IREXA | FINANCIAL SERVICES
WEALTH STRATEGIES

Office: 2312 Eastlake Ave E
Seattle, WA 98102

Mail: 4233 Meridian Ave N
Seattle, WA 98103-7601

rboggess@irexa.net
www.irexa.net

P 866.596.1031
C 206.930.6896
F 206.374.2988

TAX YEAR 2016

Opportunities for
STRATEGIC TAX MITIGATION

As a resource for CPAs and tax advisors with whom I work, I am providing a list of taxation areas in which Strategic Tax Mitigation solutions may be beneficial for your clients' investment and tax planning.

Taxation areas in which my Strategic Tax Mitigation approach can be effective:

1. Ordinary Income – Primary strategy involves an IRC § 170h Charitable Contribution. With approximately $65,000.00 in Federal tax liability, the Charitable Contribution should be able to reduce Federal tax liability by approximately 15%. At higher income levels the Charitable Contribution tax liability reduction tops out at about 25%.
2. Investment Income: Form 1040 Line 17 "Rents and Royalty Income" – Primary Strategy involves using investments that impact Form 1040, Line 17 "Rents and Royalty Income." Income producing investments are available that can mitigate impacts to Line 17 by partially or fully sheltering income from those investments, or by providing shelter that is sufficient to reduce Line 17 income below its original value prior to using the strategy.
3. Purchase and sale of assets including real estate.
   a. Real Estate. Primary Strategy involves an IRC § 1031 Like Kind Exchange, which can defer the payment of taxable liability to a more opportune time.
   b. Non-Real Estate (or Real Estate "boot"). Primary Strategy involves using investments that provide substantial first year write-offs to offset taxes.
4. Tax Deferred Income – Primary Strategy involves structuring portfolio for tax-efficient retirement plan maximization. A Secondary Strategy occurs when clients have additional discretionary income that could be more tax efficiently deployed in a tax-free account.
5. Passive Activity Losses, IRS Form 8582 – As a result of the recent economic upheaval, some clients have excess Passive Activity Losses (PALs). In some cases, the extent of the PAL is such they cannot be easily extinguished without external intervention. The Primary Strategy involves the use of investments that are Passive Income Generators (PIGs). To take advantage of this strategy the client must have additional investible assets, which are used to acquire the PIG. Assets are available with annual returns in the 8+/-% range that provide 85% to 100% passive income. Income generated through the use of this strategy is effectively tax-free until the PALs are extinguished.
6. Required Minimum Distribution (RMD) deferral program – These strategies are appropriate for clients who have RMDs, but would rather not take them.
   a. The more common strategy involves a Qualified Longevity Annuity Contract (QLAC). The QLAC is limited to the lesser of: 25% of your retirement account balance, or

$125,000.00. The use of a QLAC can effectively reduce the size of the retirement account by the amount contained in the QLAC until age 85. As a result, the reduced amount of money in the retirement account reduces the size of the RMD and consequently taxes that are owed. This strategy is open to all income levels.

   b. The less common more tax efficient strategy involves using the RMDs for leverage. In this strategy the RMD is taken and taxes are paid. The after-tax balance is used to fund a life insurance policy to transfer benefits as directed by the insured. Returns can be 2x to 3x higher than with a QLAC. The returns can be tax free.

7. Insurance Solutions can provide effective Tax Mitigation Planning Strategies. Four major planning areas include: Retirement Planning (income above $300K), Legacy Planning (net worth above $2.5MM), Charitable Planning (net worth above $2.5 MM), and Business Planning (revenue above $2.5MM). See attached Exhibit A.

The use of some or all of these tax-planning strategies has provided my clients with tax relief, often into six figures.

I am available for consultation when you have a client case to analyze in which Strategic Tax Mitigation may be appropriate.

Regards,

Robert L. Boggess
Financial Advisor

IREXA is a BBB Accredited Business
Member Alternative & Direct Investment Securities Association (ADISA)

Note: Income and net worth restrictions apply.

A. Except where noted, the client must be an Accredited Investor as defined in Regulation D under the 1933 Act (i.e., $1 million net worth excluding primary residence or $200,000 income individually/$300,000 jointly two of the last three years).

B. To effectively utilize all of the strategies tax liability at a federal level should be $65,000.00 or above.

Exhibit A

SANDLAPPER INSURANCE PLANNING CONCEPTS

SMALL-MID SIZE BUSINESS ($2.5MM - $15MM Revenue)	LEGACY PLANNING ($2.5MM+ Net Worth)
Repositioning of Assets Inheritance Equalization Buy-Sell Agreements Asset Diversification Deferred Compensation Policy Review Premium Finance Executive Bonus Key Person Coverage Retirement Income	Annuity Maximization IRA Maximization Repositioning of Assets Estate Creation Inheritance Equalization Asset Diversification Estate Tax Planning Policy Review Premium Finance College Funding Legacy Building Pension Maximization Trusts - Wealth Transfer Strategies Retirement Income
RETIREMENT PLANNING **($300K+ INCOME)**	**CHARITABLE PLANNING** **($2.5MM+ Net Worth)**
Repositioning of Assets Asset Diversification Deferred Compensation Policy Review Premium Finance Pension Maximization Retirement Income	Repositioning of Assets Charitable Contribution Funding Asset Diversification Policy Review Premium Finance Charitable Remainder Trusts

FOR PROFESSIONAL USE ONLY