

Do you have a tax problem? It is ironic that having a tax problem is a good thing, when compared to the alternative. Fortunately, there are options available to minimize your tax bill.



One of the most common questions I'm asked is "How can I reduce my taxes?"

As a strong believer in using every legal option to minimize our tax obligations, I spend a lot of time doing research to uncover every opportunity that fits each client's situation.

One of the most quoted judges in history had something important to say on the subject of legal tax avoidance:

*"Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury. There is not even a patriotic duty to increase one's taxes. Over and over again the Courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands." - Judge Learned Hand*

If you're working for a wage or salary:

- **Contribute to an Individual Retirement Account (IRA).** You can start with as little as \$100, and contribute up to \$5,000 (or \$6,000 if you're age 50 or older). The tax-deduction phases out at higher incomes, but I have options for people in those tax-brackets, too.
- **Purchase Long Term Care insurance.** Tax-qualified policies are tax deductible, depending on your age. Deductible amounts start at \$340 up through age 40, and cap out at \$4,240 at higher ages. If you're concerned about protecting your assets from confiscation by the

government after a forced spend-down to poverty in order to qualify for Medicaid, or if you don't want to be a burden on your family later in life, then you should take advantage of the government's generosity here. Premiums are substantially lower when a policy is purchased at a young age.

If you own a business:

- **Contribute to a SEP IRA.** SEP stands for Simplified Employee Pension, and you can contribute 25% of your income, up to \$49,000 in 2011. As an added benefit, you can contribute in 2012 for a 2011 tax deduction, as long as you make that contribution before you file your tax return, including extensions.

- **Set up a Qualified Plan, like a 401(k) & Profit Sharing Plan.** The real upside here is that you can often contribute much more than a SEP IRA, and you have the ability to borrow tax-free from your own retirement plan for emergencies and opportunities. You cannot borrow from an IRA, SEP IRA, or SIMPLE IRA. Plus, there's an

[IRS Income Tax Credit](#)

up to \$500 per year for the first three years when you set up a new plan.

- **Purchase a personal retirement plan, or fund your buy-sell plan, and finance it.**

Use your business cash flow and accounts receivable as collateral, and add \$100,000 to over \$1,000,000 to your retirement or buy-sell plan this year. There is

NO

IRS limit on your deductions. You don't need perfect credit, but you

DO

need to have cash flow

AND

a business entity like a corporation, LLC, or general partnership (sole proprietors are not eligible). Request a proposal

[here](#)

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- **Set up a Section 162 Executive Bonus plan** for you and your key employees.

Contributions are deductible to a corporation. Golden handcuffs can be established, and cost recovery to the business is an option.

- **Set up a Defined Benefit Pension Plan.** If you earn a very high income, and need large tax deductions, these plans can help. The key is your

[employee census](#)

. Send one in and I can offer you a

FREE LOOK

at the possible deductions for you and your business. Deductions can be well into the six-figures in some situations.

This is just an abbreviated list, too. There are many more possible deductions, and some are relatively unknown, even among tax professionals.

*"I am proud to be paying taxes in the United States. The only thing is – I could be just as proud for half the money." - Arthur Godfrey, entertainer*

With the exception of the IRA, none of these plans listed above are do-it-yourself type programs, unless you really enjoy losing a lot of your money in a vain attempt to avoid the legitimate costs of doing business properly. If you don't want to be a cautionary tale, then you should avoid being penny wise and pound foolish when it comes to advanced financial planning.

I've personally seen what happens when a highly intelligent, well-educated individual sets up their own SEP IRA, and then makes very bad decisions (used a discount broker, purchased the wrong investment). In a nutshell, a \$22,000 contribution returned a bill for another \$17,000 (and that \$17,000 was not deductible). Total losses of \$39,000 in less than a week, just because he didn't want to pay for help. Too add insult to injury, his discount brokerage firm sued him, and won a judgement that he had no choice but to pay.

Qualified retirement plans, like 401(k) plans and Defined Benefit Pensions, can be disqualified when set up and administered by amateurs. Sophisticated plans like a financed retirement plan or leveraged buy-sell funding arrangement are no place for people who think Dave Ramsey really knows what he's talking about.

The costs of amateur-night-at-the-arena errors can be astronomical, so please make sure you're working with a [veteran professional](#) instead of a bottom-of-the-barrel low-cost provider that may not be here to fix your mistakes.

### Takeaway Points

- Nobody has to pay more than they are legally obligated to pay.
- Not all tax-deductions are common knowledge among tax experts, or easily found on the Internet.
- Even your CPA or other tax advisor may not know all the possible deductions, and you cannot blame them when the tax code is over 72,000 pages.

## **Do You Need Tax Deductions?**

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- Don't skimp when it comes to advanced financial planning.

**Do you need more tax deductions? Call today for a free consultation (800) 680-5596.**

Your comments below are appreciated.