The Great IRA TAX GRAB

How Higher Taxes Will Ruin Your Qualified Retirement Plan

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In this report, I will explain how:

- Tax increases will erode your future retirement income faster than you think
- The Qualified Plan which allowed you to build your nest egg is now very risky
- Multiple factors will put your future retirement in jeopardy
- Your children are likely to inherit a tax bomb that might imperil their future
- A safe retirement is getting further and further out of reach

So, what is going to cause this impending doom?

Most of the tax risks are related to your Qualified Retirement Plan (QRP).

Oh, by the way, if you do not own an IRA, 401K or Profit-Sharing Plan, this report is not for you.

I published "Tax Secrets Made Simple", a book to help families of several income levels pay less tax, in 2018. The book includes several of the strategies I have studied and implemented for families over the last 20 years.

I realized recently I needed to get this message out to a larger audience. And that led me to write this timely analysis.

I wrote this report for individuals, families, and small business owners with qualified plans in excess of $1 Million.

It shouldn't be surprising that the villain in the story is High Taxes. And that makes this tale predictable.

High Taxes are very likely to rob you of future income. And the way that it does it is quite insidious.

The Impending Crisis is Near

Your tax future is at risk.

And the worst part is that you may not even see it coming.

And that's why I'm sounding the alarm now, to hopefully assist you in recognizing the threats to your retirement.

"You may think you will be in a lower tax bracket later, but you don't know."

~ Ed Slott

I created this free report as a way of communicating the risks to you now so you can do something about it.

And by the time you finish this report, you will probably be thinking to yourself, "I really need to talk to Ed Cotney."

And that's exactly what clients have told me over the last 20 years. They usually say, "Ed, I need to talk to you. I need your help to reduce my future taxes."

So, let's dig in so you can understand what's going on that threatens your future.

"At our first meeting, Ed identified several significant tax saving benefits our advisors had missed for years. At that point, we knew his team would play a pivotal role helping us become tax smart!"

~ S. D.
Tax Smart IRA Client

Threats to Your Qualified Retirement Plan

And hopefully, your co-workers or employees have done the same too. The questions become, will you have a tax advantage in retirement, or will high taxes destroy your nest egg?

You worked hard, and you're hoping to enjoy the fruits of your labors, as you should.

But unfortunately, there is a ticking time bomb waiting for you.

And it's only going to get worse.

Higher and Higher Taxes

As an employee or business owner, you have taken a lot of risks over the years to plan and prepare for a successful and happy retirement.

And that's why it's so disappointing to now learn about how taxes are going to eat into your nest egg, putting your retirement in jeopardy.

Whether you're an employee, you own a corporation or are a sole proprietor, you are going to witness your taxes go up in the future.

Whether you consider personal income tax or corporate income tax, you're going to be taxed more and more, year after year.

The writing is on the wall. You see the signs in the news every day.

It's not hard to understand why taxes are going up when you look at the facts.

The Federal Government is Growing in Size

The Federal Government doesn't manufacture anything. They don't sell a product. The way the government gets wealthy is by taxing individuals and companies.

So, if the government gets larger, and has more expenses to pay, where are they going to find the money?

You guessed it! Higher taxes on you and your retirement income!

Entitlement Programs Are Expanding

Support for Entitlement Programs is growing. More people want to receive money from the government, in more ways than ever before.

Consider this, in 4 short years, the desire for an Alternative or Universal Basic Income has increased substantially. Local governments are experimenting with giveaways today.

And where is the money going to come from? It will come from increased taxes on high-net-worth individuals like you. And I know what you're thinking. I want to pay my fair share in taxes.

But at what point does your fair share of taxes become unfair? And what can you do about it?

That's exactly why families and business owners throughout the United States seek my help on a regular basis. I help them take back control of their income and their tax smart retirement future.

"69% of all taxes are paid by the top quintile of earners."

~The Motley Fool (Investing Website)

"We have a system that increasingly taxes work and subsidizes nonwork."

~ Milton Friedman

"Bottom line, risks are increasing"

~ Ed Cotney

"Ed is one of those rare individuals who can think beyond conventional paradigms of financial planning. Ed's book "Tax Secrets Made Simple" is an expression of his creative thinking and effective problem solving. If you want to pay less tax, this book is for you."

~David W. Holaday, ChFC, CAP
Wealth Design Consultants, LLC

The Economy

What is less clear is what will happen with the economy.

We are moving toward a post-COVID world. The economy has re-opened, consumers are buying and companies are hiring and growing.

But there is trouble on the horizon…

Inflation is increasing dramatically because of the extraordinary measures taken by the Federal Reserve Bank, flooding the marketplace with money.

Prices for commodities have surged and there is a supply shortage of computer semiconductor chips and other products. Plus, companies are struggling with supply chain issues and goods are trapped on cargo ships in U.S. ports.

The geo-political environment is growing more complex. The world is a risky place, and we are more dependent on other countries than ever before.

Rapid changes in technology continue to disrupt businesses. There are plenty of jobs, but not enough people to fill them. At the same time, people who want a better job cannot find it.

Bottom line, risks are increasing. Safety is becoming more elusive.

While it's likely the economy will continue to grow, you can expect a downturn to come in the next few years. And smart people will take note of the risks and act early to minimize their downside risks.

The Cause for Alarm (Case Study)

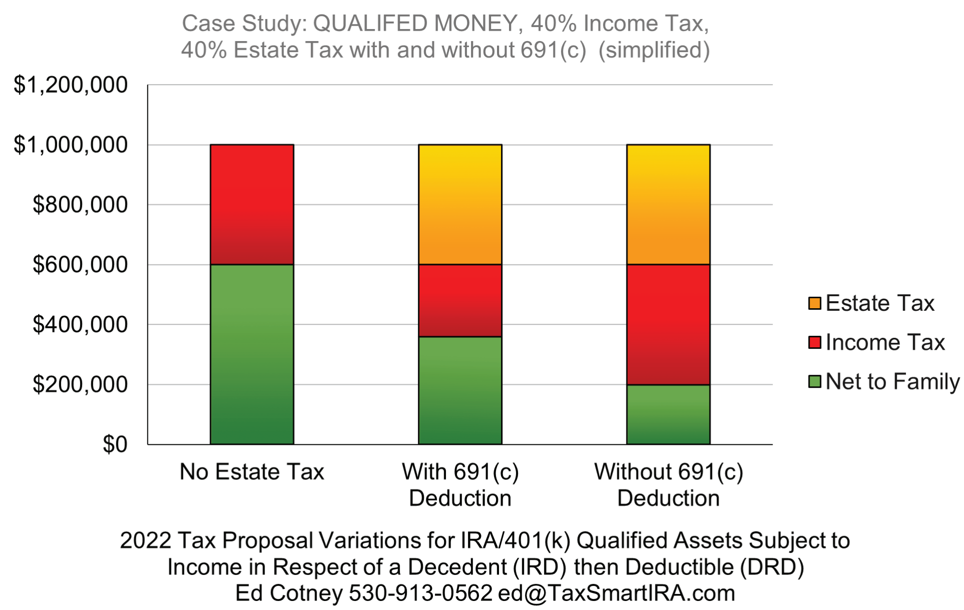
Examine the graphic below. Pay attention to the green, red and orange bars. Notice how the "Net to Family" amount decreases substantially in every scenario other than under the current law as of 2021. This should be very worrisome for high-net-worth individuals interested in preserving their legacy for their family members. The concern I have is the 691(c) deduction. Most tax professionals for the past decade or longer, have prepared few, if any, 706 Death Tax Returns for large estates subject to death taxes with Qualified Money. Once the estate is settled with the IRS, the portion of the remaining IRA transferred to the non-spouse heirs, may claim, if their tax professional knows to claim it, a 691(c) deduction. Simply, the inheritor is allowed to claim the Income in Respect to the Decedent deduction (IRD Tax paid by the parent's estate).

Let us hope your children have a well experienced tax professional to capture this little-known tax loophole to help save 16% of the Qualified Funds lost to oversight or lack of knowledge. As if the tax pain of estate tax and income tax were not onerous already for your heirs, this 16% missed deduction by the heirs is a free TAX GRAB by the IRS. By the way, now is a good time to do your research and teach your heirs how to document the 691(c) deduction on their 1040 return when they inherit these tax disasters.

What if future tax law removes the deduction for 691(c)?

"This is worrisome for high-net-worth individuals interested in preserving their legacy."

~ Ed Cotney



“Be thankful for code section 691(c) which when used under current tax law, puts an extra 16% net in the hands of your children.”

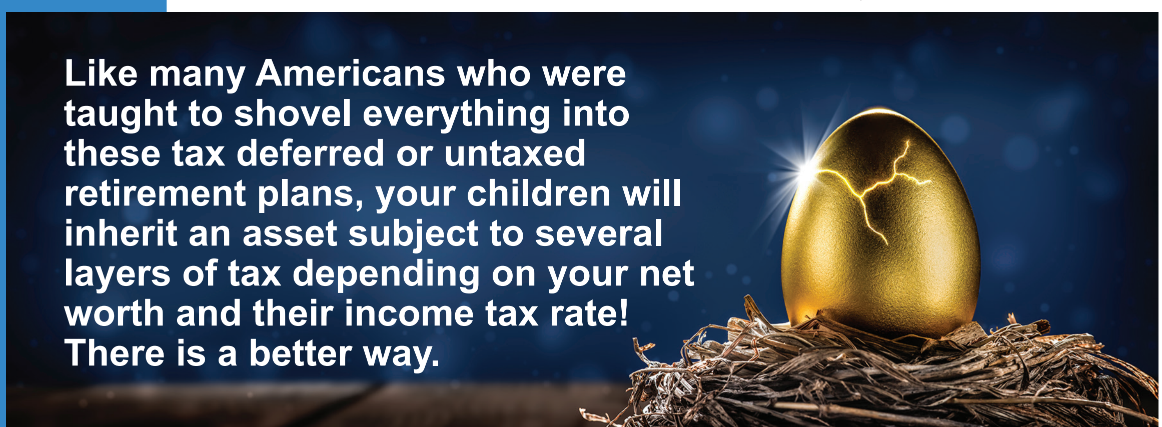
~ Ed Cotney

In this simplified chart on previous page, we are showing the Qualified Plan as an asset of an estate subject to estate tax. Here, a single person with a Traditional IRA or 401(k) of $1M, the non-Qualified Assets have consumed their Unified Credit. Simply, we have an estate with assets which exceed the Unified Credit in their year of death by $1M.

In the left column, we are showing an estate not subject to estate tax, which means the Qualified Plan will transfer to your non-spouse heirs as taxable ordinary income (Red Bar).

If the estate is subject to estate tax, such as our case study, notice the center column shows how the Qualified Plan is included in the overall estate tax calculation (Orange Bar). Notice we now have a red and orange tax loss, and the children had a great tax professional to claim the 691(c) deduction for them.

But in the right column, notice the Red Bar is larger compared to the center column Red Bar. If your estate will become subject to estate tax, be grateful the IRS provides your heirs with a tax-deductible method to reduce double taxation of Inherited Qualified Assets.



For most people, this will be painful to read. Absent 691(c), your children might inherit 23% “net of tax” from your qualified plans after estate tax and their federal income tax. With 691(c) used on their 1040, they will be able to inherit 39% of your Qualified Plan Assets “net of tax” thanks to the current deductibility of code section 691(c).

At this point, most Qualified Plan owners will remark “this can’t be true!” Actually, this is the good news as it can be even more tax.

Yes, their 39% inheritance “net of tax” is the good number and does not reflect state income tax or additional taxes depending upon where your child(ren) may reside. Reminder, you are thankful for code section 691(c) which when used under current tax law, puts an extra 16% net in the hands of your children!

Learn the 7 Reasons Higher Taxes Will Erode Your Qualified Retirement Plan

Now that you understand the economic risks ahead and have reviewed a case study that clearly identifies some of the personal risks you face, let's consider the coming Tax Grab.

Let's review the reasons you will be affected by higher taxes and how they will erode your Qualified Retirement Plan.

You will come to understand the dangers you are facing.

Reason #1: Tax increases on your personal income will reduce your contributions.

You can't invest money you don't have. Taxes are going up. That means more of the money you make in personal income will go toward taxes and you will have less money to put toward retirement.

And this trend is likely to continue for some time.

I already explained above why taxes are going to go up, up, up. So the question is: what are you going to do to protect yourself?

Reason #2: Your future distributions will be taxed at a higher rate.

Once you start taking distributions from your retirement account, you are suddenly going to realize the level of risk you face from your Qualified Retirement Plan.

Any money that was not taxed going into a retirement account will be subject to taxes at distribution when you take money out of the account.

And as tax rates increase, that means more of your distribution amount will go to the Federal Government, and to your State Government. Do you really want the taxing authorities to grab more of the money you worked hard for and earned?

If not, then you need a better strategy.

Reason #3: The amount you can pass on through inheritance will be reduced.

Inheritance is complicated. So, let's just make this simple.

If you do not make any changes now, by the time you pass away, you may be passing a huge tax burden to your children and other inheritors.

"Wealthier Americans pay higher taxes than middle or lower income earners.

The wealthiest 1% of the population earns 19% of income but pays 37% of the income tax. "

FactRetriever.com

"The wealthiest 1 percent of families have received, on average, $2.7 million in inheritance."

Source: New Retirement

And here's the thing, young adults tend to make more money than a retiree. And that means they are likely to be in a higher tax bracket. And not only that, but distributions on an Inherited IRA could also actually push them up into an even higher tax bracket. Ouch!

When you look at the Case Study on page 7-8, you should be very worried. In the future, the amount of money passed on to your heirs may be a lot less.

Reason #4: Your marital status could impact your future taxes.

Tax rates for individuals are different than for married couples. And that means your tax rate may change if your marital status changes.

You could end up in a worse situation in retirement than you were expecting.

To avoid a severe belt-tightening of your finances, you may need to consider your alternatives now.

Just think, if you could put yourself in a situation where you had to pay zero tax for the rest of your life, would that be appealing to you? Of course, right? Read page 14 to learn how you can speak to me about your personal situation.

Reason #5: Higher taxes and inflation will erode your retirement assets.

The stock market always goes up, right?

The bond market always goes up, right?

The real estate market always goes up, right

Bitcoin always goes up, right?

Well, the fact of the matter is markets go up and down. And sometimes they go up for a long time. And sometimes they go down for a long time.

Consider this, when you retire, will the market be going up? Or will it be going down?

You don't know, do you? No one does!

But we do know markets are likely to be very volatile in the future. They are likely to go up and down and up and down.

And it hurts to take a required distribution when the market is going down, doesn't it?

Remember the rule: Buy low, sell high.

But sometimes you have to sell at the low because you need to have money to live on.

It's stressful. But you are used to stress, right?

Consider this, as you age, stress is more difficult to handle. Many people lose their cognitive abilities. Meaning, it's harder to make complex decisions.

Why not consider a way to make your life easier and safer now, before your situation gets worse?

Reason #6: Taxes in many states will increase.

So far, we have talked about Federal taxes. But most states in the U.S. also charge an income tax.

Are state taxes likely to increase or decrease over the next 10, 20 or 30 years?

You guessed it! Yes, state taxes are likely to increase in the future.

It's a double whammy! Both your state and federal taxes are likely to increase. Double ouch!

Reason #7: Tax loopholes will be closed.

Smart people avoid taxes, right?

They just simply use loopholes, right?

That's what they pay accountants to do. Find loopholes, right?

But what if the loopholes are closed? Uh oh!

Do you think Congress will try to close tax loopholes on the wealthy?

Well, if you listen to what they say, the answer is yes.

So, if you are hoping that by the time you reach retirement, you can simply avoid taxes through some kind of accounting trick, don't bet on it.

"California has the highest personal income tax rate for its wealthiest.

It's 9.3 percent for those making $53,000 to $269,000 and 13.3 percent for those making $1 million or more.

California ranks 10th highest both per capita and as a percentage of personal income."

Source: CalMatters.org (2020)

Where to Go from Here?

"I have known Ed for years and assumed he was simply another money guy.

Ed explained he was not a financial planner, CPA or attorney. I discovered he was a strategic tax designer with an emphasis on business exits.

Hiring him saved me $2M+ on the sale of my business."

~ H. K.

Tax Smart IRA Client

So, what will happen if you do nothing? Clearly, you will face higher taxes. And even though you are now aware of the risks, you will probably still be shocked when you actually see it for real.

You may have already had a few tax surprises in the past. Think about them. How did you feel when you discovered your tax bill was much higher than expected?

In The Great Tax Grab, you have learned a number of worrisome issues:

- You learned how tax increases will erode your future retirement income faster than you think
- You discovered that the Qualified Plan which allowed you to build your nest egg is now very risky
- You realized that multiple factors would put your future retirement in jeopardy
- You came to understand that your children are likely to inherit a tax bomb that might imperil their future
- Finally, you learned that a safe retirement is getting further and further out of reach

It would be a shame to reach the later years of your life and find that all of the planning you did was based on false assumptions.

In reality, you're not operating on a level playing field. And they keep changing the rules.

So, what can you possibly do?

Clearly, you need a better strategy.

You need to question your assumptions and look at alternatives that take into account the Great Tax Grab.

It should be comforting to know that if you adjust to the new environment of higher taxes, then you can put yourself in a better position. You will have more money in retirement. And you will be able to pass more money on to your children.

I would encourage you to read this report again.

And turn the next page for your next step in moving forward.

Ed Cotney
Founder
Tax Smart IRA

"Ed writes with wisdom. He has the decades of experience needed to choose and customize types of strategies discussed in his book. Ed understands the importance of having advisory team members agree on strategies with appropriate input from the client's CPA. His book provides understandable and practical summaries of sophisticated strategies relevant to many clients who are paying too much in income or capital gains taxes. Any taxpayer trying to accumulate wealth without unnecessary taxes can benefit from the wisdom in Tax Secrets Made Simple."

~Tim Voorhees, JD, MBA, AEP®
President, Family Office Services, Inc.
Principal Partner, Family Office Law

Schedule Your FREE Retirement Income Strategy Session

Each month, I reserve a few spots to talk to high-net-worth individuals such as yourself to discuss the unique challenges facing your retirement.

Take advantage of this free opportunity to talk with me about your unique situation.

You have planned for your retirement. You know that every plan needs to be adjusted, especially when major tax revisions occur.

After reading The Great Tax Grab:

- You're probably concerned that your current plan is in jeopardy
- You have realized that your safe retirement is dependent on false assumptions
- You know you need to plan your retirement based on a firm foundation
- You want the facts and how that will impact your choices about what to do

If you have less money after taxes, you might end up having to go back to work. Ouch!

You know that your retirement income is going to be less, based on the fact that taxes will continue to increase. This will erode your retirement income. That's going to hurt!

So, what can you do about it? Let's chat. We'll explore your individual risks and discuss ways you can get control of your retirement income.

FREE Retirement Income Strategy Session
Call Ed Cotney at 530-913-0562 to request your FREE 30-minute session.

Request Your FREE Retirement Income Session With Tax Smart IRA Strategist Ed Cotney

Here's How You Will Benefit:

- Discover the hidden risks in your retirement planning
- Find out what you don't know about the risks of transferring qualified money to your family through inheritance
- Learn what options you have to protect your retirement income from high taxes
- Find out more about the Tax Traps that will erode your retirement income
- Get expert advice on how to maximize your retirement income

Here's How It Works:

- Your session will be 30 thirty minutes or more
- I will ask you questions to learn about your unique situation
- We will discuss the risks and challenges in your retirement planning
- You will discover the best ways to minimize taxes
- You will learn about the actions you can take to optimize your retirement income

Request Your Free Session Now:

- Call me at 530-913-0562 or email me at ed@taxsmartira.com.
- Ask for your FREE Retirement Income Strategy Session.
- Get the answers you need now so you can increase your Tax Smart retirement income.

I look forward to talking with you.

Warmly,

Ed Cotney
Founder
Tax Smart IRA
CA Insurance License 0K67189
AL Insurance License 3001163311

About Ed Cotney

Edward W. Cotney helps families pay less tax and enjoy more life - guaranteed. Ed graduated from the prestigious Professional Mentoring Program in Franklin, IN where he became a Family Wealth Counselor in 2000. He received his Certification as a Philanthropic Developer from the National Philanthropic Training Institute in 2001 and his Certification as a Business Exit Planner (CExP™) from the Business Enterprise Institute in 2019.

Working as a strategy and tax designer at three law firms over the past 20 years, he applied this practical knowledge to help families and business owners implement planning strategies to reduce income tax or eliminate capital gains taxes upon the sale of a business or appreciated assets. His academic and work experiences can be found on his LinkedIn profile.

Lauded for making the complex simple to understand, Ed is well known for providing continuing education classes to professional advisors from basic to sophisticated tax and estate planning techniques, Qualified Plan Conversions, asset protection strategies, exit planning, capital gains elimination, business succession and exit planning.

In 2018, Ed published "Tax Secrets Made Simple", a book to help families of all income levels pay less tax. Ed is a popular speaker and participates in radio programs, podcasts and YouTube videos teaching how to gain Maximum Wealth Control. Additional educational materials and accomplishments can be located at www.TaxSmartIRA.com.

Recognized as a thought leader in the field of taxation, Ed initiated the development of an IRA conversion software program using charitable planning solutions to help professional advisors begin the difficult and complex discussion of converting qualified dollars with a high degree of tax efficiency. A first for the IRA conversion software workspace.

Ed and his wife Laura reside in Northern California. Laura is an elementary school principal, and they have two grown children. Ed and Laura enjoy water and snow skiing, flying, parachuting, and losing golf balls.

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