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WEBINAR

How To: Lower Your Tax Bill

ZOE
FINANCIAL



Host

ANDRES GARCIA-AMAYA CEO & FOUNDER | ZOE FINANCIAL

Prior to Zoe Financial, Andres was an Executive Director at JP Morgan Asset Management (JPAM) where he helped oversee \$300bln in Assets.

He is a CFA charter holder and obtained an MBA from the Wharton School at the University of Pennsylvania, where he received both the Joseph Wharton Fellowship for outstanding record of academic achievement, and the Toigo Foundation Fellowship.

**Our mission is to empower
Americans to make better
financial decisions.**



Panelist

PAUL COSTELLO, CPA

Partner | Costello Financial

Planning

Costello Financial Planning is a fee-only financial planning firm serving the Chicago, IL, Ann Arbor, MI and Bend, OR region. Costello Financial Planning specializes in providing objective financial planning to help clients build, manage, grow, and protect their assets through life's transitions.

As an independent, family-operated, fee-only firm, they are built to look and feel different from your traditional Wall Street brokerage firms.

During this Webinar We'll Discuss:

- 1. Current Tax Planning is Antiquated...**
- 2. The New Way Tax Planning is Done**
- 3. 3 Ways to Lower Your Tax Bill as a Small Business Owner**
 - Retirement Account Contributions
 - Recent Developments
 - Know and Share Your Numbers



Taxes: The Antiquated Way

- In Jan/Feb you send your accountant data
- Your accountant tells you your net refund
- You pay accountant their fee
- You pay your estimates (...if you remember)
- Wait until Nov/Dec to make changes- this year will be different!



Tax Planning: The NEW Way

- Integrate Personal & Business
- CFP and CPA **work in tandem** with Clients
- Proactive > Reactive
- Meetings in Q4/Q1 to discuss numbers
- Better Information -> Better Planning -> Better Chance of Hitting Goals

1. Retirement Contributions

- Defined contribution plans:
 - Traditional/Roth IRA, 401(k)
- Lesser known alternatives:
 - Sep IRA, SIMPLE IRA, i401(k), Profit Sharing
- Within your 401(k), plan design is key:
 - Matching/Safe Harbor vs Discrimination Tests
 - Do Employees understand their benefit?
- Higher Income? Can you defer MORE? Yes!

1. Retirement Contributions

- Defined Benefit Plans:
 - Higher limits than Defined Contribution plans
 - Hybrid style in that you don't need an annuity-style payout
- Good for those who make \$250,000+ and are older
- Accelerate Retirement Savings, up to \$2.6M lifetime
- Work with an actuary group to design the plan... not everyone needs to be treated the same
- Examples:

Cash Balance Plan Real Example

15-person, Single-owner company

Contributions for the Plan Year Ending 12/31/2018											
Annual Comp	Age AA	DC Plan						DB Plan		Total Retirement Plan	
		401(k)			Profit Sharing			Cash Balance Plan		Total Contribution*	% Of Contrib*
		Elective Deferral	Catch-Up Contrib	Employer Match	Safe Harbor	Non Safe Harbor	Total Alloc %	CB Allocation	% Of Comp		
\$ 275,000.00	65	\$ 18,500.00	\$ 6,000.00	\$ -	\$ 8,250.00	\$ 28,250.00	13.273%	\$ 261,250.00	95.00%	\$ 322,250.00	75.90%
\$ 275,000.00		\$ 18,500.00	\$ 6,000.00	\$ -	\$ 8,250.00	\$ 28,250.00		\$ 261,250.00		\$ 322,250.00	75.90%
\$ 30,500.10	65	\$ 18,500.00	\$ 6,000.00	\$ -	\$ 915.00	\$ 610.00	5.000%	\$ 3,050.01	10.00%	\$ 29,075.01	1.08%
275,000.00	56	18,500.00	6,000.00	-	8,250.00	5,500.00	5.000%	-	0.00%	38,250.00	3.24%
195,717.95	53	-	-	-	5,871.54	3,914.36	5.000%	-	0.00%	9,785.90	2.30%
275,000.00	44	18,500.00	-	-	8,250.00	5,500.00	5.000%	-	0.00%	32,250.00	3.24%
\$ 776,218.05		\$ 55,500.00	\$ 12,000.00	\$ -	\$ 23,286.54	\$ 15,524.36		\$ 3,050.01		\$ 109,360.91	9.86%
75,000.12	66	5,200.00	-	-	2,250.00	2,573.78	6.432%	1,875.00	2.50%	11,898.78	1.58%
8,655.00	26	-	-	-	259.65	389.48	7.500%	-	0.00%	649.13	0.15%
99,999.90	69	18,500.00	6,000.00	-	3,000.00	3,431.69	6.432%	2,500.00	2.50%	33,431.69	2.10%
101,500.12	40	1,300.00	-	-	3,045.00	3,483.18	6.432%	2,537.50	2.50%	10,365.68	2.14%
200,939.16	43	3,744.00	-	-	6,028.17	6,895.62	6.432%	5,023.48	2.50%	21,691.27	4.23%
25,260.00	52	-	-	-	757.80	1,136.70	7.500%	-	0.00%	1,894.50	0.45%
49,284.68	42	-	-	-	1,478.54	1,691.30	6.432%	1,232.12	2.50%	4,401.96	1.04%
12,687.00	55	-	-	-	380.61	570.92	7.500%	-	0.00%	951.53	0.22%
58,608.44	36	910.00	-	-	1,758.25	2,011.26	6.432%	1,465.21	2.50%	6,144.72	1.23%
52,303.12	30	-	-	-	1,569.09	1,794.88	6.432%	1,307.58	2.50%	4,671.55	1.10%
\$ 684,237.54		\$ 29,654.00	\$ 6,000.00	\$ -	\$ 20,527.11	\$ 23,978.81		\$ 15,940.89		\$ 96,100.81	14.24%
1,460,455.59		85,154.00	18,000.00	-	43,813.65	39,503.17	5.705%	18,990.90	1.30%	205,461.72	24.10%
\$ 1,735,455.59		\$ 103,654.00	\$ 24,000.00	\$ -	\$ 52,063.65	\$ 67,753.17	6.904%	\$ 280,240.90	16.15%	\$ 527,711.72	100.00%

Cash Balance Plan Real Example

Single-owner LLC

Retirement Plan Alternatives for Plan Years 2020 - 2022 401(k) + Profit-Sharing / Cash Balance

Employee	Annual Comp	Age	DC Plan			DB Plan		Total Plans
			401(k)	Profit Sharing		Maximum Contribution	%	Total Contribution
			Elective Deferral	Maximum Allocation	%			
Owner								
<u>Year</u>								
2020	\$ 285,000.00	66	\$ 26,000.00	\$ 17,100.00	6.00%	\$ 481,000.00	168.77%	\$ 524,100.00
2021	285,000.00	67	26,000.00	17,100.00	6.00%	311,000.00	109.12%	354,100.00
2022	285,000.00	68	26,000.00	17,100.00	6.00%	463,000.00	162.46%	506,100.00
Totals	\$ 855,000.00		\$ 78,000.00	\$ 51,300.00	6.00%	\$1,255,000.00	146.78%	\$1,384,300.00

A hand is shown using a calculator on a desk. In the background, there is a clipboard with a document and a pen holder with several pens. The scene is brightly lit, suggesting an office or financial planning environment.

Cash Balance Contributions:

- Protected, Portable, Credit Protection
- Flexible Amongst Owners
- Usually 3yr commitment: Contributions can change; use with caution
- A. Reduce flexible 401(k) or Profit Sharing
- B. Amend
- C. Freeze
- D. Terminate



2. Recent Developments

- PPP Forgiveness Loans
 - Cut off March 31/May 31 (?), 2021
 - PPP Forgiveness is non-taxable event
- QBI Tax Deduction- 20% discount on profit
- W2 Wages vs “Profit”
- Retirement Contributions, Payroll Taxes, & QBI deductions all impacted by Salary vs Profits
- Proactively check Fringe Benefits/“Write-offs”

3. Your Advisor = Personal CFO

- Weigh Yourself Every Month
- Your advisor can double as a businesses consultant
- What are your Key Performance Indicators?

Q & A

Want to connect with a top advisor?



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