

Tax Planning Strategy?



RAILROAD INVESTMENT GROUP



With the tax filing deadline right around the corner, what is your tax planning strategy? How well prepared are you to keep more money in your pocket and less in Uncle Sam's? A simple question to ask yourself:

Would you be ok having more money to:

- **Build** the lake house you wanted where the entire family can gather for Holidays and special occasions?
- **Pay** for your children and grandchildren's college, car, wedding or down payment on home?
- **Take** the dream trip you and your spouse have always wanted?
- **Gift** to your church or favorite charities in your community that directly impact those issues and people that matter most to you?
- **Save** or personally **Reinvest** the funds? • Reinvest the funds back in your business?
- **And less** to Uncle Sam?

A \$ saved is a \$ earned!! Be proactive about pursuing advanced tax and financial planning strategies seeking to keep you on track and live your best life!

The federal budget deficit hit an all-time record high of \$3.1 trillion last year. With the passage of the recent blowout "stimulus" bill, it's set to be even higher in 2021. Now we watch and wait for a

potential infrastructure bill, which could run as much as an extra \$4 trillion over the next ten years. A trillion here, a trillion there... you know how the old saying goes. As night follows day, higher spending – unless offset with future spending cuts – is going to lead to higher taxes.

Let's say they raise the top personal tax rate of 37% back to 39.6%. That change would generate only an additional \$20 billion in extra revenue per year, based on 2018 tax data. If they also raised the 35% income tax bracket to 39.6%, that would raise an extra \$13 billion per year. And this year the 35% tax rate kicks in at \$209,426 for singles and \$418,851 for married couples. Either way, it's like trying to fill a swimming pool using a teaspoon. If they were to go for broke and raise both the 35% and the 37% brackets to a 100% tax rate, and people keep working and paying everything they made in taxes, that would have raised about \$681 billion in 2018.

Big money, but still not close to bridging the budget gap.

The one thing we can say for sure about all this is that some of these projections will be wrong. But we think most of it'll be right. Bargaining on tax hikes has already started in Washington, at least behind the scenes. It's going to be a long process, but we can say with high conviction that taxes are going up.



Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Railroad Investment Group, a registered investment advisor. We suggest you discuss your specific tax issues with a qualified tax advisor.

By Blake Henry and Laurel Callaway / Railroad Investment Group | EXPERT CONTRIBUTOR