TAX PLANNING

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In today's rapidly changing financial landscape, it is necessary to ensure your personal wealth management is as effective as possible. At this time of year, one of the areas of financial planning that always becomes a major topic of conversation is tax planning. It is best to think about tax planning long before the annual April 15th deadline. If you have not implemented a solid tax plan, now is the time to start. It may be too late to affect your tax burden this year, however, the plan you implement now will have a major impact on your planning in the future.

Tax planning and financial planning are closely related to each other because of the significant impact that taxes have upon your finances. Any investment made more attractive by the timing of the profit, or the way it is taxed, is a tax incentive investment. How one includes tax incentive investments as a part of one's portfolio is a major part of the overall financial planning process. Proper tax planning can be one of the most significant parts of your total financial plan.

Tax incentive investments are based on specific provisions. The tax law provisions enacted by Congress encourage investment capital to flow directly into the basic areas of our economy such as housing, petroleum, manufacturing, and agriculture. Judge Learned Hand, formerly of the New York Supreme Court, said, "In one sense, 'tax incentive' means investing in vital industries in a way that permits you, rather than the companies you invest with, to keep the tax benefits, while retaining your opportunities for significant profits." As Judge Hand clearly states, there is nothing illegal or immoral about tax incentive investments. A prudent investor will take advantage of every opportunity to protect their financial assets through proper investment strategies.

There are many forms of tax incentive investments. Municipal bonds and unit investment trusts provide tax-free income. Annuities, life insurance policies, IRAs, Keoghs, and pensions, as well as oil and gas drilling, equipment leasing, research and development in various forms provide tax reduction through income tax deferral of taxation on the appreciation until the asset is liquidated.

Although an investor can structure an individual transaction, tax shelters are often structured as partnerships. There are two types of partnerships: a limited partnership and a general partnership. In a partnership, the value of the investment will be a blend between tax advantages and investment advantages depending on the objectives of the partnership.