



WHAT'S YOUR

BIGGEST

EXPENSE?

The Answer May Shock You

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WHAT'S YOUR BIGGEST EXPENSE?

The Answer May Shock You

When asked to identify their biggest expense, most people, no matter how successful or savvy, struggle to provide the correct answer. We receive answers like, "my home mortgage," or, "my child's tuition bill," and while those are considered as some of the largest of all expenses, they don't come even close to the real answer.

The real answer is that the typical American's largest expense is ... taxes! Practically everything we spend our money on has already been reduced by taxes. Taxes permeate our financial life and put a drain on everything that we work so hard to earn and keep.

Most people don't realize that the payment of taxes can actually be voluntary with the proper planning. The IRS has earmarked certain methods and structures that allow one to defer, reduce, or even eliminate the payment of certain types of taxes. However, to understand these solutions, we should first identify a few of the most prominent types of taxes.

INCOME TAX

If you earn an income, you probably already know about this type of tax. It is assessed at the Federal level and usually at the State level and can reduce your taxable income by over 50%, depending on the state in which you reside.



While income taxes almost always affect your earned income, what you may not realize is that some of your most valued investments may already be partially or entirely subject to this tax, rather than the lesser Capital Gains tax. For example, withdrawals from many qualified accounts (such as your IRA, your 401(k), your Profit Sharing Plan, and your Defined Benefit Plan) are entirely subject to income tax.

CAPITAL GAINS TAX

Are you attempting to profit on an appreciated asset — whether that be a non-qualified stock portfolio, a building, or a closely-held business? Prepare yourself (and your pocketbook) for the capital gains taxes on those earning!



This tax is usually assessed against the earnings in your non-qualified investments when you try to sell your asset, and as of 2018, that rate can reach 20% for top income earners. For example, if you are in the top income bracket, and you try to sell a commercial building that has appreciated tremendously over the years, you may be hit with a huge capital gains tax bill!

ESTATE TAX

You have saved and invested wisely throughout your life, and you want to transfer some of your hard-earned wealth to your loved ones after you pass away. You've already paid income and capital gains taxes on your earnings. But Uncle Sam apparently doesn't think that is enough, because the Estate Tax is assessed against the wealth that you intend to transfer to your heirs.



This tax has had a tumultuous history — being raised, lowered, cancelled, and reinstated more times than our government cares to admit. One thing is for certain with this tax though — the government loves to use this as a quick fix, and since our national debt has risen to over \$20 trillion dollars, one could surmise that this tax may be with us for a while. That being said, even if this tax does go away or is reduced, there may come a time when the powers that be reinstate it when you're least expecting.

What is frightening for some is that many of these taxes pile up on top of each other, which can reduce your cash flow and net wealth by a huge margin. If we could help you defer, reduce, or even eliminate just one of these taxes, would that be worth a conversation?

After all, what really matters is not what you make, it's what you keep!

**YOU OWE IT TO YOURSELF TO EXPLORE
YOUR TAX EFFICIENT POSSIBILITIES.**