations
 - 2. Limitations on gifts of long-term capital gain property to private foundations
- C. Planning to maximize charitable deductions and interaction of multiple limitations
 - 1. Income planning to maximize charitable-contribution deductions
- D. Gifts of ordinary income property and property subject to debt

CPWA® Designation Program Core Topic List (continued)

- E. Donor-Advised Funds
 - 1. Common uses
 - 2. Structural issues
 - 3. Advantages and limitations
 - 4. Funding strategies
- F. Charitable Lead Trusts
 - 1. Common uses
 - 2. Structural issues
 - 3. Advantages and limitations
 - 4. Funding strategies
- G. Charitable Remainder Trusts – CRATs, CRUTs
 - 1. Common uses
 - 2. Structural issues
 - 3. Advantages and limitations
 - 4. Funding strategies

Section 9: Estate Planning

- A. Assets/liabilities includible in the taxable estate
 - 1. All assets owned or controlled
 - 2. Life insurance
- B. Estate, gift, and generation-skipping tax
 - 1. Tax rates
 - 2. Situations in which each tax applies
- C. Credits allowable against estate tax liability
 - 1. Unified credit
 - 2. Charitable contributions
 - 3. Unlimited marital deduction
- D. Estate, gift, and generation skipping transfer tax calculations
- E. Trusts
- F. Strategies for reduction of the taxable estate
 - 1. Elimination of assets from the taxable estate
 - 2. Shifting future appreciation
- G. Use of trusts, selection of trustees, succession of trustees, timing of inheritance, and amount of inheritance
- H. Qualified Retirement Plan (QRP) assets in the estate plan
- I. Stock options in the estate plan
- J. Grantor-Retained Annuity Trusts (GRATs)
- K. Valuation Discounts
- L. Family Limited Partnerships
- M. Installment sales to Defective Grantor Trusts (IDGTs)
- N. Intra-family loans
- O. Irrevocable Life Insurance Trusts (ILITs)
- P. Comprehensive estate planning

CPWA® Designation Program Core Topic List *(continued)*

Section 10: Client Relationships, Family Dynamics, & Legacy Planning

- A. Client Relationships
 - 1. Client learning styles
 - 2. Verbal and non-verbal communication skills
 - 3. Simple, clear language - minimizing professional jargon
 - 4. Interviewing and client interaction skills
 - 5. Providing support to clients under stress
- B. Wealth Origins
 - 1. Immigrants to wealth
 - 2. Natives to wealth
- C. Family Dynamics
 - 1. Family roles
 - 2. Family relationships
 - 3. Interrelational behaviors
- D. Legacy Planning
 - 1. Intergenerational communication
 - 2. Family governance
 - 3. Family office
 - a. Structures
 - b. Services
 - 4. Financial education