

# Tax Mitigation For Yesterday, Today and Tomorrow

Thursday, May 26, 2022  
8:00 AM-9:30 AM  
The Henry

# Introductions



**Chris Zeches, CFP®**

Managing Partner  
Zeches Wealth Management,  
A Registered Investment Advisor



**Bryson Hevner, CPA**

Partner  
H&H Accounting Services, LLC



**Allison L. Kierman**

Kierman Law, PLC



## Agenda

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Welcome and Overview

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Where Are You Now? Assess Yourself

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Tax Mitigation-Yesterday

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Tax Mitigation-Today

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Tax Mitigation-Tomorrow

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Closing

# Where Are You Now: Assess Yourself



## The Human Element

- Client-Centered Discovery
- Coherent, Connected Communication
- Deep, Intimate Relationships



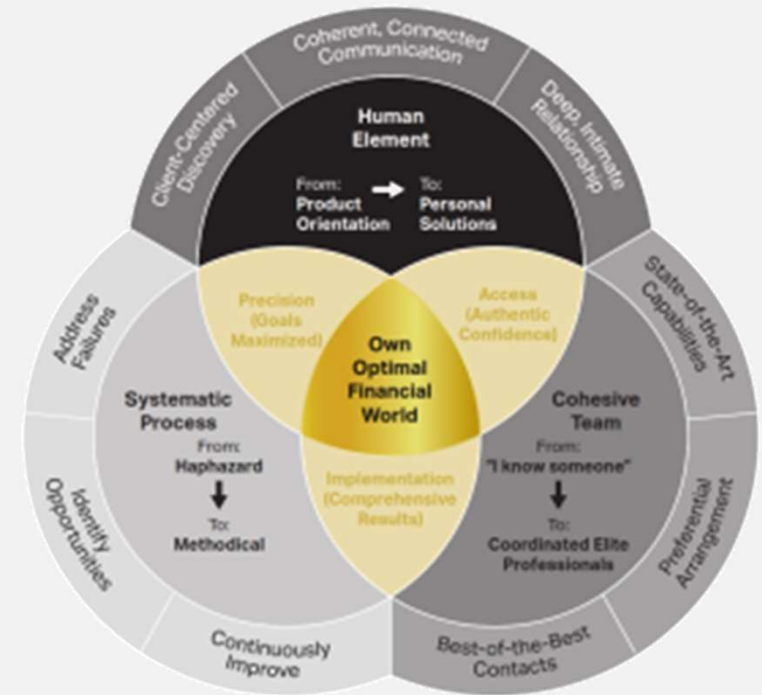
## Cohesive Team

- Best-of-the-Best Contacts
- Preferential Arrangements
- State-of-the-Art Capabilities



## Systematic Processes

- Address Failures
- Identify Opportunities
- Continuously Improve



# The Human Element

## Client-Centered Discovery

How well do your current professionals, such as attorneys, accountants and financial advisors, truly understand you as a person, and not just your financial situation?

**My professionals hardly know me.**

**My professionals have a deep understanding of me, my loved ones and what's most important to us.**



## Coherent, Connected Communication

How well do your current professionals communicate with you on proposed solutions?

**I am often confused when talking with my professionals.**

**I always understand how a solution could benefit me and my loved ones.**



## Deep, Intimate Relationships

What kind of personal relationships do you have with your professionals?

**My relationships are strictly professional.**

**My relationships are personal and trusting, yet always highly professional.**



# Cohesive Team

## Best-of-the-Best Contacts

How often do your professionals work with the top specialists in fields beyond their own expertise to deliver you the best available solutions?

**My professionals do not seem to offer any particular special expertise or solutions.**

**My professionals consistently offer a range of state-of-the-art solutions and approaches to address my needs.**

1 2 3

4 5 6 7

8 9 10

## Preferential Agreements

How often do your professionals help you “jump the line” when it comes to getting the solutions you need?

**I never get any special treatment.**

**I always have help and special attention in accessing any service I need.**

1 2 3

4 5 6 7

8 9 10

## State-of-the-Art Capabilities

Do your professionals provide or have access to the deepest expertise and very best solutions available?

**My professionals always work by themselves.**

**My professionals have extensive networks of other professional advisors in a wide range of areas, both financial and nonfinancial.**

1 2 3

4 5 6 7

8 9 10

# Systematic Processes

## Address Failures

Do your professionals use a systematic process to catch and correct any failures and to monitor your situation on an ongoing basis to help ensure that your financial and related situations are being effectively managed?

**My professionals do not seem to use a systematic process.**

**My professionals always use a systematic process that I understand and that effectively addresses my needs.**



## Identify Opportunities

Do your professionals frequently employ “What if?” thinking when identifying opportunities and determining the best course forward for you?

**My professionals never seem to consider more than one option.**

**My professionals always look at a range of potential solutions and how they might impact eventual outcomes.**



## Continuously Improve

Do your professionals evaluate your solutions to determine whether you’re on the best possible course?

**My professionals have never evaluated one strategy or another to determine whether it’s the best option for me.**

**My professionals systematically evaluate strategies to determine whether they will achieve my goals in the most effective and cost-efficient manner.**



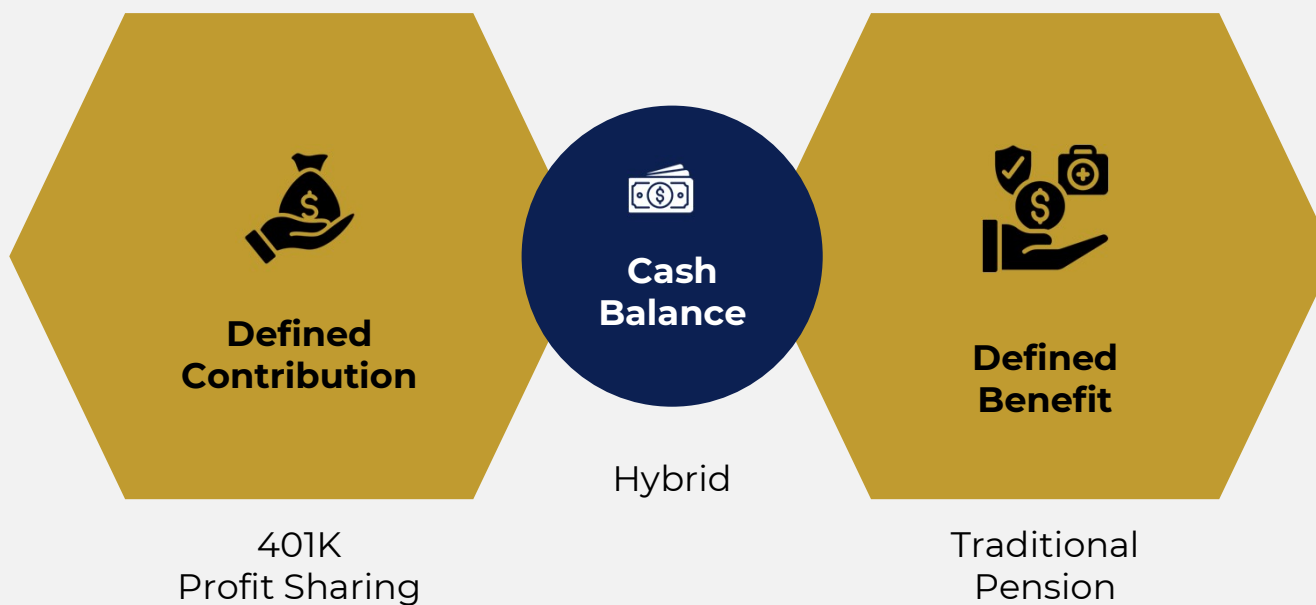




# Cash Balance 101

- Qualified Retirement Plans
- What is a Cash Balance Plan
- Case Study
- Cash Balance Plan Pros and Cons
- Is Your Company a Good Candidate?
- Next Steps

# Qualified Retirement Plans



# Defined Contribution vs. Defined Benefit

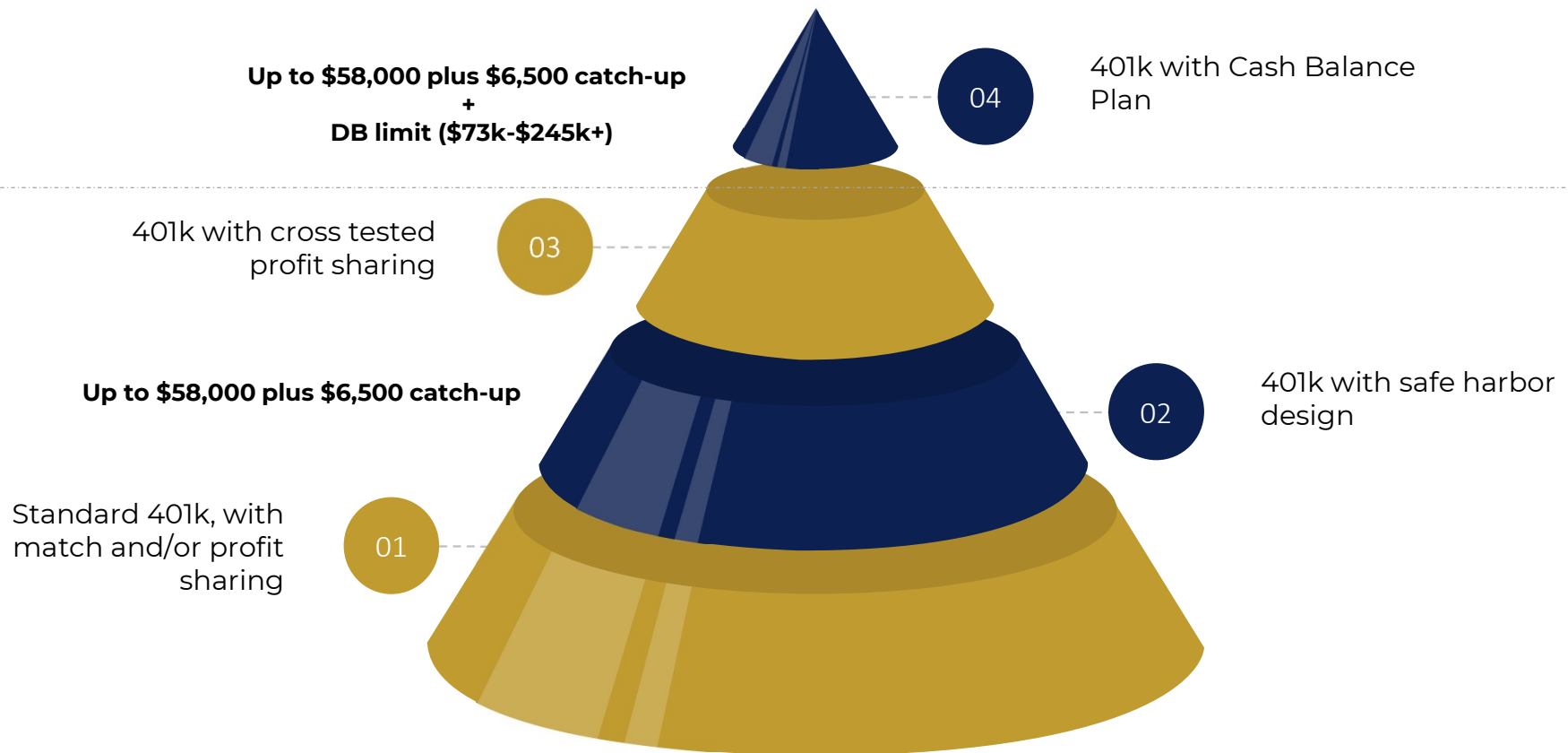
## DC

- Account-based plans; “Get what you get” – based on contributions and investment performance
- Annual contribution limit: \$58,000 plus \$6,500 catch-up if age 50+
- Can be participant or trustee directed
- Daily valuation is today's standard
- No maximum benefit accrual (currently)

## DB

- Promise to pay a future benefit
- Annual contributions can be as higher, based on age
- Trustee directed pool
- Actuary performs annual valuation
- Balance sheet liability
- Max out at approximately \$3.15M per participant
- May require Pension Benefit Guaranty Corporation coverage

# Defined Contribution vs. Defined Benefit



## What is a Cash Balance Plan?

- Type of retirement plan that looks to participants like a Defined Contribution Plan
- Tax deferred and creditor protected under ERISA
- Each participant has a portion of an overall account that grows annually:
  - Service Credits/Contribution (e.g. **2.5%** of pay or a flat amount such as **\$100,000**), and
  - Interest Credits

## What is a Cash Balance Plan?

- Participants receive an annual statement of their “virtual account balance”
- Assets of a Cash Balance Plan are managed like other DB plans, as one pool....participants do not have investment direction options
- Plan sponsor essentially guarantees the participant account balances
  - Investment risk is borne by the plan sponsor

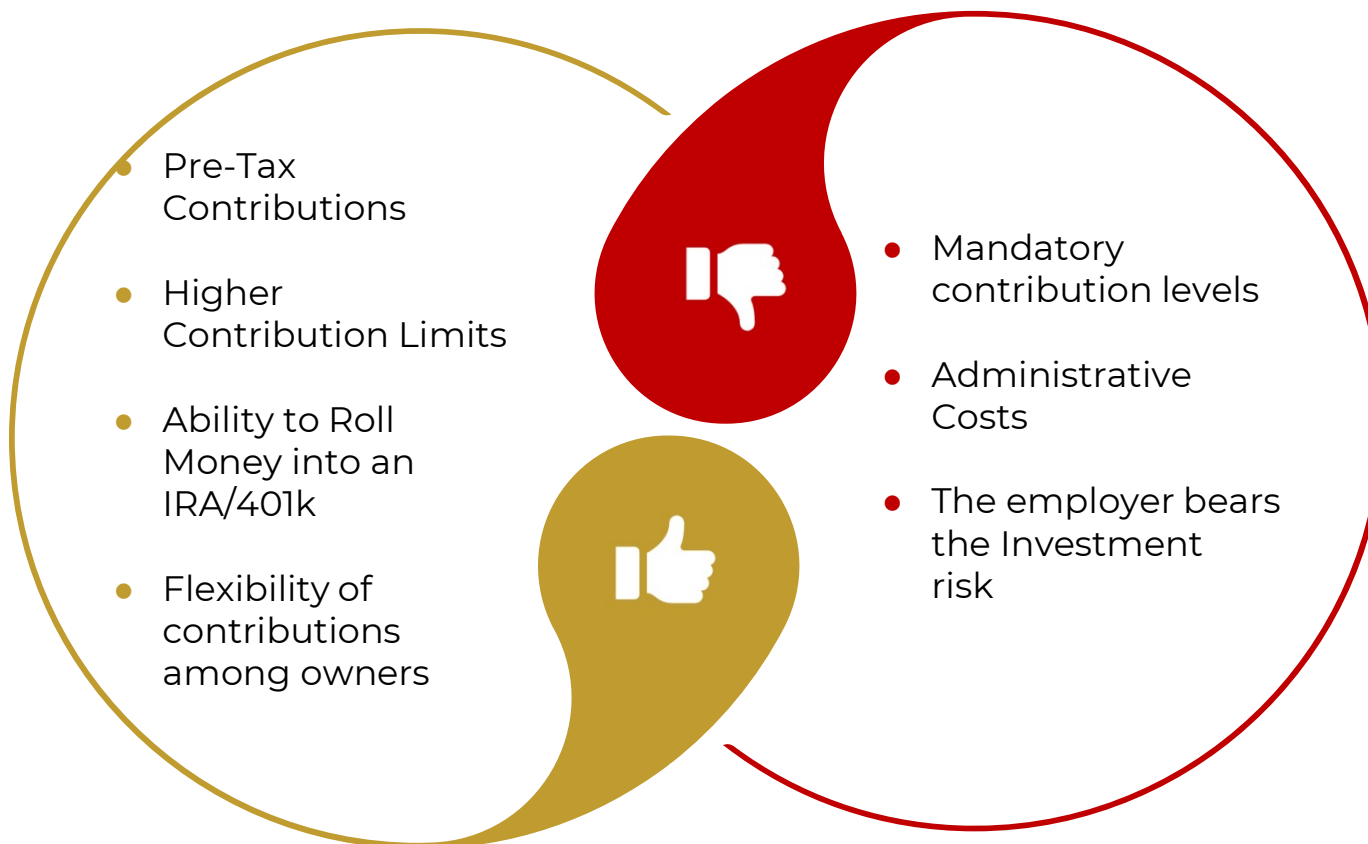
## Case Study-Small Business

Employee	Age	Compensation	Employee 401k Elective Deferral	Employer Matching Contribution	Employer Profit Sharing Contribution	401k Plan Total	Employer Cash Balance Plan Contribution	TOTAL
Spouse Owner 1	58	\$200,000.00	\$26,000.00	\$4,526.00	\$0.00	\$30,526.00	\$241,000.00	<b>\$271,526.00</b>
Spouse Owner 2	52	\$85,000.00	\$26,000.00	\$3,046.00	\$0.00	\$29,046.00	\$70,020.00	<b>\$99,066.00</b>
Employee 1	33	\$80,000.00	\$5,500.00	\$3,170.00	\$4,132.00	\$12,802.00	\$2,000.00	<b>\$14,802.00</b>
Employee 2	28	\$58,000.00	\$0.00	\$0.00	\$1,239.00	\$1,239.00	\$2,000.00	<b>\$3,239.00</b>
Employee 3	36	\$32,000.00	\$0.00	\$0.00	\$2,988.00	\$2,988.00	\$2,000.00	<b>\$4,988.00</b>
Employee 4	43	\$106,000.00	\$900.00	\$731.00	\$1,668.00	\$3,299.00	\$2,000.00	<b>\$5,299.00</b>
Employee 5	38	\$60,000.00	\$0.00	\$0.00	\$5,479.00	\$5,479.00	\$2,000.00	<b>\$7,479.00</b>
Employee 6	48	\$23,000.00	\$1,700.00	\$1,471.00	\$1,186.00	\$4,357.00	\$2,000.00	<b>\$6,357.00</b>

Plan Efficiency	
Owner Deductible Contributions	\$370,592.00
Employee Contribution Cost	\$34,064.00
Total Funding Considered	\$404,656.00
Percentage to Owners	91.58%

Tax Savings	
Total Funding Considered	\$404,656.00
Assumed Federal and State Income Tax Rate	42.00%
Estimated Current Tax Savings	\$169,956.00

## Cash Balance Plan Pros and Cons



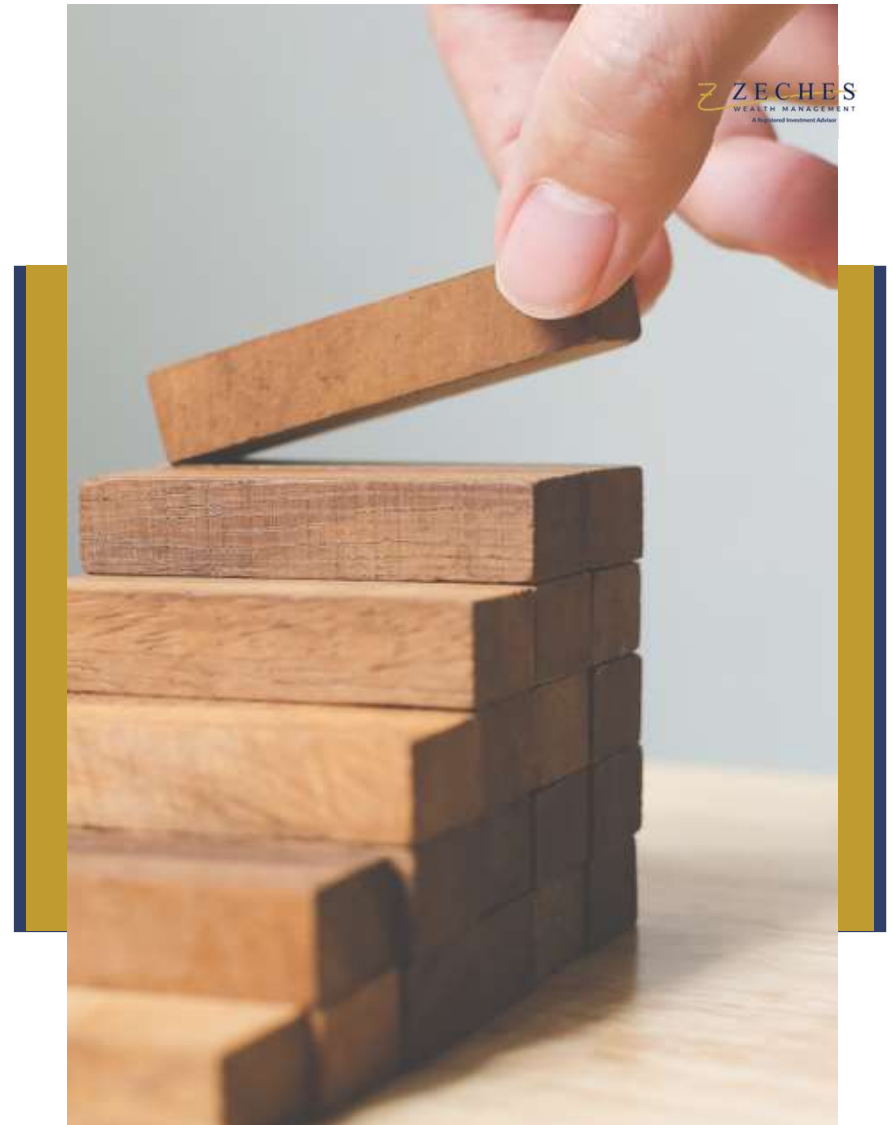


## Is Your Company a Good Candidate

- Partners or owners who desire to contribute more than \$50,000 a year to their retirement accounts
- Companies already contributing 3-4% to employees, or at least willing to do so
- Companies that have demonstrated consistent profit patterns
- Any size business possible
- Looking to improve employee retention

## Next Steps

- Review your current planning situation including your personal financial plan
- To learn more, a census with data including employee information including age and compensation as well as the current 401k plan document/adoption agreement
- Why has your current Third-Party Administrator or advisor not previously discussed this plan?
- No cost, no obligation second opinion





## **Full-Service Tax, Tax Planning, Small Business Accounting**



Bryson W. Hevner, CPA



H&H Accounting Services, LLC



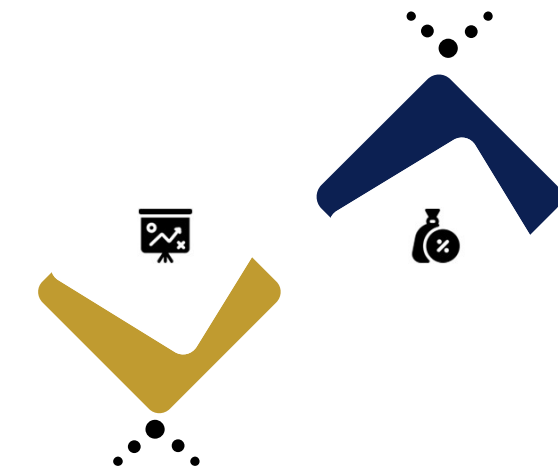
Bryson.hevner@hhcpaservices.com

# PRACTICE AREAS

TAX PREPARATION

FULL SCALE  
ACCOUNTING

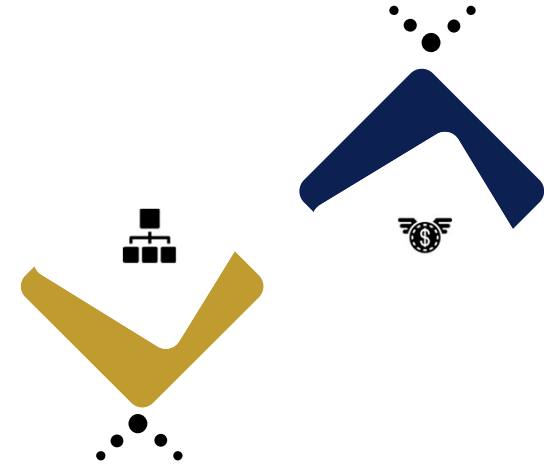
FINANCIAL  
WELLNESS



STRATEGIC TAX  
PLANNING



SMALL BUSINESS  
CONSULTING



ENTITY STRUCTURE

## Why is tax planning important?

- Avoid Overpaying – why give the IRS a free loan
- Avoid penalties – underpayment throughout the year can be costly in penalties and interest
- Cash Flow - better deployment of working capital
- Piece of Mind – dealing with the IRS can be extremely stressful
- Wealth Generation – legacy planning

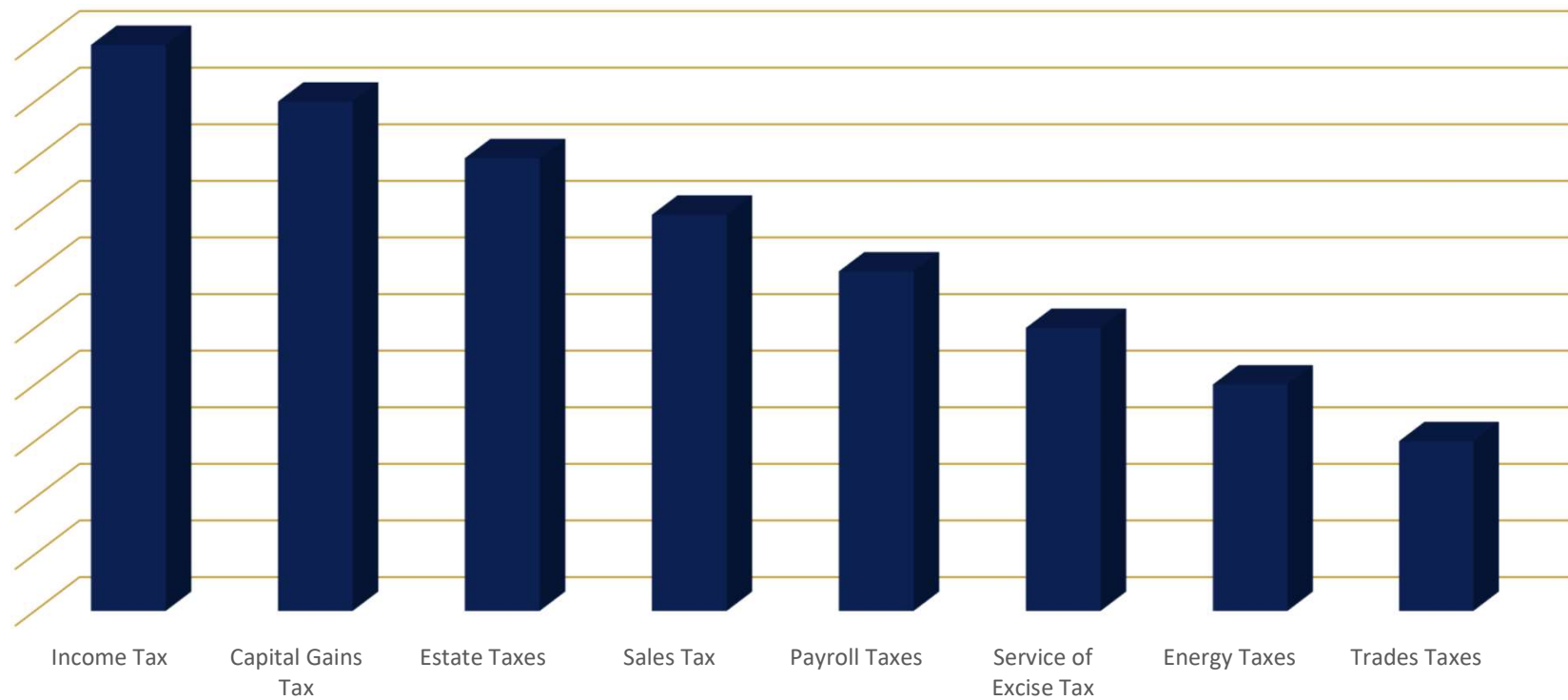


# Proactive Tax Planning

- Year-round planning (401K, IRA, HSA, AZ donation credits)
- Quarterly Income review
- Strategic Tax mitigation (High income earners)
- Entity Structure (LLC vs. S-Corp)
- Estate Planning
- Tax Law Updates



## Ranking of Tax Policy Concerns



# President Biden's 2023 Budget Proposal

Tax Policy		2023 Budget Proposal	Comments
<b>Corporate Tax Rate</b>	+	Raise top tax rate from 21% to 28%	Taxable years after 12/31/2022
<b>Individual Tax Rate</b>	+	Increase top tax rate from 37% to 39.6% for taxable income over \$400K (S), \$450K (M/J)	Taxable years after 12/31/2022. Top tax rate reverts in 39.6% in 2026.
<b>LT Capital Gains and Qualified Dividends</b>	+	Taxed at ordinary income tax rates (37% or 39.6%) for income over \$1M, only to the extent taxable income exceeds \$1M	Effective on or after date of enactment.
<b>Wealth Tax</b>	↔	Minimum tax of 20% on total income including unrealized gains on taxpayers with net wealth over \$100M	Taxable years after 12/31/2022
<b>Section 1031 Like-kind Exchanges</b>	↔	Treated as a sale subject to an annual \$500K deferral (\$1M in joint return)	Exchanges after 12/31/2022





## Estate Planning, Probate, and Trust Administration



Allison L. Kierman



Kierman Law, PLC



[akierman@kiermanlaw.com](mailto:akierman@kiermanlaw.com)

# PRACTICE AREAS

FINANCIAL POWERS  
OF ATTORNEY

MEDICAL DIRECTIVES

TRUST  
ADMINISTRATION



WILLS & TRUSTS

MEDICAL POWER OF  
ATTORNEY

PROBATE

# Tax Planning For Tomorrow

- Charitable Lead Trust
- Charitable Remainder Trust
- Donor Advised Fund
- Irrevocable Trusts to Heirs
- Irrevocable Life Insurance Trust
- Structured Distributions to Beneficiaries
- Gifting Now

## When You Need Tax Planning

- Capital Gains Event
- Sell Real Estate
- Liquidity Event for Business
- Exceed estate tax exemption limits

## Open Discussion





Chris Zeches, CFP



Zeches Wealth Management



602-955-2838



[czeches@zecheswealth.com](mailto:czeches@zecheswealth.com)



Bryson Hevner, CPA



H&H Accounting Services, LLC



480-561-5805



[bryson.hevner@hhcpaservices.com](mailto:bryson.hevner@hhcpaservices.com)



Allison L. Kierman, JD



Kierman Law, PLC



480-719-7333



[akierman@kiermanlaw.com](mailto:akierman@kiermanlaw.com)