Doctor, Are You Tired of Overpaying Your Taxes?

TAX SECRETS FOR DOCTORS FROM **SHORE FINANCIAL PLANNING**

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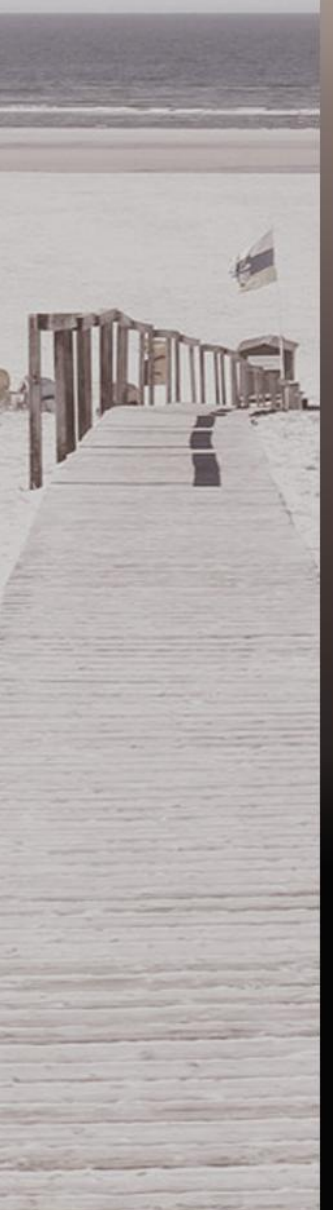
Tax Secrets for Doctors: Doctor, don't overpay your taxes.

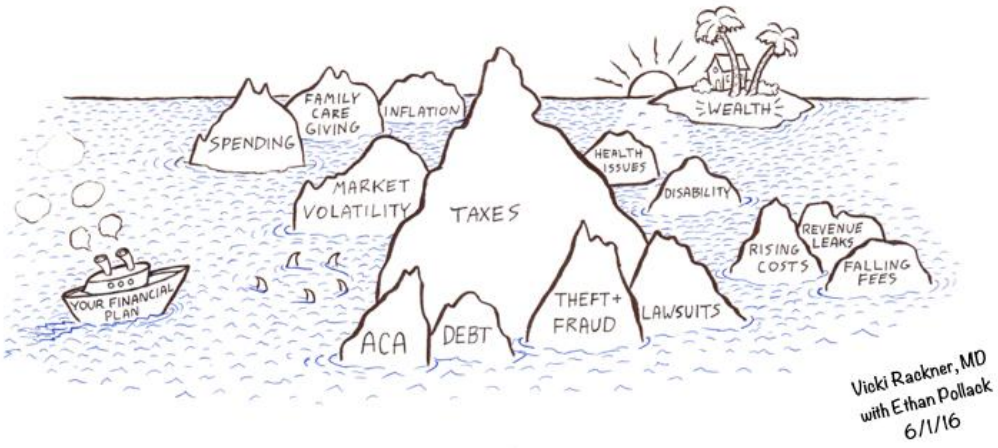


Why You Need to Pay Attention to Taxes

Sophisticated investors understand that proactively managing taxes is one of the most effective strategies for building wealth.

Why?

Taxes are your biggest lifetime expense!



The way you manage your lifetime tax burdens impacts the rate at which you build wealth.

Let's say, for example, you want to move up your retirement date by five to ten years. You have three basic choices:

1. Increase your income.
2. Get better returns on your investments.
3. Cut your costs.

Every dollar you keep instead of paying to Uncle Sam is a dollar that you can put to work growing your wealth.

Without proactive tax planning, taxes will erode your wealth and the legacy you pass on to your heirs.

Following are some important things to understand about taxes.

Taxes are a Form of Social Engineering

Tax law is a form of social engineering, designed to reward specific behaviors that benefit society at large. Saving for retirement, making long-term investments, creating jobs, building houses, and giving to worthy causes all are rewarded with reduced tax burdens.

When you align your investing choices with the rewarded behaviors, you build wealth more effectively.

How The Tax Law and Jobs Act Impacts You

As you know, in 2017 a new tax code became law. This is the most sweeping tax reform in over thirty years. The goal of the new tax law is to strengthen the US economy by making us more competitive in a global market. The old corporate tax rate of up to 35% was one of the highest in the world. Logic suggests that if we lowered the corporate tax rate, we could attract more business and investments here. This idea has bipartisan support.

Tax breaks only for the wealthy would be politically untenable. To pass, the new tax law also included tax benefits for the employees of these corporations.

Further, reducing corporate tax rates without reducing the taxes of small business owners would make passage of the new law difficult.

How would the government make up the revenue lost through these tax cuts to these three groups?

High-earning professionals like you will now shoulder a larger share of taxes.

How? Many deductions you have used to lower your tax bill in the past have been tightened or eliminated, including : personal exemptions, state and local taxes, mortgage interest, and many others.

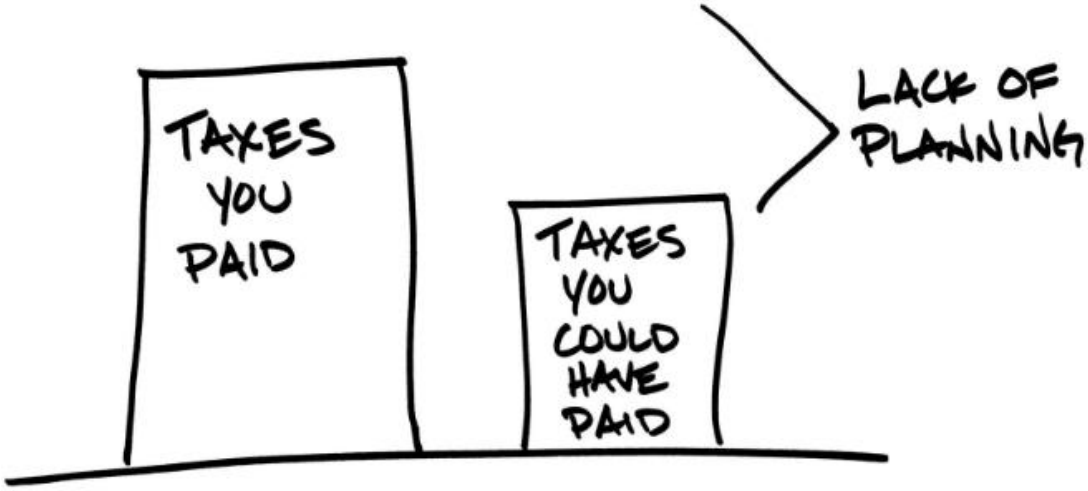
Some doctors ask, "How does the new tax law work?" The better question to ask is, "How can I make the tax law work for me? How can I harness the power of the corporate changes and put them to work for me? "

Isn't That My CPA's Job?

You might be thinking, "I've got my taxes under control. I work with a CPA who works with lots of doctors."

You may be right!

However, the reality is that most CPA's are tax historians. He or she summarizes the financial activities of the calendar year and calculates the taxes you owe. Further, your CPA is only as good as his or her knowledge about tax law, and tax law is complex.



Pay the IRS every penny you owe. But DO NOT leave them a tip!

Tax planning strategies can help significantly reduce your tax bill. Most doctors are not even aware that options exist.

A surgeon reduced his 2018 tax bill by $940,000 by seeking a second opinion from a tax strategist who works with many doctors.

Contrast that with the story of a surgeon who planned to fund his retirement through the sale of his stake in a surgical center. Unfortunately, because he did not structure the sale in the right way, the unplanned capital gains taxes derailed his retirement dreams.

How does Tax Planning reduce your tax bill?

Tax Planning utilizes four basic tools to reduce your tax bill:

Tax Planning can find ways of making the tax code work for you.

Code-based strategies The new tax code brings wide-ranging changes.

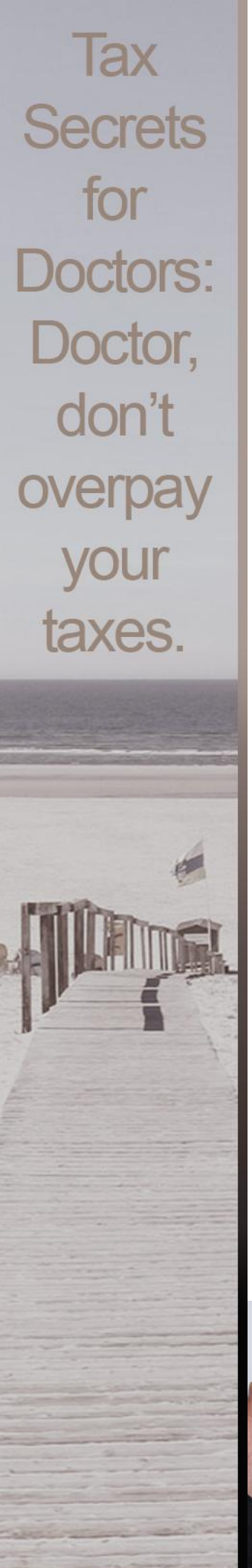
Tax planning can find ways of making the new tax code work for you. For example, changing your corporate structure or shifting from a W2 employee to a 1099 independent consultant could make a significant difference.

Can your current CPA help you with code-based strategies? Maybe or maybe not.

If your CPA is a real tax planner, he or she would have called you early in 2019 and said, "The new tax law is a huge opportunity for you. Let's get together and consider some changes we can make early in 2019 to reduce your tax bill."

If your CPA did NOT make this call to you, I invite you to get a second opinion from a real tax planner. There is too much money on the line. Please don't leave tax savings on the table!

Is the idea of reducing your taxes legally and ethically by going with the momentum of the tax code unpatriotic? Will you be subject to increased scrutiny? Will you increase your risk for an audit? Judge Learned Hand said, *"There is not even a patriotic duty to increase one's taxes. Over and over again the Courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands."*



Timing strategies Each source of income can be assigned to one of three buckets: Build a tax-efficient investment portfolio to manage income and tax brackets efficiently during retirement.

Taxable income.
The more you make, the more you're taxed.

Tax-deferred income.
When you put money in your retirement plan like your 401(k) or IRA, you enjoy a lower taxable income for that year; however you will pay taxes when you withdraw the money at the tax rate in that year.

Tax-free income A backdoor or mega backdoor Roth is a strategy for people whose income is too high to be eligible for regular Roth IRA contributions. You put in money after paying income tax on it, and then those dollars grow tax-free for life.

In general, paying taxes later instead of paying now is generally a good idea. However, this strategy comes with uncertainty. What will the future tax rates be? Most economists agree that the tax rate you will pay when you withdraw money from your retirement plan will almost certainly be higher than the historically low tax rate you pay today. Further, chances are good that your expenses in retirement will go up—not down.

Income-shifting strategies You do not have to put all of your income in one bucket. You can potentially create different business entities. This is an approach tax strategists call "cracking and packing." Have you considered shifting income to people like your children who are in lower tax brackets?

Tool-based strategies Just as you have access to new diagnostic and therapeutic tools, I utilize several financial tools to help reduce your tax liability.

Doing Well By Doing Good.

You can do well by doing good. You can structure your charitable donations in a way that makes your contributions go further, allows you to enjoy tax benefits during your life, and preserves your legacy after your death.

Doctor, Are YOU Paying Too Much in Taxes?

I would be happy to provide you a FREE Tax & Financial Assessment = a second opinion. Even if you are happy with your CPA, chances are good that I can identify planning opportunities you are missing. Contact me here:

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