PEAK RETIREMENT
PLANNING, INC.

# HOW TO LEGALLY DIVORCE THE IRS FOR THE REST OF YOUR LIFE.

## FOR SOME, TAX PLANNING THE RIGHT WAY COULD LEAD YOU TO NEVER HAVE TO PAY A DOLLAR TO UNCLE SAM AGAIN.

If you know anything about me or have seen my content before, then you know I HATE TAXES (so much that I wrote a book about it). Now I don't completely "Hate" taxes. I love this country and know that taxes pay for many of the good things we enjoy. But my problem is I am not confident the government is the best steward of my tax payer dollars, knowing how much they are spending and how much debt they are in. So that is the big reason I say "I hate taxes." Why else? Because we have no control over the amount of money we will pay Uncle Sam. The government can change the tax rates at any time! Keep in mind, the one who gets to change the tax code is also the one who has spending problems and is over $30T in debt. I do not trust that concept. So, you can decide to take action and have a plan, or you can do nothing and put your trust in Uncle Sam to not raise taxes on you in the future. That would be enacting what I call the "IRS's Plan". Think about it, you have not paid taxes on your 401k and IRA and will have to at some point. This means that your 401k that shows $1,000,000 on the annual statement is not worth $1,000,000 and the reason why is because of TAXES. You have a joint partner on that investment with you for the rest of your life until you do something about it. And that partner can dictate what percent ownership they get by changing the tax rate. I do not like that idea.

Let me just ask you, have you ever read the tax code? Since most people have not read it, let me describe this book - it is a big book with more words than the Bible, which is hard to comprehend. Although, if you know how to read this book then you can find tax loopholes to save you money! This is what bothers me: everyone hates taxes, but few ever take action to find ways to pay less. So, that is why I have made it our firm's mission to help hard working people with higher amounts in their 401ks and IRAs, who will be a big target for higher tax rates in the future, to find ways to lower their tax bill.

For some of these people, we can help them get to the 0% bracket by paying taxes on those investments now instead of continuing to defer them for the future. One strategy that we emphasize is a Roth Conversion, which is very popular right now with the historically low tax rates and expectation of taxes increasing in the future.

So, what does it mean to get to the 0% bracket? It is when you can keep your taxable income below the standard deduction and not force any of your money to be taxable. Many think this number is low and hard to stay under, but if you have enough time to plan for this, then it is more than possible and we have helped many of our clients get there in a smart way. For many of our clients, their income consists of Social Security, Tax Free accounts (which do not count as income), and just enough of their Tax Deferred investments or Taxable investments to utilize every penny of the standard deduction so we do not leave any money behind that we could have gotten tax free. Because of this concept we have many clients who have well over $1,000,000 net worth and pay no federal income tax each year! These clients have put themselves in a position to be legally divorced from the IRS for life.

Let's talk further about this here. I want to explain a concept when it comes to your income in retirement, it is not how much you "Take," it's how much you "Keep." If we implement the correct tax planning strategies over time, then you could find yourself in the 0% bracket and "Keep" more of the money you worked hard for and give less to Uncle Sam. For example, if you take $100,000 from your IRA and have a 25% tax rate on that money then you only keep $75,000. However, if you take $100,000 from your Roth IRA then it is all yours and you keep $100,000. See the difference?

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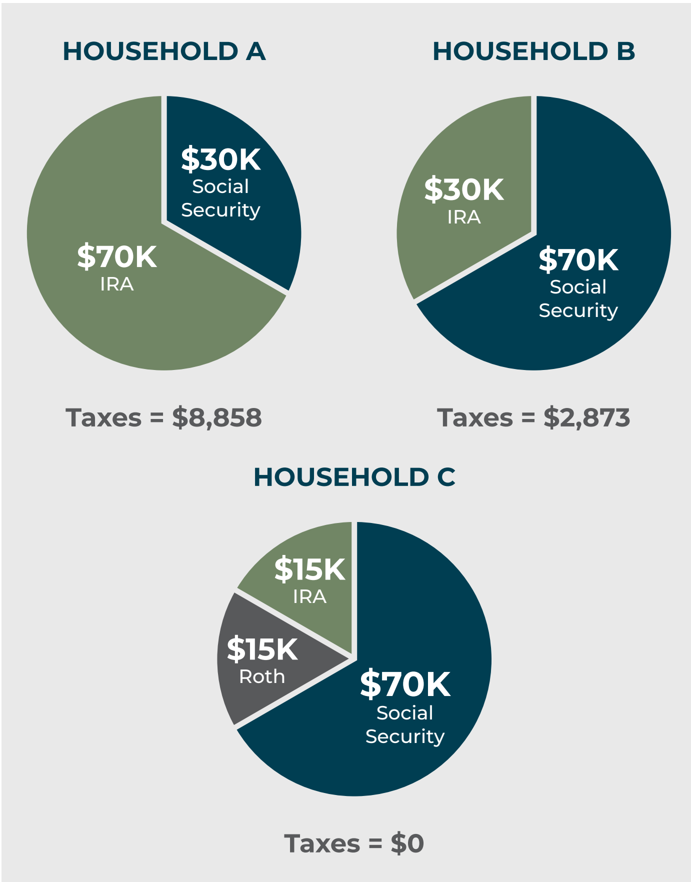
Let me share an analysis we did for a client of ours who lives here in Ohio to show the impact of what we are talking about:




*Keep in mind this illustration is for Ohio, but this is more the rule than the exception since 38 states plus the District of Columbia do not tax social security benefits - https://www.kiplinger.com/retirement/social-security/603803/states-that-tax-social-security-benefits).*

This client needed $100k a year to retire on, so in this illustration we are showing three ways we can structure their plan to get the money they need and their total tax they will pay that year.

In household A, we showed them taking Social Security at 62, which would be a reduced amount for taking it early. In order to get the $100,000 they need, then they would need to take $70,000 out of their IRA. So, they "Take" $100,000 but only "Keep" $91,142.

In Household B, we showed them taking Social Security at 70 instead of 62. If they did this, then now they can take out $70,000 a year from Social Security and they only need $30,000 a year from their IRA. Because of this they lowered their tax bill to $2,873! How did they do that when they took the same amount, $100,000, out? For one, Social Security is state tax free in Ohio (where I am from). If we take more income from Social Security instead of our IRA then we will not have to pay as much state tax. Secondly, we were able to keep Social Security from being fully taxed (See my prior Kiplinger article on this here, "Will you pay more taxes in retirement") and keep them off of the "Social Security Tax Torpedo," which is a portion of dollars that can be taxed upwards of 40% due to Social Security taxation. In Household A we forced Social Security to be almost fully taxable and over the torpedo which is why they would pay so much more in taxes in that case. Household B isn't bad: you "Take" $100,000 but keep $97,127. You are probably feeling good about that but remember I HATE TAXES so we will not settle for that. Let's show you how to get to the 0% bracket.

In Household C, we just added a little bit of a Roth IRA to the mix. The reason we did this is so we could strategically keep their income low enough to stay under the standard deduction. Because their income was lower, we were able to keep their Social Security fully tax free and all of that money they worked hard for over the years is now in their pocket. They "Take" $100,000 and keep $100,000. I like that. And they get to legally divorce the IRS from their life.

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