

Tax & Financial Planning for Retirement

Course Description & Study Guide

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.

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.

Field of Study: Taxes

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Learning Assignments & Objectives

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

ASSIGNMENT	SUBJECT
Chapter 1	Financial Tax Planning

At the start of Chapter 1, participants should identify the following topics for study:

- * Goals v. purposes
- * Investment purposes
- * Myths of retirement
- * Investment goals
- * Investment needs of five critical decades
- * Investment vehicles & entities
- * Retirement—the ultimate objective
- * Retirement costs & income needs
- * Retirement plan development
- * Basic planning elements

Learning Objectives

After reading Chapter 1, participants will be able to:

1. Identify short-term financial goals and investment purposes, recognize the importance of defining, listing and prioritizing realistic goals noting 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.
3. Recognize the impact of retirement planning postponement noting the importance of early planning using the author's suggested step process, specify a balance sheet method to plan retirement, determine how to diversify portfolios by balancing liquid and nonliquid assets, and identify the purpose of savings noting strategies to save.

After studying the materials in Chapter 1, answer the exam questions 1 to 11.

ASSIGNMENT

SUBJECT

Chapter 2

Building an Estate

At the start of Chapter 2, participants should identify the following topics for study:

- * Types of income
- * Information reporting on taxable income

- * Rules of budgeting
- * Cash
- * Acquisition
- * Assets
- * Rules of management
- * Managing risk
- * Taxes
- * Leverage

Learning Objectives

After reading Chapter 2, participants will be able to:

1. Identify money management noting 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 noting 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-advantage investments noting management rules, and determine the economic impact of accelerating deductions, postponing tax liability, and leveraging.

After studying the materials in Chapter 2, answer the exam questions 12 to 29.

ASSIGNMENT

SUBJECT

Chapter 3

Preservation of Wealth

At the start of Chapter 3, participants should identify the following topics for study:

- * Obstacles to preservation
- * Tracking spending
- * Building savings
- * Designing a budget
- * Determining worth
- * Analyzing net worth
- * Ignorance

- * Inflation
- * Taxes
- * Tax planning tactics

Learning Objectives

After reading Chapter 3, participants will be able to:

1. Identify spending habits noting 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.

After studying the materials in Chapter 3, answer the exam questions 30 to 34.

ASSIGNMENT	SUBJECT
Chapter 4	Deferral

At the start of Chapter 4, participants should identify the following topics for study:

- * Elements of like-kind exchanges
- * Related party exchanges
- * Personal & multiple property regulations
- * Delayed (deferred) exchange regulations
- * Actual & constructive receipt rule
- * Qualified contribution plans
- * Tax-deferred annuities
- * Installment sales
- * At-risk rule
- * Deferred compensation and options

Learning Objectives

After reading Chapter 4, participants will be able to:

1. Identify the benefits of tax deferral, recall the former use of tax deferral under §1034, and cite the tax deferral advantage under §1031 noting 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 personal and multiple property regulations noting

the unique personal property like-kind and netting requirements for multiple asset exchanges.

3. Recall the evolution of delayed exchanges noting 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.

After studying the materials in Chapter 4, answer the exam questions 35 to 49.

ASSIGNMENT	SUBJECT
Chapter 5	Reduction

At the start of Chapter 5, participants should identify the following topics for study:

- * Work Opportunity Credit & Rehabilitation Credit
- * Low Income Housing Credit & Child & Dependent Care Credit
- * Estimated taxes
- * Interest
- * Automobile deductions
- * Business entertainment deductions
- * Depreciation & cost recovery
- * Net operating losses
- * Tax breaks for nonitemizers
- * Amended returns

Learning Objectives

After reading Chapter 5, participants will be able to:

1. Identify tax credits noting 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 noting 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) noting 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 noting which return amendments are safest.

After studying the materials in Chapter 5, answer the exam questions 50 to 65.

ASSIGNMENT	SUBJECT
Chapter 6	Income Splitting

At the start of Chapter 6, participants should identify the following topics for study:

- * Using progressive tax rates
- * Deductible business expenses
- * Home-office deduction
- * C or regular corporations
- * S corporations
- * Family partnerships
- * Kiddie tax trap
- * Child care & education
- * Gifts
- * Interest-free loans

Learning Objectives

After reading Chapter 6, participants will be able to:

1. Recognize formats for income splitting, determine the tax treatment of employee and self-employed business expenses particularly home-office expenses noting 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-employed 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 and contain the “kiddie tax” noting initial 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.

After studying the materials in Chapter 6, answer the exam questions 66 to 78.

ASSIGNMENT	SUBJECT
Chapter 7	Elimination

At the start of Chapter 7, participants should identify the following topics for study:

- * \$500,000 home sale exclusion
- * Municipal bonds
- * Divorce & separation settlements
- * Gifts & inheritances
- * Life insurance
- * Fringe benefits
- * Taxation & valuation of benefits
- * Employee expense reimbursement & reporting
- * Fixed & variable rate allowances
- * Social security

Learning Objectives

After reading Chapter 7, participants will be able to:

1. Identify tax elimination techniques by:
 - a. Recognizing the current §121 home sale exclusion noting 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.

After studying the materials in Chapter 7, answer the exam questions 79 to 86.

ASSIGNMENT	SUBJECT
Chapter 8	Estate Planning

At the start of Chapter 8, participants should identify the following topics for study:

- * Unlimited marital deduction
- * Applicable exclusion amount
- * Stepped-up basis
- * Basic estate planning goals
- * Simple will
- * Types of trusts
- * Charitable trusts
- * Insurance trusts
- * Family documents
- * Private annuities

Learning Objectives

After reading Chapter 8, participants will able to:

1. Identify estate planning for business clients by:
 - a. Selecting 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. Determine the differences between “stepped-up basis” and repealed “modified carryover basis” for estate tax purposes.
 3. Specify estate-planning goals and the benefits and drawbacks of the primary dispositive plans.
 4. Identify the various types of trusts, specify family documents that every taxpayer should consider, and determine the advantages and disadvantages of the former private annuity format.

After studying the materials in Chapter 8, answer the exam questions 87 to 99.

ASSIGNMENT	SUBJECT
Chapter 9	Asset Protection

At the start of Chapter 9, participants should identify the following topics for study:

- * Need for asset protection
- * Types of creditors
- * Fraudulent transfers
- * Preparation for asset protection
- * Types of insurance
- * Buy-sell agreements
- * Individual ownership & corporate ownership
- * Asset protection aspects of trusts
- * Co-tenancy & partnerships
- * Divorce

Learning Objectives

After reading Chapter 9, participants will be able to:

1. Identify the goals and purposes of asset protection noting 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 noting 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 under 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 noting 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 noting asset protection elements;
 - c. Specifying the various types of co-tenancy, noting 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 noting how they relate to divorce settlements and divisions.

After studying the materials in Chapter 9, answer the exam questions 100 to 120.

Notice

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