# HOW YOU CAN SAVE
# $10,000 - $50,000+
# TAXES THIS YEAR

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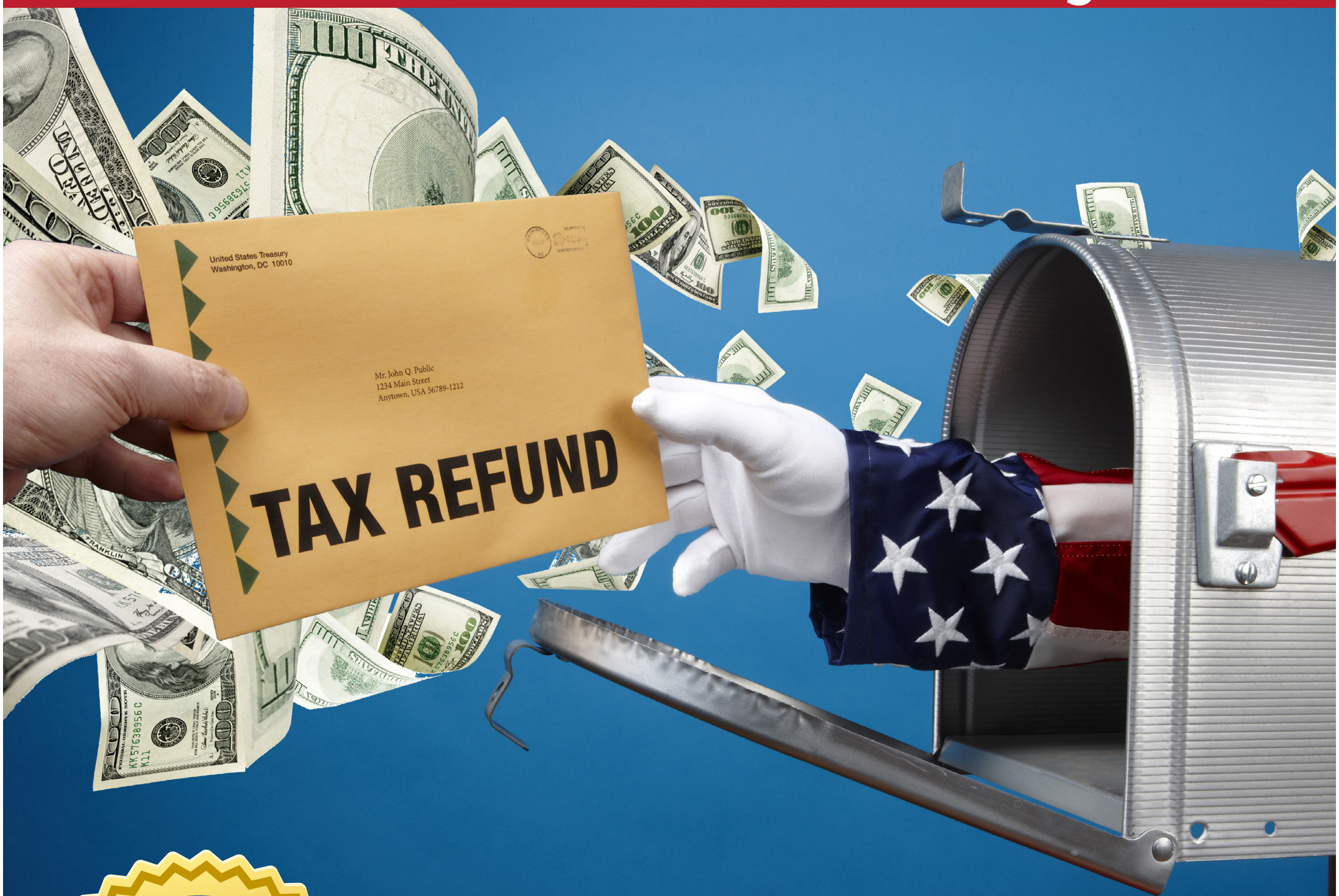



**If I can't show you how to reduce your taxes by HALF or more, I WILL PAY YOU $300 at the end of your FREE live strategy session.**

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## ADVANCED TAX STRATEGIES CAN

# SAVE YOU 50% OR MORE

## OF YOUR ANNUAL TAXES & YOU CAN

# PUT THAT MONEY IN YOUR POCKET!

## HOW SAVING LOTS OF INCOME TAXES HELPS YOU!

When I gave talks to annual conventions of dentists, their #1 goal is to retire 5-15+ years earlier. This is also the goal of other medical professionals such as physicians as well as other high-income households with $250,000 or more of annual gross income. By saving $50,000 per year of income tax for 20 years, if we can average a 10% return, this will be an extra $3,150,125 in their retirement fund. For lower-income households, the impact of saving $20,000 per year of income tax for 25 years, averaging a 10% return, will be an extra $2,163.635 in their retirement fund. This is enough to retire early!

## TYPICAL GOALS  ACHIEVED BY SAVING LOTS OF TAXES!

Retire early; Afford major fun and bucket list items in retirement; Never run out of money; Investments that don't lose; Increase spendable income; Grow assets; Pass a financial legacy to kids and grandkids; and Save income taxes. By saving substantial amount of income taxes, one can achieve these goals without taking a lot of risk in the stock market. By keeping what you earn, you avoid losing 15-30% of your hard-earned income in taxes every year. This is safer than volatile stock market investments that lose 25-50% of your life savings each stock market crash. In early 2020, it only took 5 weeks for a major stock market index to crash 35% due to the coronavirus panic.

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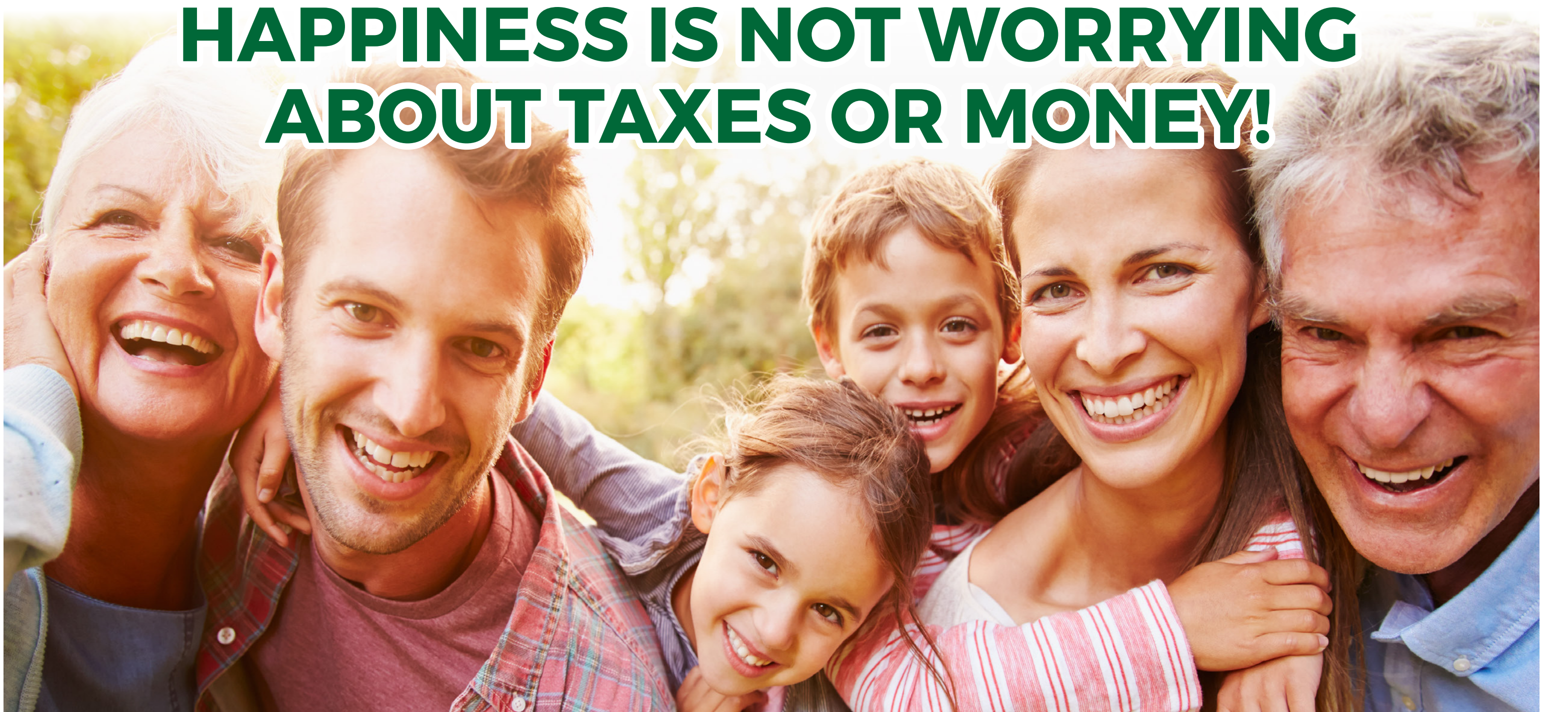
## WHY YOU'RE NOT ACHIEVING MAJOR TAX SAVINGS!

The Tax Reform Act of 1986 targeted tax shelters and eliminated 90% of the major tax-savings strategies one could use at the end of the year, such as the 10% investment tax credit. Instead of the 15-year depreciation on rental houses and residential apartments allowed by the Economic Recovery Act of 1981, residential property depreciation was increased to 27.5 years life and 39 years for all other classes of real estate (commercial real estate such as office, hotel, warehouses, retail stores, and other types of non-residential real estate).

## WHY YOUR TAX PREPARER OR CPA MAY NOT BE SAVING YOU LOTS OF TAXES!

In addition, a number of tax laws starting in the 1980s added stiff penalties on any tax preparer or CPA. Due to the 18% mortgage rates and 22.5% prime interest rate in 1981, there was a terrible recession with major unemployment. When people don't have a lot of money, barter clubs sprung up where a plumber could do work in exchange for printing. The federal government estimated that 10% of the economy was underground (meaning not taxed). The solution was to use stiff penalties on tax preparers and CPAs to discourage them from saving major tax for their clients. In other words, the federal government turned them into quasi-IRS agents. If it was a choice of losing their license or saving major tax for clients, it was clear that they wanted to protect their license. The field became mainly tax preparation. In contrast, it's major tax planning strategies that are needed to save you major income taxes.

# HAPPINESS IS NOT WORRYING ABOUT TAXES OR MONEY!



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# EFFECTIVE DEDUCTION STRATEGIES!

# SOLO 401(K) & DEFINED BENEFIT PENSION PLAN

## SOLO 401(K) EXPLAINED:

In 2023, the maximum annual contribution to an IRA is $6,500 for those under 50 and $7,500 for those age 50 and over. For the 401(k) or 403(b) or 457 plan for non-profit or government employees, the annual contribution limit is $22,500 for those under 50 and $30,000 if you are age 50 or older. Of course, one must have at least the amount of wage income or net profit from one's business equal to what wants to contribute to an IRA or 401(k).

A solo 401(k) is limited to those who have net business profits and the business has no employees besides the owner and spouse. The 2023 maximum contribution is $66,000 if the owner is younger than age 50 and $73,500 is the owner is age 50 or older.

Example of a sole owner age 55 whose spouse does not work in the business: One must realize that one is both the employee and the owner. The employee can contribute up to $30,000, even if that is 100% of one's self-employed earnings for that year. In addition, the employer's contribution can be up to $43,500. The employer contribution is limited to 20% of one's net self-employment income as the employer (your business profits) minus half your self-employment tax if you file as a Schedule C sole proprietor. If you file as a corporation, the employer contribution is limited to 25% of wages paid to you.

Major Negative: With a few hardship exceptions, this money is locked up until at least age 59.5 or there will be a 10% penalty. In addition, any money withdrawn is fully taxed as ordinary income like wages because it's really deferred wages. You got a tax deduction in the year of contribution and the IRS may have been waiting 30-40 years to finally tax you.

Ticking Tax Time Bomb: You contribute $300,000 to an IRA, 401(k), or solo 401(k), and are lucky enough to have it grow to $1 million. ALL of it is taxable as ordinary income when you pull it out to spend in retirement. You got no benefit of a lower long-term capital gains tax rate if your stock market investments grew from the $300,000 contributed to the $1 million at retirement.

# AVOID YOUR TAX TIME BOMB!


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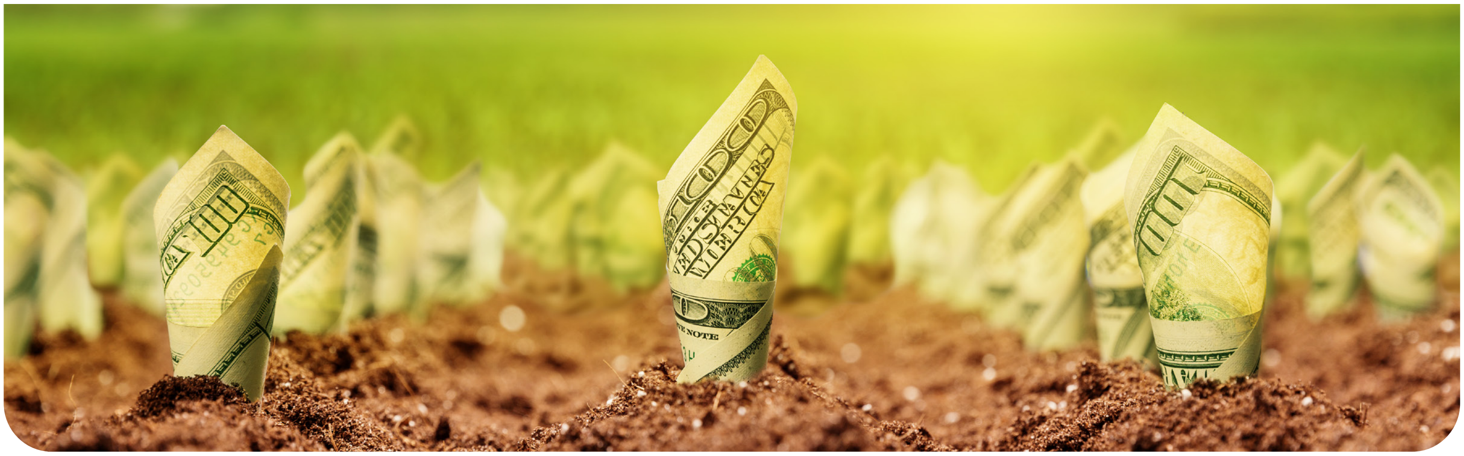

## DEFINED BENEFIT PENSION PLAN EXPLAINED:

This is a totally different retirement plan where the annual contributions are limited by the benefit one receives on retirement, which is $265,000 in 2023. The annual contribution depends on one's salary or net profit; current age; planned age at retirement; and other factors. The defined benefit plan (DB) is particularly suited for business owners with steady, high incomes and none or very few employees. One must be careful to avoid the Non-Discrimination Rules, which state that for your employees, you must also contribute for them based on their age and wage income. An annual actuarial report is required by the third-part pension design and administration firm, along with the annual tax return. You can make annual contributions to your DB plan in addition to your 401(k) and IRA.

**Case Study of a client who is a large farmer in South Dakota:** In 2013, I met him and he farmed thousands of acres and owned an internationally-known seed company. Depending on crop prices, his net profit was as much as $1 million and resulted in $300,000+ of income tax. If crop prices were lower, his net profit might still be $400,000. Working with an actuarial pension firm, I set up a defined benefit pension plan in addition to a family 401(k) plan., He was able to deduct $277,000 which saved him about $100,000 of income tax.

**Major Negative:** If you have accumulated $2-4 million in your DB plan by the time you retire, ALL of it is taxable as ordinary income when you spend it in retirement. Even if you don't need the money to live on, starting at age 73, you must distribute an increasing amount every year, called a Required Minimum Distribution (RMD). If you don't distribute at least the RMD, the IRS imposes a huge 25% penalty. Many of my clients complain that they don't need to pull money out of their retirement accounts to live on, but are forced to have this extra taxable RMD income that increases every year you get older.

# YOUR WINNING COMBINATION!

## COMBINE SOLAR TAX CREDITS WITH SECTION 179 OR "BONUS" DEPRECIATION TO REDUCE CURRENT INCOME TAX TO $0; RECOVER TAX PAID IN THE PREVIOUS 3 YEARS; AND OFFSET THE TAX FROM BIG ROTH IRA CONVERSIONS

**Section 179:** allows eligible businesses to deduct the full purchase price of qualifying equipment in the year it was "placed in service", even if it was in December. Section 179 has been in the tax law since 1958 and used to have a limit of only $5,000 about 40 years ago. In 2022, the limit is $1,080,000 ($1,160,000 in 2023) and one can take the full deduction as long as the maximum equipment purchased is no more than $2,700,000 ($2,890,000 in 2023). "Bonus" depreciation is an alternative tax concept too complex to discuss here.

**Special Rule for Solar Business Equipment:** The Section 179 deduction is limited to the cost of equipment minus half of one's solar tax credit. To avoid the "passive" loss rules, there are 7 ways to qualify for "material participation" status. The easiest way is to spend at least 100 hours per year managing your investment and "it be as much time as anyone else". This means that you should own the equipment individually (note that husband and wife, filing jointly, is considered one tax return). This rules out Wall Street investments, where many investors are combined together and so are deemed "passive" investors.

**Inflation Reduction Act, passed 8/16/2022:** The solar tax credit is 30% for 2022-2032; then reducing to 26% in 2033, 22% in 2034, and 0% in 2035. There are 10% "adders" that can increase the total tax credit to over 50%, such as if the solar equipment is built on Native American land or a closed coal plant; manufacturer pays prevailing wages; or a certain minimum percentage of steel and iron is domestically produced. However, know that solar business equipment is eligible for at least the 30% solar tax credit.

# DR. WONG'S CLIENTS SAVE BIG ON TAXES & ENJOY LIFE!

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# COMBINING SECTION 179 WITH SOLAR TAX CREDITS IS THE MOST POWERFUL TAX STRATEGY YOU CAN USE!

## See How This Tax Strategy Benefits These 3 Clients:

**Client #1**: In 2019, a small business owner with $209,829 of net profit and $21,067 of interest and dividend income owed $0 federal income tax. He has excess solar tax credits that can either recover $35,828 federal tax paid in 2019 or offset $35,828 federal tax owed in 2020.

**Client #2:** A couple that works high-paid jobs had $280,000 of gross income. Using Section 179 and solar tax credits, they will owe $0 federal income tax in 2020 and save about $50,000 combined federal and state income taxes.

**Client #3:** In 2020, a client couple converted their $252,720 IRA to a Roth IRA and will have an annual $22,097 tax-free income for life. Thanks to this tax strategy, they will owe $0 federal income tax in 2020 on $300,566 of taxable income.

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### DR. HAROLD WONG

*Dr. Wong is a tax advisor and financial educator. He earned his Ph.D. in Economics at the University of California at Berkeley and has appeared on over 400 TV/radio programs. Over one million people have heard his message. His research was distributed to 2100 newspapers nationwide. His book "Retire Early & Happy Without Wall Street Risk" is now available. Contact him today for a free consultation or to speak for free to your group.*

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