



Wealth Resources Network

The Wealth Achievement Center of CNY

TAX ADVANTAGED INVESTMENTS

The only money you will ever have to spend, lose or invest is what the government allows you to keep. Many taxpayers do not understand that they do have a choice as to whether they will pay a small or large amount of income tax. Why pay the IRS investable funds you are allowed to keep?

Tax advantaged investments are not “loopholes” in the Tax Law that the IRS is out to plug up. They are not immoral, as some would have you believe. A common fallacy is to confuse tax evasion with tax avoidance. Tax evasion is illegal and punishable. Tax avoidance, on the other hand, is legal and is encouraged by the lawmakers. The United States Congress promotes the shifting of funds from the taxable sectors of the economy to areas of public need or good by passing laws that create tax deferred; tax sheltered and even tax free investments.

Many, ignorant of the nature of the tax-advantaged investments, would have you believe that you are “robbing” the economy of tax dollars by not giving your taxes to the government to spend in their great wisdom. Such advocates are ignorant of the fact that tax-advantaged investments are put into housing, energy, food, strategic metals, research and development, medical needs and transportation.

Rather than being filtered through bureaucratic mazes to the economy, these otherwise diverted tax dollars are being applied directly to where the need lies - creating new jobs, expanding industry and adding to the growth of the country. The famous jurist, Judge Learned Hand, remarked that, “There is nothing sinister in so arranging one’s affairs as to keep taxes as low as possible.”

In another famous quote, Judge Hand wrote: “Any one may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one’s taxes” *Helvering v. Gregory*, 69 F.2d 809, 810-11 (2d Cir. 1934).

However, understanding that tax advantaged investments can be and often are risky should be a prerequisite to becoming involved in them.

The taxpayer also needs to remember that Congress has passed certain tax incentives because such investments are risky. Tax advantages are sometimes provided to encourage investing in high-risk areas that provide for the social good of the country.

Being involved with a tax advantage investment requires a proper frame of mind. It is your sleep that will be lost if you are uncomfortable with such an investment. Such investments are complex - particularly with the ever-changing tax laws. Working with a knowledgeable financial planner will help you avoid many of the pitfalls and help you keep more of your hard-earned dollars from taking a one-way trip to the IRS.

This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Securities & Financial Planning offered through LPL Financial, a Registered Investment Advisor, Member FINRA/SIPC.

406 Old Liverpool Road | Liverpool, NY 13088 | (315) 471-7833 | WealthResourcesNetwork.com