

STRATEGIC

LAW GROUP PC

Strategic Integrated Planning

HERE COME THE TAXES – ARE YOU PREPARED?

The federal deficit for fiscal year 2009 is now projected for this year alone to be \$1.8 Trillion dollars. The total federal deficit is currently \$11.6 Trillion dollars (U.S. Department of Treasury). Every American household is now on the hook for \$546,668 worth of debt (USA Today 5-29-09). This means an avalanche of new tax increases and taxes. Are you prepared for these?

Income Tax Problems

The current law provides for a rise in the top federal income tax bracket to 39.6%. The federal Health Care Surcharge tax is proposed to be up to 5.4% on top of the income tax bracket of 39.6%. That is a 45% federal income tax. To add insult to injury, they propose to reinstate the “itemized deduction phase out” for income earners with Adjusted Gross Incomes over \$250,000. Thus, the few deductions still available to us on a Form 1040 will be phased out again.

Capital Gains Tax Problem

The current capital gains tax rate on long term gain is 15%. The proposals are to raise the capital gains rate to 20% and some suspect 28%.

Estate Tax Problem

The current law provides for the federal estate or death tax to rise from 45% to 55% at the end of 2010. The current law also provides for the federal estate tax exemption to be reduced from \$3.5 million to \$1 million at the end of 2010.

WHAT CAN YOU DO TO HELP YOURSELF?

You could do nothing. You could complain. Or you could establish a plan. If it is plan, consider these options:

Income Tax Options

If you are fortunate enough to be earning money in this recessionary economy, retirement plans are still the number one way to reduce federal and state income tax burdens. 401K Plans allow \$16,500 or \$22,000 per year of savings. Profit Sharing Plans allow \$49,000 per year of savings. Defined Benefit Plans allow over \$150,000 per year of savings. Cross Tested Plans allow owners 80% plus versus 20% to employees.

Capital Gains Tax Options

Even if your gains have been reduced by the market, deferral at the time of sale is critical to the continued compounding and growth of your assets and even more important now to recover the recessionary losses. Consider 1031 deferred real estate exchanges, family partnership and installment sale approaches, to allow for sale of assets and deferral of gains to regain lost ground.

Estate Tax Options

Seize the day now while market values are at all time historical lows and estate discounts are still allowed to shift wealth to beneficiaries and heirs using family partnerships and irrevocable “Dynasty” type trusts. It is possible to reduce your estate tax burden by over 50% given current law and conditions. Both will change soon.

GET PLANNING

To receive more information or schedule time to discuss what you can do to help yourself as taxes increase, contact June Waage at jwaage@strategiclawgrouppc.com or 866-657-0246.