



BOB CARLSON'S

Retirement Watch
SPOTLIGHT SERIES

15+ Tax Strategies That Will Survive The Coming Tax Increases

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Are Tax Increases Coming?

- **2020 campaign pledges**
- **Change in control in Washington**
- **Expanding deficits**
- **Planned additional spending**



Which Changes Most Likely?

- **Higher income tax rates**
- **Only \$400,000 and up?**
- **Higher corporate income tax rates**
- **Lower estate & gift tax exemption**
- **Higher estate tax rate**
- **Some estate planning strategies**
- **Let many 2017 tax breaks expire**



Less Likely Changes

- **Wealth tax**
- **Tax on asset appreciation**
- **Repeal 20% pass-through deduction**
- **Capital gains taxed as ordinary income**
- **No step-up in basis on inheritances**



Health Savings Accounts (HSA)

- **Triple tax benefits**
- **Best retirement-saving vehicle**
- **Wide-range of tax-free distributions**
- **Spouse can inherit**
- **How to leave tax-free to heirs**
- **Can't save more after on Medicare**



529 Education Savings Plans

- **Good estate-planning vehicle**
- **Very Flexible**
- **Know how affects financial aid**
- **Also consider prepaid tuition plan**
- **Alternative: Roth IRA for grandchild**



Bunching Deductions and DAFs

- **Standard deduction doubled**
- **Try to bunch expenses in one year**
- **Donor-advised fund (DAF) good tool**
- **Good way to cash in large capital gain**
- **Shop around for low costs, flexibility**
- **The DAF sponsor is in control**



Family Income Shifting/Splitting

- **Increase family's after-tax wealth**
- **Shift income to lowest tax bracket**
- **Follow Kiddie Tax rules**
- **Shift income and capital gains**
- **Get sophisticated: FLPs, trusts, more**
- **Do a reverse shift with parents**



Family Loans

- **Take advantage of low interest rates**
- **Avoid treatment as gift loan**
- **Avoid “demand notes”**
- **Document details**
- **Charge minimum IRS interest rate**
- **Can forgive loans or interest later**



Tax Diversification

- **Have all major types of accounts**
- **Give assets optimum tax location**
- **Maximum returns in Roth IRAs**
- **Tax-favored in taxable accounts**
- **Ordinary income = tax-deferred accounts**
- **Take distributions that limit taxes**



Tax-Wise Investing

- **Loss harvesting**
- **Tax-wise sales**
- **Let capital gains mature**
- **Tax-preferred income**
- **Tax bracket management**
- **Be aware of 3.8% NIIT**



Charitable Remainder Trusts

- **Great shelter for capital gains**
- **Current income tax benefits**
- **Provide lifetime income, benefit charity**
- **Smooths taxable income, shifts income**
- **Do through estate for family**
- **clemsongiving.org/?pageID=22**



Qualified Charitable Distributions (QCDs)

- **Give through IRA if 70½ or older**
- **Not included in gross income**
- **Counts toward RMD**
- **\$100,000 annual limit**
- **IRAs only**



Longevity Annuities: QLACs

- **Qualified longevity annuity contract**
- **Not included in RMD calculation**
- **Delays RMDs**
- **Guaranteed later-years income**
- **\$125,000 limit**



Converting to Roth IRAs

- **Pay taxes now instead of later**
- **Avoid future tax increases**
- **Future gains, income tax free**
- **Gives you tax diversification**
- **Still good estate planning tool**
- **Be sure it's best for you**



Permanent Life Insurance

- **Replaces the Stretch IRA**
- **More important if exemption reduced**
- **Tax free and guaranteed**
- **Leverages your wealth**
- **Can shelter in irrevocable trust**
- **Alternatives to using a trust**
- **Can borrow from tax free**



Small Business Stock

- **Potential tax-free gains**
- **Invest in start-up corporation**
- **Must be qualified small business stock**
- **Be sure meets all requirements**
- **Qualified under section 1202**



And More...

- **Insurance annuities**
- **Employee benefits**
- **Incentive stock options**
- **Tax-exempt bonds**
- **Preferred securities**
- **Trust decanting**