

Capital Investment Companies Launches the Capital Life Audit Program

Deans and Nicholson Advise CPAs on Managing Risks of Trust-Owned Life Insurance

RALEIGH, N.C. (November 17, 2009) – Capital Investment Companies, one of the largest independent financial services and brokerage firms in the Southeast, launched the firm’s Capital Life Audit Program yesterday at the North Carolina Association of Certified Public Accountants’ 70th Annual Symposium. Don M. Deans and William B. Nicholson addressed CPAs from across the state on managing trust-owned life insurance policies (TOLI) and the liability risks that come with doing so.

High net worth clients often use TOLI policies as a primary tool in their estate plans. Once sold economic conditions and interest rates change which can alter performance and tax obligations. Without active management of TOLI, CPA trustees and policy owners will not know these changes have occurred or be able to make the necessary remedies. The current climate of lower interest rates poses such a risk to policies purchased as part of many estate plans over the last 25 years.

“Certain studies have shown that more than 25% of nonguaranteed flexible TOLI policies will lapse during the insured’s lifetime,” warned Nicholson. “Generally, the only way to know how a policy is performing is to order an in-force reprojection, which should be requested and analyzed annually to avoid such an adverse outcome for clients and the associated liability for CPAs.”

TOLI trustees remain responsible for compliance. The Capital Life Audit Program can help trustees with the documentation needed to demonstrate that the exercise of their fiduciary duties by:

1. Adopting a written Trust Investment Policy Statement (TIPS) to define portfolio objectives.
2. Measuring portfolio pricing and performance against both originally-quoted pricing and industry benchmark pricing.
3. Assessing portfolio strengths and weaknesses as compared to the market, and indentifying opportunities for improvement.
4. Investigating “Best-of-Breed” products seeking potentially higher ratings, lower costs, more stable pricing, greater liquidity, and/or superior historical performance; and...
5. Making changes intended to maximize benefits and minimize costs.

“The Capital Life Audit Program provides accountants with a framework to systematically protect the assets and manage the insurance and estate-planning needs of clients,” said Richard K. Bryant, president of Capital Investment Companies. “This is a valuable new financial services tool for dealing with the environment in which clients and accountants now must operate.”

Deans and Nicholson led the session titled, “Managing Hidden Risks – The CPA’s Role in Managing Their Clients’ Life Insurance – The ‘T’ Problem,” on Monday, November 16, during the NCACPA symposium at the Grandover Resort & Conference Center in Greensboro, NC.

Don M. Deans, CPA/PFS, is a Certified Public Accountant and has 35 years experience in financial services, including five years as a partner at Deloitte Haskins & Sells. He has been with Capital Investment Companies in Raleigh for the past 4 years, where he has served as director of sales. He holds FINRA licenses 6, 7, 63, 65 and 24 and BS and MBA degrees from the University of North Carolina at Chapel Hill.

William B. Nicholson, ChFC, is a Chartered Financial Consultant with over 25 years experience in financial services, including more than 20 in estate planning and life insurance. He currently is the head of advanced planning and the insurance and annuity divisions of Capital Investment Companies.

Under his leadership the firm's insurance division has experienced a forty-fold growth. He is a licensed life insurance instructor registered with the N.C. Department of Insurance. He has a BS in business administration from the University of North Carolina at Chapel Hill.

Deans and Nicholson co-authored an article on the role of the CPA and trust-owned life insurance, which ran nationally in the Journal of Accountancy:

<http://www.journalofaccountancy.com/Issues/2008/Apr/TrustOwnedLifeInsuranceTheCPAsRole>

For more information on the Capital Life Audit Program please contact William Nicholson at bnicholson@capital-invest.com or by calling (919) 831-2370 or Don Deans at ddeans@capital-invest.com or by calling (704) 575-7937.

About Capital Investment Companies

Capital Investment Companies is comprised of Capital Investment Brokerage, Inc. and Capital Investment Group, Inc., registered broker/dealers (Members FINRA/SIPC), and their affiliates. Capital Investment Companies (www.capinvestco.com) is one of the largest independent financial services and brokerage organizations in the Southeastern United States, headquartered in Raleigh, N.C. The firm offers a wide variety of financial services including: traditional investment brokerage, money management, investment banking, trust services, no-load mutual fund management, mortgage services, estate planning, insurance services, retirement plans and a community foundation. They offer their services to individuals, corporations, and the CPA and banking community.

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