INCOME TAX PLANNING TOOLS

MVM LAW

Proven Strategies for Lowering Income Taxes on Business Income and/or Retirement Distributions

INCOME TAX MINIMIZATION

We can help you lower state and federal income taxes on your business and/or retirement income. As a firm staffed with business and retirement planning professionals, we have solutions not typically available from other legal and accounting firms. Our law firm offers one-stop design, drafting and funding solutions. We can typically find ways to design transactions to generate tax savings many times more than the legal costs.

THE PROBLEM

Levels Where Higher Taxes Triggered: 39.6% + 12.43% + 3.8% + 1.2% = 57%

		Singles	*Married Couples*
	Estimated Cost	*Starting Level*	*Starting Level*
Federal Tax	Top 39.6% Rate	$402,200	$458,300
State Tax in CA	Near Top 12.43% Rate	$300,000	$600,000
Personal Exemption Phaseout	Lose $3,900	$250,000	$300,000
Itemized Deduction Limitation	Lose 80% of itemized deductions	$250,000	$300,000
Additional Medicare Tax on Earnings	Extra 0.9%	$200,000	$250,000
Medicare Surtax on Investments	Extra 3.8%	$200,000	$250,000
AMT	26% to 28%	$175,000 triggers 28%	$175,000 triggers 28%

THE SOLUTION

The income tax minimization process begins with clarifying the desired outcome. Anyone generating excess income taxes has only four choices. Sales proceeds can go to taxes, lifetime income, family members, or charity If nothing is done, one-half or more of the wealth may go to taxes. With proper planning, money spent on unnecessary taxes can be redirected to trusts that generate more after-tax retirement income, larger transfers to family members, or bigger gifts to favorite charities.

Tax lawyers can develop tax-efficient asset sale plans at costs that are often less than 1% of tax savings. Creating tax strategies often requires development of trusts that grow assets tax-efficiently and distribute the assets tax-free. For this reason, the lawyers designing and drafting the plans often work with insurance and investment professionals who can fund the plans with tax-efficient portfolios.

Impact of Investing Excess Income Tax Efficiently:	*Now*	*20 Years at 6.5%*	*30 Years at 8%*
With Tax-Efficient Planning Tools:	*$500,000*	*$1,761,823*	*$5,031,328*
If 50% of Excess Income Lost to Taxes Before Investing:	*$250,000*	*$880,991*	*$2,515,664*
If Investment Returns are Reduced by 38% Taxes:	*$250,000*	*$580,265*	*$1,068,205*
If 38% of Accumulated Value Lost to Withdrawl Taxes:	*N/A*	*$359,764*	*$662,287*

More than 2,000,000 business owners earn more than $500,000 per year. This income is taxed at 55% or higher rates. If the excess income is taxed when earned, invested in taxable accounts, and distributed as ordinary income, the $500,000 might grow to only $662,000 over 30 years. If the you instead invest $500,000 in pre-tax accounts that grow tax-free and distribute tax-free, the $500,000 can grow to more than $5,000,000 -- as shown on the grid above. Even if you don't have $500,000 of extra taxable income to invest this year, these strategies can work well with $100,000 per year for five years.

CLIMBING THE PYRAMID ENHANCES TAX EFFICIENCY

Most business owners are still at level one of the 6-level pyramid shown below. They pay taxes on income when it is earned, invest the money in taxable investments, and pay taxes when dividends and gains are distributed. Even if advancing to level 2, there are still substantial self-employment taxes that reduce the benefits of qualified plan deductions, and there are ordinary income taxes when money is distributed from qualified plans. Therefore, astute clients and advisers advance to level 6. This brochure explains Level 6 strategies.

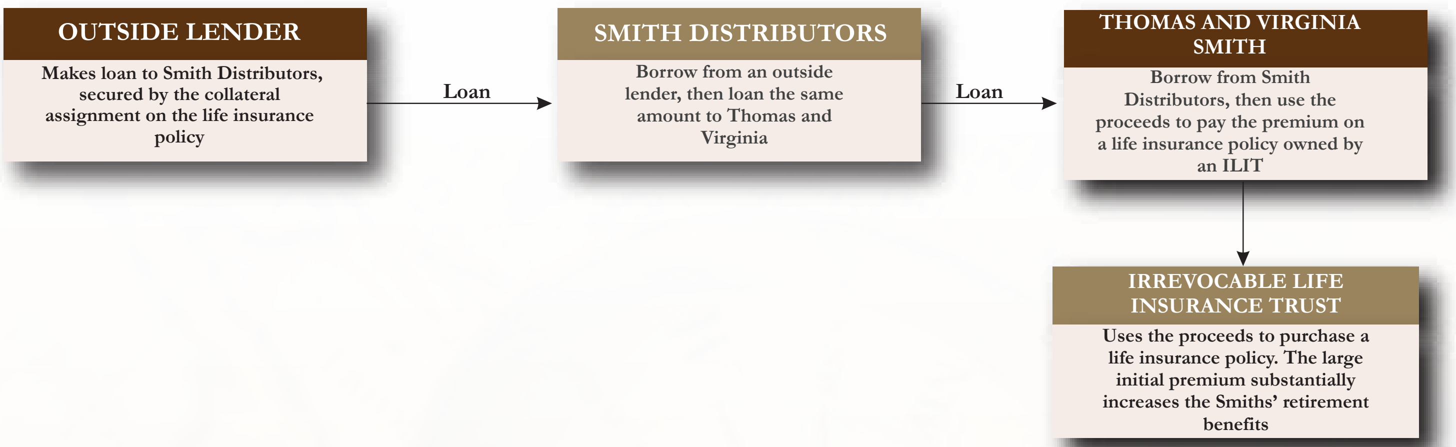
TAXES ON CONTRIBUTIONS		TAXES ON EMPLOYEE WITHDRAWL
Minimal Tax on Contributions	**6. Advanced Tax-Efficient Lifetime Income Solutions** *Capital Split Dollar* *Charitable LLC* *Family Retirement Account*	Minimal Withdrawl Taxes
Moderate Tax on Contributions	**5. Specialized plans with Tax-Efficient Funding and Tax Free Withdrawls** *Super CLAT* *Section 79 Plan* *Section 162 Plan*	Moderate Withdrawl Taxes
Moderate Tax on Contributions	**4. Specialized plans with Pre-Tax Funding Partially Taxes Withdrawls** *Charitable Remainder Trust* *Gift Annuities* *Pooled Income Fund*	Moderate Withdrawl Taxes
Moderate Tax on Contributions	**3. Non-Qualified Deferred Comp** *SERP's* *409(A) Plus* *Traditional Deferred Comp*	Moderate Withdrawl Taxes
Heavy Deferred Income Tax	**2. Qualified Plans** *Profit Sharing* *Defined Benefit 401 (K)*	Heavy Withdrawl Taxes
Heavy Current Income Tax	**1. Traditional Compensation** *Heavily taxed with payroll taxes going in and ordinary income coming out*	Heavy Withdrawl Taxes

BUSINESS INCOME TAX DEDUCTIONS

Businesses can generate tax deductions from Level 6 planning instruments such as Capital Split Dollar and Captive Insurance Companies. These techniques are explained on this page and the following pages.

Capital Split Dollar

Initial Structure



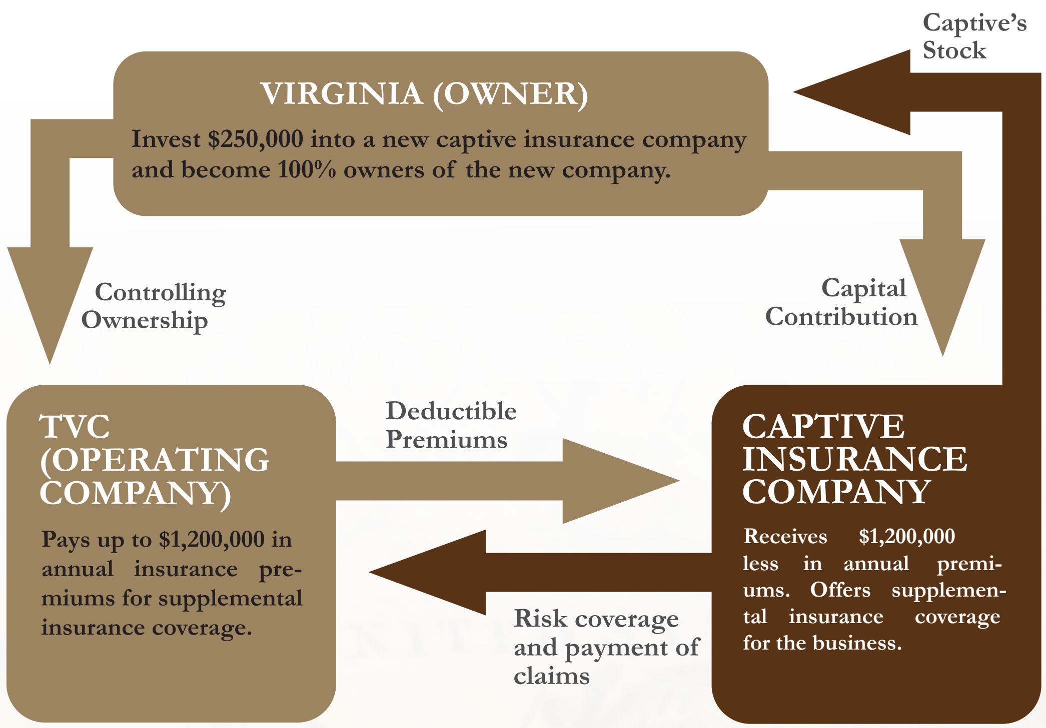
COMPARISON OF BENEFITS

	EXISTING PLAN	PROPOSED PLAN
Inheritance to Heirs in Year 15	$ 3,500,00	$ 4,800,00
Estate Tax in Year 15	$ 3,500,00	$ 2,000,00
Total 15 Year After-Tax Retirement Income	$ 1,479,00	$ 2,867,835

	PROPOSED PLAN SUMMARY
Increased Inheritance to Heirs	$ 1,300,00
Decreased Estate Taxes	$ 500,00
Increased Retirement Income	$ 1,388,835
Increase to Charity	$0

Capital Split Dollar is an executive compensation program that generates current income tax deductions while funding a trust that can produce tax-free retirement income and/or transfers to family members. The insurance in the trust can also fund a buy-sell program to help junior executives easily acquire equity in the business when the senior owners retire or die.

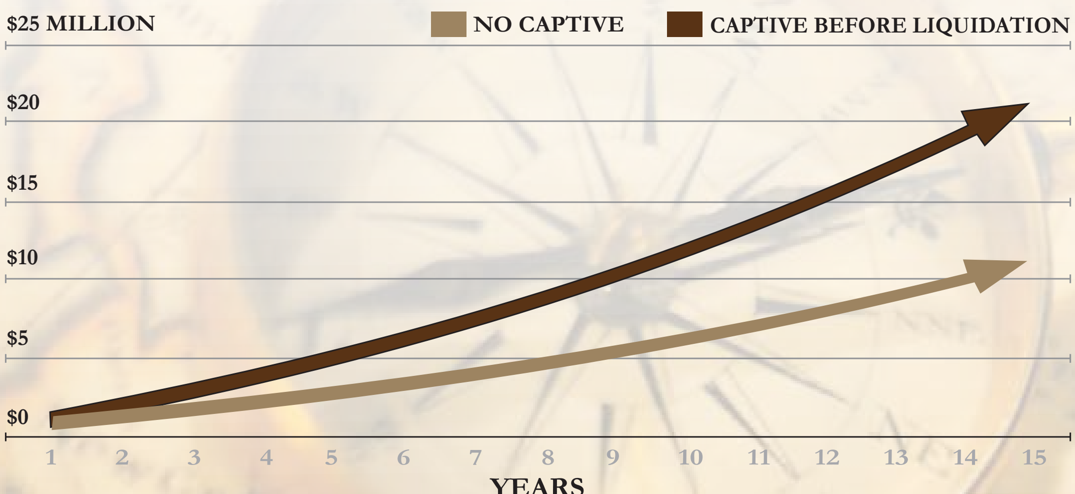
A business can take current income tax deductions when funding excess income into a Captive Insurance Company. The Captive can insure risks that are not easily insured by third party commercial insurance companies. If claims are paid by the company, the funds in the captive can grow tax-efficiently. By combining the captive with a preferred LLC, it is possible to transfer capital from the captive tax-efficiently.



HYPOTHETICAL ILLUSTRATION

COMPARISON OF NET BENEFITS AFTER PAYMENT OF CLAIMS, EXPENSES, AND TAXES

The chart below indicates the relative advantage of paying claims from a Captive versus paying claims from a sinking fund into which the operating entity deposits its after-tax earnings.



RETIREMENT RESCUE

Americans have more than $22 Trillion in retirement assets. An estimated two-thirds of this may be subject to estate taxes at 40%. Moreover, much of the income will come out at top marginal rates over 50%. It is not uncommon to see 70% of the retirement assets lost to taxes as shown here.

Qualified plan balance payable to estate: $2,600,000

Assumed Estate Tax Rate: 40%

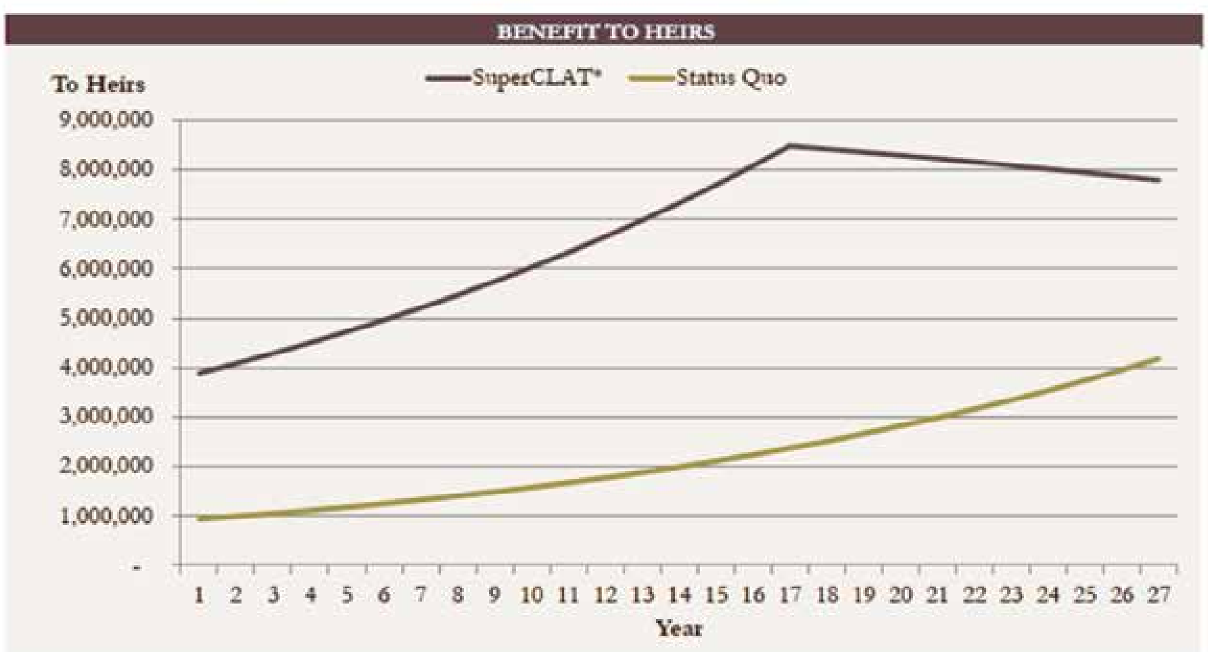
Assumed Federal Income Tax Rate: 50%

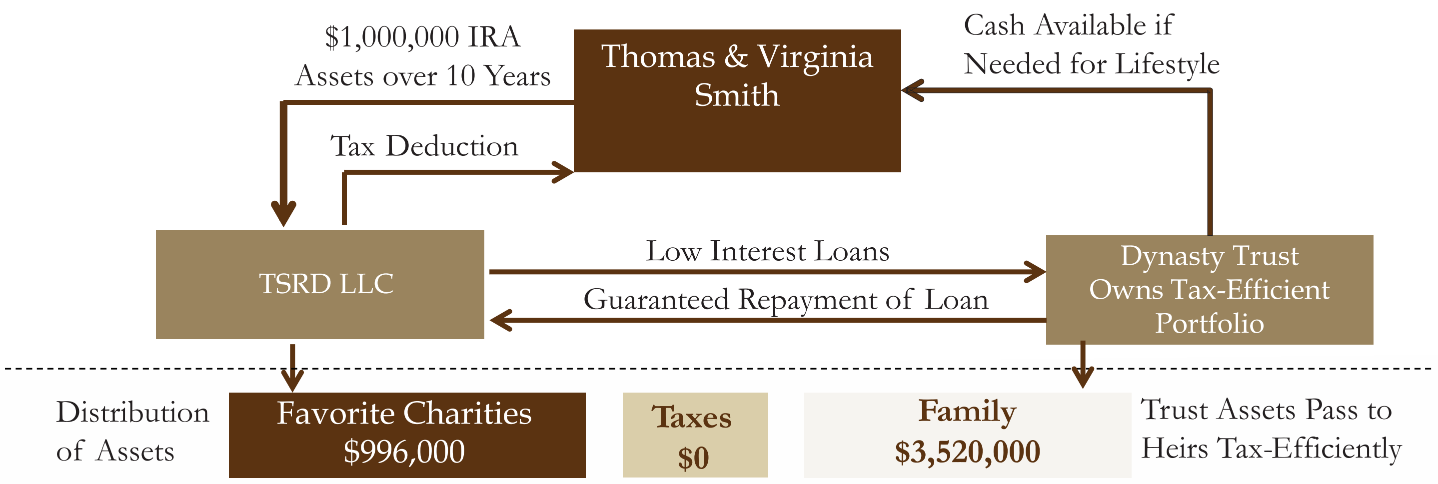
Parent dies and leaves IRA to heirs	Less Estate Taxes	Less IRD Taxes	Net to Heirs
$2,600,000	**$-520,000**	**$-1,300,000**	**$780,000**

IRA funds or other retirement assets are rolled into a profit sharing plan. The profit sharing plan funds a policy that is distributed in year 4 to a super CLAT. The CLAT uses life insurance to fund charity and distribute assets to a trust for family.

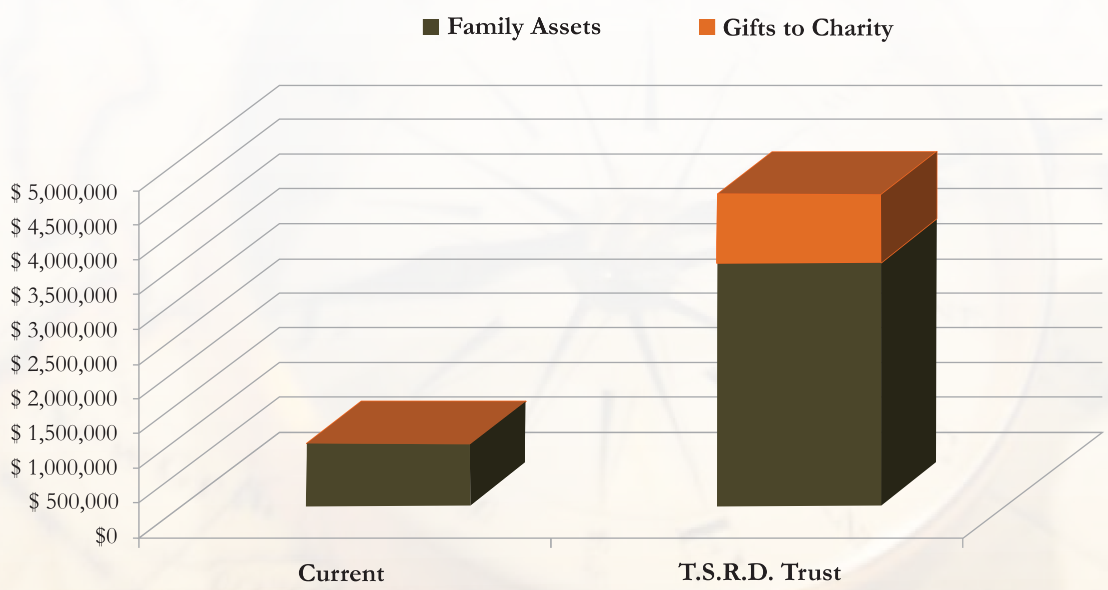
SUPER CLAT COMPARISON TO STATUS QUO

HYPOTHETICAL VALUES - ASSUMING ESTATE SETTLEMENT IN ANY GIVEN YEAR





By redirecting tax money to family and favorite charities, the Smiths can create a larger legacy and make a bigger impact with all of their hard-earned retirement plan assets.



	Current	T.S.R.D. Trust	Comparative Benefits
Family Assets	$ 900,091	$ 3,520,363	$ 2,620,272
Gifts to Charity	$ -	$ 995,936	$ 995,936
			$ 3,616,208

HAVE US CALCULATE YOUR AVERAGE AND TOP TAX RATES

	IRS From 1040 Filing Status	Married filing jointly
7	Salary, bonuses, alimony, IRA distributions, pensions, etc,	100,000
8-9	Taxable interest and ordinary dividends	10,000
9b	Qualified dividends	
12	Business and farm income or loss	650,000
13	Capital gain or loss	59,000
15-16	IRA and Pension distributions	
16a	Annuities	30,000
17	Rents, royalties, partnerships, S corporations, trusts, etc.	
20a	Social security benefits	23,000
27-35	Minus IRA and self-employed qualified plan contributions	

Line	**Itemized Deductions (Schedule A)**	
4	Medical and dental expenses	-
5-9	Taxes paid: Real estate, etc.	10,000
	Taxes paid: California income tax.	87,171
15	Home mortgage interest	30,000
19	Gifts to charity	25,000
	Total itemized deductions	152,171
	Reduction in itemized deductions	17,160 *
	Itemized deductions allowed	135,011

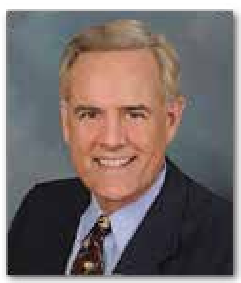
Taxable Income	
Estimated Federal Tax (Top bracket = 39.6%	227,930
Medicate Surtax on investment income	3,762
Estimated California tax (Top Bracket = 12.4%)	87,171
Total Tax	318,862
Average Tax Rate	36.60%
Marginal Federal and State Rate	52.00%

**For adviser use only. Results are hypothetical.*

PARTNERS

JRMATSEN.COM

As one of the top estate planning attorneys in the country, Jeff has spent his 45-year career providing his clients with the highest level of legal service and has recently authored an award winning book in his area of expertise, *The Ladder of Success: An Asset Protection Planning Primer.*



TIMVOORHEES.COM

While earning his JD and MBA degrees, Tim emphasized business and corporate planning. He helps clients transfer their businesses tax-efficiently using techniques to lower income and estate taxes while increasing after-tax retirement and wealth transfer amounts.

JONATHANAMINTZ.COM

As the newest partner at *MVM Law*, Jonathan has nearly 25 years of experience as an estate planning and business attorney. He has extensive experience in designing and implementing effective estate and succession plans for business owners and their families.

Matsen Voorhees Mintz LLP

MVM LAW

Maximizing Value with Integrated Estate, Business, Tax, and Asset Protection Planning

MVMLawyers.com 695 Town Center Drive, 7th Floor, Costa Mesa, CA 92626 Phone: 1-800-447-7090 Email: Info@MVMLawyers.com