



**Wealth Resources Network**  
*The Wealth Achievement Center of CNY*

## **TAX PLANNING OVERVIEW**

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.

*"Over and over again, courts have said that there is nothing sinister in so arranging one's affairs as to keep taxes as low as possible. Everybody does so, rich and poor; and all do right, for nobody owes any public duty to pay more than the law demands; taxes are enforced exaction's, not voluntary contributions."*

*---Judge Learned Hand*

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. 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 in the above quote by Judge Learned Hand, formerly of the New York Supreme Court, there is nothing illegal or immoral about tax incentive investments.

There are many forms of tax incentive investments. Municipal bonds provide tax-free income. Annuities, life insurance policies, IRAs, Keoghs and pensions provide tax reduction through income tax deferral of taxation on the appreciation until the asset is liquidated.

### **Municipal bonds are:**

Subject to availability and change in price.  
Subject to market and interest rate risk if sold prior to maturity.  
Bond values will decline as interest rate rises.  
Interest income may be subject to the alternative minimum tax.  
Federally tax-free but other state and local taxes may apply.

Fixed Annuities are long-term investment vehicles designed for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 1/2 are subject to 10% IRS penalty tax and surrender charges may apply.

*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.*