


2023 Year End - Tax Reduction Strategies

Too late or is this the **GOLDEN HOUR?**

Laura Dohanes, CPA MBA

- 
- Deductions
 - Legal Entity Structure
 - Retirement
 - Insurance
 - Loopholes
 - Tax Cuts & Jobs Act Updates
 - Niche Specific Strategies
 - New Tax Policy

W. Clement Stone understood that the number one enemy you and I have to overcome as entrepreneurs is this:

Procrastination.

Delay.

“People who fail to accumulate money, without exception, have the habit of reaching decisions, if at all, very slowly, and of changing these decisions quickly and often. “

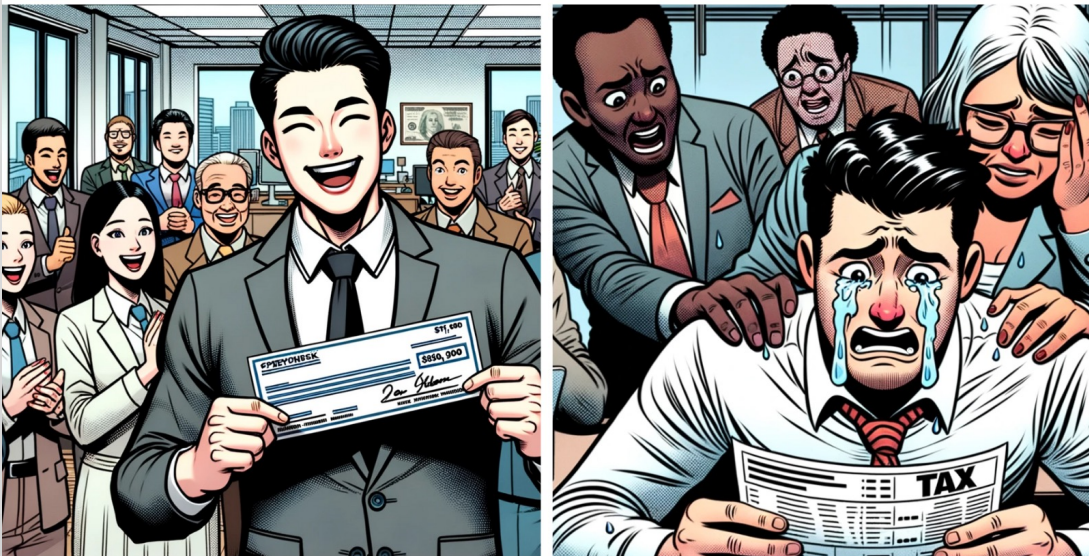
Napoleon Hill

“Excessive planning is just a fancy way to procrastinate.”

Michael Hyatt

Procrastination is the assassination of your destination.

THE HIGHS AND LOWS OF A HIGHLY COMPENSATED W-2 EMPLOYEE!



Highly Compensated W-2 Employee:

An individual whose paycheck is rivaled only by the length of their job title.

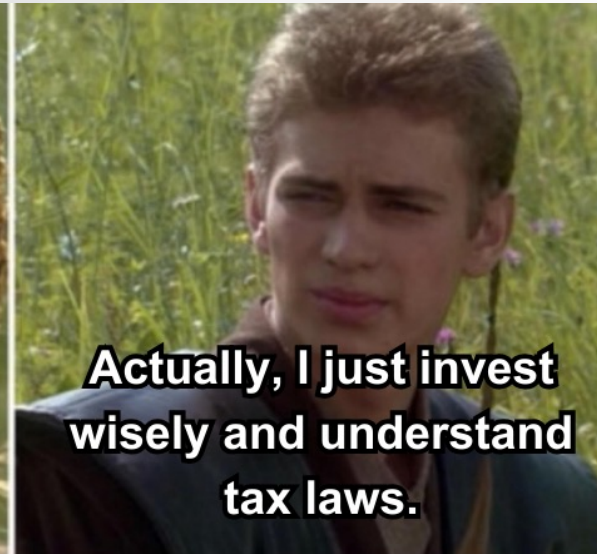
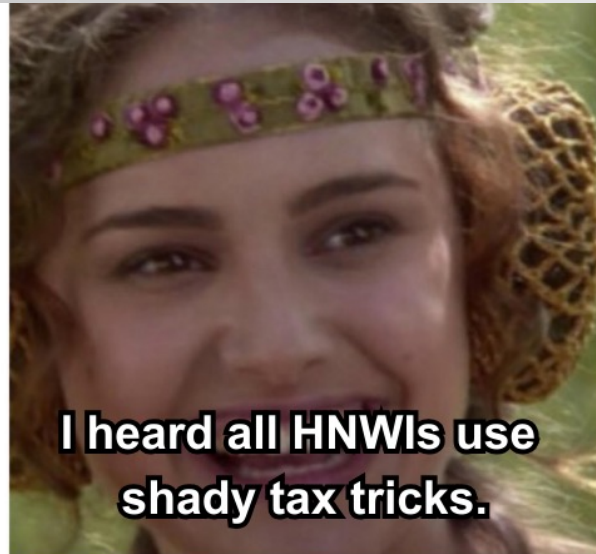
High Net Worth Individual:

A person for whom 'sky's the limit' often refers to their next real estate purchase.



IT'S CALLED TAX PLANNING. 😏 #HNWIPERKS

TAX WISDOM = Application of Tax Truths



THE REAL TREASURE IS KNOWLEDGE. 🧠💰 #TAXTRUTHS

Some Stats

Top Earners Pay the Majority of Income Tax:

- In 2018, the top 1% of earners (those with adjusted gross incomes of \$540,009 and up) paid over 40% of all federal income taxes. In contrast, the bottom 90% paid approximately 30% of the income tax.
- Source: [Tax Foundation](#)

Rising Millionaires:

- As of 2019, there were 18.6 million millionaires in the U.S., an increase of over 600,000 from the previous year. Source: [Credit Suisse Global Wealth Report](#)

Estate Tax Affects Few, But Brings in Billions:

- In 2020, fewer than 0.1% of U.S. estates owed estate tax, but the tax generated about \$18.3 billion in federal revenue. Source: [Congressional Research Service](#)

SALT Deduction Cap Impact:

- The \$10,000 SALT deduction cap implemented by the TCJA impacted 10.9 million taxpayers, causing them to lose out on \$323.1 billion in tax deductions in 2018.
- Source: [Government Finance Officers Association](#)

Capital Gains Inequality:

- In 2021, the top 1% of U.S. households by income were projected to earn 75% of all long-term capital gains.
- Source: [Tax Policy Center](#)

Alternative Minimum Tax (AMT):

- Post the TCJA changes, the number of taxpayers subject to the AMT fell from about 5 million to an estimated 200,000 in 2018. Source: [Tax Policy Center](#)

Foundational – Core Strategies for High-Earner Employees

Maxing Out Retirement Contributions

Leveraging Flexible Spending Accounts (FSAs)

Diving into Health Savings Accounts (HSAs)

Charitable Donations

Bundling Deductions

Education and 529 Plans

Tax Loss Harvesting

Keeping an Eye on AMT

The Power of Charitable Giving

- **Charitable Remainder Trusts (CRTs):** How to use CRTs to receive income, benefit charities, and achieve significant tax deductions.
- **Donor-Advised Funds:** You might have immediate tax benefits and more flexibility for charitable contributions.
- **Leveraged Asset Donations:** Immediate benefits for donating appreciated assets to qualified entities.
- **Setting up Foundations:** Establishing personal or family foundations to create lasting legacies and achieve tax efficiency.

Real Estate and Tax Implications:

- **1031 Exchanges:** Defer capital gains taxes by swapping similar kinds of properties.
- **DSTs:** Leverage investments via Deferred Statutory Trusts to reduce capital gains tax.
- **Opportunity Zones:** Investing in designated areas to defer, reduce, or even eliminate capital gains taxes.
- **Real Estate Gains and Losses:**
 - Choose the best entities to make passive investments in syndicated funds to optimize your tax reduction.
 - Choose the best real estate investments to optimize your tax reduction and increase wealth at the same time. Think STR vs LTR.

The Power of Diversification and Asset Location:

- **Asset Location:** Strategically decide which type of investment should be held in which type of account (taxable vs. tax-advantaged) to maximize after-tax returns

Retirement Planning – A Different Ball Game for the Wealthy:

- **Self-Directed IRAs:** Diversifying retirement investments beyond traditional stocks and bonds.
- **Roth IRA Conversions:** The strategy of converting traditional IRAs to Roth IRAs, paying taxes now to benefit from tax-free withdrawals later. (think Sabbatical)

Energy Tax Investments

Oil & Gas Investments:

- Intangible Drilling Costs
- Percentage Depletion
- Enhanced Oil Recovery Credits

Energy Tax Credit for renewable investments:

- Solar Investments
- Wind Energy Investments

TAX TIP: Some of these investments meet the Passive Activity Loss Rule Exception!

BONUS: ACCESS to MORE CASH

Infinite Banking:

Refers to a financial strategy where you use a dividend-paying whole life insurance policy to become your own "bank." By overfunding the policy, you can take out loans against the policy's cash value for various needs and then repay the loans at your own pace. The idea is to recapture interest that would have been paid to third-party lenders, thereby growing wealth within the life insurance policy over time.

Velocity Banking:

Velocity Banking is a method of paying down debt rapidly by leveraging one's current income and a line of credit. In this strategy, an individual uses a line of credit to pay down a larger debt (like a mortgage) and then uses their income to pay off the line of credit quickly. By repeating this process, you decrease the amount of interest paid over the life of the larger debt.



Is it too late
now or is this
the GOLDEN
HOUR?



<https://mycpapro.com/checklist>

Get a copy of these slides!

For a special gift 😊