

Welcome



Advanced Tax Planning Strategies for the Creation and Preservation of Income

**FPA Colorado
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Jeffrey H. Rattiner, CPA, CFP®, MBA, RFC

Mr. Rattiner is president and chief executive office (CEO) of Rattiner's Financial Planning Fast Track®, Inc. and The JR Financial Group, Inc. The Companies provide financial training to consumers and advisors in the financial services industry, and has offices in the Denver and Phoenix metro areas.



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Training

Rattiner runs the nationally acclaimed "Financial Planning Fast Track® which is a boot camp for financial advisors to take them through the education requirements mandated by the CFP Board of Standards within 7 months. His 26+ years of preparation experience demonstrates his long-time commitment to help advisors successfully complete the CFP® Certification Examination. Rattiner teaches each of the core classes and the CFP® Review Course.

Rattiner has provided CFP® education training to more than 25 financial services companies nationwide, lectured to more than 100 organizations, and taught the CFP® education program for 7 different colleges and universities.

Rattiner has provided CPA CE for several CPE organizations for over 20 years.

Rattiner was also rewarded the "1997 Distinguished Faculty Member-Teacher of the Year" by Community College of Denver.

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Writing

- Personal Financial Planning for Divorce: Real World Solutions – John Wiley & Sons
- "Rattiner's Review for the CFP Certification Examination - Fast Track" – (3rd ed.) John Wiley & Sons
- "Rattiner's Financial Planner's Bible: The Advisor's Advisor" – John Wiley & Sons
- "Financial Planning Answer Book" – CCH/Aspen
- "Getting Started as a Financial Planner" (2nd ed.) – Bloomberg Press
- "Adding Personal Financial Planning to Your Practice"-American Management Association
- "Personal Financial Planning Library" for Harcourt Professional Publishing.
- Co-authored "Practicing Financial Planning" textbook
- He has been a columnist for Financial Planning Magazine and Financial Advisor Magazine.

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Background

- ◆ Bachelor of Business Administration (BBA) with an emphasis in Marketing Management from Bernard M. Baruch College of the City University of New York
- ◆ Master of Business Administration (MBA) in Certified Public Accounting from Hofstra University
- ◆ CERTIFIED FINANCIAL PLANNER™ education courses from New York University
- ◆ CERTIFIED FINANCIAL PLANNER™ (CFP®) Certificant with the CFP Board of Standards
- ◆ Certified Public Accountant in New York, Colorado, and Arizona

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Strategies for the Creation of Income

BUSINESS OWNERS

- Capitalize (rather than depreciate)
- Businesses should consider making expenditures that qualify for the business property expensing option under Code Section 179 for assets bought and placed into service during 2015 (\$25,000 indexed).
- All in the Family - Business Owner – Sole Proprietor, S Corp, LLC, LLP, C Corp. Put the kids to work!
- Tax Deferral – Delay billing (invoicing) or sales until next year.

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Strategies for the Creation of Income

Like Kind Exchanges Sec 1031 –

for sale of vacation rental or other business property.

- Similar "like kind" property
- Use for rental/vacation house in planning for retirement
- The numbers have to work – invest more after your pre-identified sale

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Strategies for the Creation of Income

BUSINESS OWNERS

- If you are self employed, set up a self-employed retirement plan to max out retirement contributions and deductions. Special emphasis on *Solo 401(k)* Plan, if applicable.
 - \$18,000 EE (\$18,000 @ 100%)
 - \$35,000 ER (\$140,000 @ 25%)
 - \$53,000
- Set up Retirement Plans based on the Business Owner's Objectives

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Strategies for the Creation of Income

- **Retirement – Qualified Plans**
 - Defined Benefit
 - Defined Benefit
 - Cash Balance
 - Defined Contribution
 - Money Purchase
 - Target Benefit
 - Tandem
 - Profit Sharing
 - 401(k) – Employer Match

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- **Retirement – Personal Financial Plans**
 - SEPs
 - SIMPLE
 - IRAs

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- **Retirement – Non Qualified Plans**
 - Deferred Compensation Plans
 - Salary Reduction
 - Salary Continuation

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Importance of Differentiating Income and Treatment of Losses

- Active Income
- Passive Income
- Portfolio Income
- Other Income

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Strategies for the Creation of Income
USING FORM 1040 TO IDENTIFY FINANCIAL PLANNING NEEDS

Filing Status

- S/H
- M/J
- M/S
- H/H
- Q/W

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Strategies for the Creation of Income
USING FORM 1040 TO IDENTIFY FINANCIAL PLANNING NEEDS

FORM 1040 –
U.S. Individual Income Tax Return 2015

Gross Income

- Wages, Salaries, Tips, Etc. Attach Form (s) W-2
- Taxable interest. Attach Schedule B if required
- Ordinary dividends. Attach Schedule B if required
- Business income or (loss). Attach schedule C or C-EZ
- Capital gain or (loss). Attach Schedule D if required
- Rental real estate, royalties, partnerships, S corporations, trusts etc. Attach Schedule E

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Strategies for the Creation of Income
USING FORM 1040 TO IDENTIFY FINANCIAL PLANNING NEEDS

FORM 1040
U.S. Individual Income Tax Return 2015

- **Above the line deductions**
 - Health Savings Account deduction. Attach Form 8889
 - Moving expenses. Attach Form 3903
 - One-half of self-employment tax.
 - Self-employed SEP, SIMPLE, and qualified plans
 - Penalty on early withdrawal of savings
 - Alimony paid
 - IRA deduction
 - Student loan interest deduction

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Strategies for the Creation of Income
USING FORM 1040 TO IDENTIFY FINANCIAL PLANNING NEEDS

FORM 1040
U.S. Individual Income Tax Return 2015

- **Adjusted Gross Income (AGI)**

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Strategies for the Creation of Income
**USING FORM 1040 TO IDENTIFY FINANCIAL
 PLANNING NEEDS**

Schedule A-Itemized Deductions

(Below the line Deductions)

- **Medical and Dental Expenses**
- **Taxes you paid**
- **Interest you paid**
- **Gifts to Charity**
- **Casualty and Theft Losses**
- **Miscellaneous Deductions**

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**Strategies for the Preservation of
 Income – Tax Credits**

CREDITS

- **Child Care Credit** - \$600/\$1,200
- **Child Tax Credit** – \$1,000 refundable
- **Earned Income Credit** - refundable
- Ability to contribute to a deductible IRA
- Determine whether you qualify for a tax credit for the first four years of college under the American Opportunity Credit (AOC). Maximum credit is \$2,500 per year (the first \$2,000 @ 100% and the next \$2,000 @25%).

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**Strategies for the Preservation of
 Income**

AMT

- Estimate the effect of any year end planning moves on the AMT for 2015 keeping in mind that many tax breaks allowed for the purpose of calculating regular taxes are disallowed for AMT purposes.
- Taxes
- ISOs
- Medical Expense
- Miscellaneous 2% Deductions

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**Strategies for the Preservation of
 Income**

TAX CHALLENGES - BUSINESS OWNERS

- If you have losses from businesses that might otherwise be suspended under the passive loss rules, considering increasing the time that you devote to such business to satisfy the minimum hourly requirements for classification as an active business, thus freeing up such loss deductions. Make sure you have appropriate documentation in case losses are challenged.
- Sell appreciated real estate and closely-held stock on an installment basis. Gain will be taxed to you as you collect the principal payments on the note.

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Strategies for the Preservation of Income

- Increase your basis in S Corporation or partnership so you can deduct a loss from it this

Tax Strategies for the Preservation of Income USING FORM 1040 TO IDENTIFY FINANCIAL PLANNING NEEDS

TAX RAMIFICATIONS - ITEMIZED DEDUCTIONS

- If you refinanced and still have outstanding points or origination fee, don't forget to write off the entire remaining balance.
- You may want to settle an insurance or damage claim in order to maximize your casualty loss deduction this year.
- Consider using a credit card to prepay expenses that can generate deductions for this year Increase Your Withholding Taxes for Federal and State

Tax Strategies for the Preservation of Income USING FORM 1040 TO IDENTIFY FINANCIAL PLANNING NEEDS

TAX RAMIFICATIONS - ITEMIZED DEDUCTIONS

- If you are thinking of donating a used auto to charity, you may want to inquire whether the charity plans to sell the car or use it in its charitable activities, the latter may yield a bigger deduction for you.
- Accelerate State Estimated Tax Payments by December 31, 2015 (as opposed to January 15, 2016) as this payment will count as a tax deduction on the federal Schedule A for the current year if that payment is made prior to the end of December (Beware of AMT).
- Property Taxes are generally billed in installments. You may want to consider paying them in a lump sum for a greater tax benefit (Beware of AMT).

Tax Strategies for the Preservation of Income USING FORM 1040 TO IDENTIFY FINANCIAL PLANNING NEEDS

TAX RAMIFICATIONS - ITEMIZED DEDUCTIONS

- Give, and Give Again. Cash or non-cash charitable contributions are deductible (generally up to 50% of AGI for public charitable contributions). Receipts required for cash donations over \$250. Donate appreciated property. Sell losers and then donate the cash received.
- Alternate Years for Bunched Expenses: If your tax deductions normally fall short of needing to itemize your deductions (when standard deduction is greater), or if you are only able to itemize marginally, consider a bunching strategy. Consider extending your subscriptions to professional journals, paying union or professional dues, enrolling in (and paying tuition for) job-related courses to take advantage of the 2% of AGI floor.

**Tax Strategies for the Preservation of Income
USING FORM 1040 TO IDENTIFY FINANCIAL
PLANNING NEEDS**

TAX RAMIFICATIONS - ITEMIZED DEDUCTIONS

- **Prepay Medical Expenses.** The AGI threshold percentage for claiming medical expenses on a taxpayer's Schedule A is 10%. Individuals age 65 (before 12/31/12) and older will continue to use 7.5% through 2016. ie.) Orthodontics, fertility clinics, and other things where payments may be normally spread out.
- **Home Office Deduction, Self Employed:** Use your home office "regularly and exclusively" to perform management or administrative duties relating to that trade or business. **Employee:** Also must establish that your home office is "for convenience of your employer"

**Strategies for the Preservation of
Capital**

ESTATE PLANNING

- Not a numbers game for most people anymore. It's an income tax issue - mainly a basis issue.
- Should you use Grantor Trusts in place of Irrevocable Trusts?

**Strategies for the Preservation of
Capital**

PLANNING: DIVORCE CONCERNS

1. Appropriate division of property
2. CFP® Certificant offering a starting point
3. Income vs. growth vs. capital retention
4. Ongoing income requirements such as alimony or child support

**Strategies for the Creation and
Preservation of Income and Capital**

- Questions