Retirement Planning

The Ultimate Tax Guide

Course Description

The need for effective retirement planning has never been greater. This course is essential for participants who wish to attain a comfortable retirement for themselves and their clients by maximizing tax saving strategies. This presentation integrates federal taxation with retirement planning. The course will examine tax and savings strategies related to determining retirement income needs, wealth building, capital preservation, and estate distribution. The result is a unified explanation of tax-economics that will permit the tax professional to locate, analyze, and solve financial aspects of retirement. Designed to improve the quality of services to clients and the profitability of engagements, this program projects the accountant into the world of retirement planning. This course will give the participant practice in analyzing problems, developing solutions, and presenting final personal retirement plans to clients. The emphasis is on practical simplicity in dealing with the self-employed and highly compensated individual. Retirement income needs are calculated; net after tax Social Security benefits are determined; and distribution options from IRAs and retirement plans are explored. Special consideration is given to the tax treatment of the home and business on retirement. Buy-sell agreements are discussed and eldercare planning is examined.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.
CPE Credits: 29 (CPA, EA)
Category: Taxation
Prerequisite: General understanding of federal income taxation.
Advanced Preparation: None

Course Learning Objectives

Chapter 1: Financial Tax Planning

1. Identify short-term financial goals and investment purposes, recognize the importance of defining prioritized realistic goals stating how investing allocation changes with age.

2. Determine the tax consequences of title holding methods by:
   a. Specifying ways to hold title to assets starting with the simplest and most direct way to hold property;
   b. Cite the tax benefits and drawbacks of co-tenancies, corporations (both C & S), partnerships, qualified retirement plans, and trusts particularly as they relate to a client's after-tax investment return; and
   c. Identifying custodianship under the uniform acts and determining how an estate can be tax beneficial to taxpayers.

Chapter 2: Building an Estate

1. Identify money management specifying income types, recognize causes of increased taxable income for itemizing taxpayers, and specify taxable income types and their proper reporting.
2. Determine the distinctions between tax-free municipal bonds from fringe benefits in generating tax-free income, cite the benefits of tax deferral, and identify tax-deferred investments.
3. Specify ways to shelter income stating how income sheltering amplifies investment return.
4. Recognize the budgeting of income into cash by containing expenditures with the author's step process and discretionary income development, identify a client's negative outlook on budgeting and counter strategies, determine how to convert income into assets by purchasing investments, and specify asset acquisition rules.
5. Specify tax-advantaged investments identifying management rules, and determine the economic impact of accelerating deductions, postponing tax liability, and leveraging.

Chapter 3: Preservation of Wealth

1. Identify spending habits stating how to design a budget to increase discretionary income, determine net worth using a balance sheet, and select assets and liabilities for an inventory on which to base financial goals.
2. Specify why individuals should take primary responsibility for the investment planning including necessary self-education, determine the allocation of financial resources among investments to maximize return, and recognize the impact of inflation, risk versus return, and basic income tax planning tactics.

Chapter 4: Deferral

1. Identify the benefits of tax deferral, recall the former use of tax deferral under §1034, and cite the tax deferral advantage under §1031 identifying its elements.
2. Specify the related party §1031 restrictions identifying prohibited parties or entities and permissible disposition exceptions, cite recommendations for the protection of exchange participants, and recognize the history of the multiple property regulations identifying the unique netting requirements for multiple asset exchanges.

3. Recall the evolution of delayed exchanges recognizing allowable transfers, determine how to select qualified replacement property, specify constructive receipt safe harbors & methods to secure exchange party performance, cite the §1031 partnership underlying asset rule, identify retirement plan design, identify popular methods for providing for retirement, and select near retirement investments.
4. Specify the requirements for an installment sale, determine how to elect out of the installment method, identify the variables affecting §453 availability, and determine how to use a property option to receive income and postpone tax.

Chapter 5: Reduction

1. Identify tax credits specifying qualified computational expenses, limitations and restrictions.
2. Recognize the estimated tax rules and procedures including payment deadlines, underpayment penalties and the economics of overpaying estimated taxes, and specify the nondeductible interest types.
3. Determine the deductibility of investment interest, prepaid interest, points, and prepayment penalties recognizing the offset of passive income with rental property mortgage interest.
4. Identify business vehicle operating costs using (or switching between) the actual cost method or the standard mileage rate, recognize the importance of expense and mileage records, and specify depreciation traps when purchasing a vehicle.
5. Recall the requirements for business expenses to meet the directly related test, cite the elements of the associated test, identify the business expense statutory exceptions, and recognize the application of R.R. 90-23 and R.R. 99-7 to the deduction of transportation costs to a temporary work location.
6. Determine business asset depreciation using both ACRS and MACRS recovery classes, identify sources of §172 net operating losses (NOLs) recognizing carryback and carryover rules, specify tax breaks for nonitemizing taxpayers, recognize the advisability of filing an amended return, determine how to avoid audits by claiming refunds for provable items stating which return amendments are safest.

Chapter 6: Income Splitting

1. Recognize formats for income splitting, determine the tax treatment of employee and self-employed business expenses particularly home-office expenses stating the two non-exclusive use exceptions and the income limitation, cite changes made to home office deduction under TRA '97, and recognize the ability of self-employeds to make annual deductible contributions to a Keogh plan.
2. Identify the tax opportunities available to an unincorporated business including retirement plans, the hiring of family members, travel expenses, casualty losses, bad debts, and self-employment tax.
3. Determine the uses and tax characteristics of regular and S corporations by:
    a. Citing circumstances when incorporation is desirable,
    b. Recognizing the taxation of these entities including their ability to split income; and

   c. Specifying initial §351 formation and capitalization issues and identifying appropriate tax form filings for each entity.

4. Recognize the use of partnerships to split income among partners including the use of §704(e) family partnerships and the consequences of gifting a partnership interest to a child or to another family member.
5. Identify the use of a custodianship to split income specifying planning considerations and good investments for children, recognize deductions and credits for childcare, education, children, and §7872 loans, and specify the income and later estate tax benefits of gifts.

Chapter 7: Elimination

1. Identify tax elimination techniques by:
   a. Recognizing the current §121 home sale exclusion and its differences with prior tax law;
   b. Determining qualifications for tax-free state or local obligations including private activity bonds; and
   c. Specifying the tax elimination aspects of family transactions such as gifts, bequests, inheritances, life insurance, and even divorce.
2. Recognize employer deductions as a means to increase tax-free incentive-based compensation for employees by:
   a. Specifying rules for excluding fringe benefits under §132 and their proper reporting on the W-2; and
   b. Identifying popular employee fringe benefits including employer paid accident & health coverage, meals or lodging, cafeteria plan benefits, §127 education assistance, achievement awards, group life insurance and dependent care assistance.
3. Determine how to value fringe benefits according to IRS regulations, identify how to comply with ERISA requirements, specify the proper reporting of reimbursed and unreimbursed business expenses under accountable and nonaccountable plans, determine the substantiation of auto expenses using a fixed and variable rate, and specify eligible retirement benefits exempt from social security taxes.

Chapter 8: Asset Protection

1. Identify the goals and purposes of asset protection and the objections some people have about shielding assets from creditors by:
   a. Citing reasons for asset protection and situations that can unexpectedly put assets and financial security at stake;
   b. Specifying sources of lawsuits and the author's concept of exploding and imploding liability; and
   c. Determining asset protection using the primary concepts of insurance, asset placement and statutory protections.

2. Recognize the importance of creditor types associated with asset protection and fraudulent transfers.
3. Specify fraudulent transfer laws identifying badges of fraud, define statutes of limitation, criminal penalties, and permissible asset transfers.
4. Recognize the degree and necessity of asset protection using net worth and asset values on a balance sheet.
5. Identify the ways that insurance and buy-sell agreements can offer asset protection by:
    a. Citing the asset protection elements of homeowner's, automobile and disability insurance;
    b. Specifying the parties under a life insurance contract stating potential reasons for establishing an irrevocable life insurance trust; and
    c. Determining what constitutes entity purchase and cross purchase buy-sell agreements.
6. Recognize the asset protection advantages and disadvantages of ownership formats and entities by:
    a. Determining the use of individual ownership and corporate ownership in an asset protection plan including the importance of S corporations and their estate tax planning advantages;
    b. Identifying testamentary trusts, living trusts and subcategories of trusts and asset protection elements;
    c. Specifying the various types of co-tenancy, their asset protection dangers, and several types of partnerships citing their variation from limited liability companies; and
    d. Recognizing the unique asset protection qualities of retirement plans, custodianship, and estates as asset protection tools.
7. Identify the formats that courts typically follow if a couple does not have an enforceable premarital agreement, and determine what constitutes post-nuptial and premarital agreements and how they relate to divorce settlements and divisions.

Chapter 9: How Much Do You Need To Retire?

1. Recognize the importance of personal retirement maps to suit client objectives & lifestyles and summarize the basic guidelines of retirement planning, including common pitfalls and misconceptions of retirement.
2. Determine retirement using the major levels of retirement and key questions that have financial and personal ramifications.
3. Identify retirement costs and income needs of clients based on their current budget, recognize tax savings strategies and identify guidelines when purchasing investment assets.

Chapter 10: Social Security Benefits & Retirement Planning

1. Determine how Social Security funds are assessed and then paid, specify the system’s mechanics, and select qualified Social Security participants and their benefit eligibility.

2. Identify the requirements to receive Social Security retirement benefits, and determine clients' retirement benefits following a multi-step calculation process.
3. Recognize Social Security taxes, their tax rates, and covered earnings allowing better retirement planning.
4. Specify the eligibility requirements of Social Security disability benefits and survivors' benefits, determine what constitutes Medicare Part A and Medicare Part B and qualifications.

Chapter 11: Retirement Plans

1. Identify nonqualified and qualified deferred compensation plans and their benefits and contributions limits and recognize the current and deferred advantages and disadvantages of corporate plans including fiduciary responsibilities and prohibited transactions.
2. Specify the requirements of the basic forms of qualified pension plans.
3. Determine the differences between defined contribution and defined benefit retirement plans and specify several types of defined contribution plans and their impact on retirement benefits.
4. Recognize self-employed plans from qualified plans for other business types and owners, and identify the requirements of IRAs, SEPs, and SIMPLEs, and tax-free Roth IRA distributions and strategies to maximize plan benefits.

Chapter 12: Distributions from Retirement Plans & IRAs

1. Identify popular ways to receive distributions from a retirement plan or an IRA, specify types of annuities and their effect on how and when participants receive payments and determine the tax on annuity payments under the general rule or the simplified general rule.
2. Determine what constitutes a lump-sum distribution permitting clients to receive special tax treatment on such distributions.
3. Recognize the key components of rollovers that can be used to reinvest cash or other assets without including the amount in income.
4. Specify the tax consequences of taking premature distributions and how to avoid the 10% penalty.
5. Identify the minimum distribution rules and ways to avoid the 50% penalty associated with either taking smaller distributions than required or with taking distributions after the required beginning date for minimum distributions.

Chapter 13: Nonqualified Plans

1. Recognize the postponement of income with a nonqualified plan by:
    a. Identifying nonqualified plan advantages including ways to design the plans and specifying the IRS's position on such arrangements and the impact of constructive receipt and economic benefit concepts;
    b. Specifying deferred compensation patterns set forth in R.R. 60-31 and the taxability of each; and

c. Determining unfunded and funded plans and the use of company assets or bookkeeping accounts to avoid employee taxation.

2. Identify the set up of a segregated asset plan where the account is not subject to the claims of the employer's creditors and still avoids employee taxation and specify the tax consequences of establishing a nonqualified plan.

Chapter 14: Life Insurance, Annuities & Buy-sell Agreement

1. Specify reasons to purchase life insurance and the parties with rights in a life insurance policy.
2. Recognize the tax treatment of life insurance proceeds by:
   a. Identifying the tax treatment of premiums and lifetime benefits and several exceptions to the transfer for value rule and specifying variables that influence whether life insurance is taxable for federal estate tax purposes; and
   b. Determining the gift tax associated with transfers of life insurance policies.
3. Identify the pros and cons of types of life insurance policies to help clients choose a suitable policy.
4. Specify the reasons for using an irrevocable life insurance trust in an estate plan identifying trust considerations and the differences between deferred and private annuities.
5. Determine what constitutes entity purchase and cross purchase buy-sell agreements and tax and legal advantages.

Chapter 15: Home Sales & Moving Expenses

1. Determine the relationship between home sales and the capital gains rates and specify the rate "baskets" created by the capital gain provisions and the tax treatment of capital assets in each category.
2. Recognize the key elements and application of the §121 home sale exclusion and identify safe harbor regulations associated with the home sale exclusion.
3. Identify when a taxpayer meets distance and time tests for pre-2018 deductible moving expenses under §217.

Chapter 16: Estate Planning Issues

1. Determine what constitutes estate planning for clients by:
   a. Identifying elements of estate tax planning that have remained unchanged by recent legislation;
   b. Recognizing the unlimited marital deduction and its effect on the gross estate of the value of property; and
   c. Specifying the applicable exclusion amounts for various years of death.
2. Identify the concepts of "stepped-up basis" and "modified carryover basis" for estate tax purposes.

3. Specify basic estate-planning goals, and recognize the benefits and drawbacks of the primary dispositive plans.

4. Identify various types of estate trusts and family documents that every taxpayer should consider, and determine the advantages and disadvantages of the former private annuity format.