

# How To Reduce and or Eliminate Taxes

by Nicolas J McLeod

Seriously. I don't know one person who actually *likes* paying taxes. But do you know that many people are paying too much tax?

It's shocking, even jaw-dropping, to discover that thousands of Americans pay taxes that could have been reduced and/or eliminated with the full blessing of the IRS.

In other words, there's a way to reduce or even eliminate taxes. It's perfectly legal. In fact, it's written right into the U.S. tax code. That's the law of the land, and in it, the IRS says it's perfectly okay to not pay them.

It's easy to miss. The current IRS codebook takes up two large volumes. Book one is 1,404 pages, and book two is 1,248 pages. This gives a total of 2,652 pages, with 450 words per page and over one million words. By the way, the *King James Bible* has 788,280 words, *War and Peace* has 560,000 words, and the entire *Harry Potter* series is just over one million.

Here's another fact that should make you pause: the tax code has changed 4,680 times from 2001 to 2012. Who knows how many times it's changed in the past decade. Why? The IRS stopped counting.

These mammoth two volumes of tax laws are only the Federal tax laws. Each state has its own labyrinth of

rules and regulations. We're not going to worry about those right now.

But here's the good news: despite the overbearing complexity and the vast number of tax governance laws, the tax code contains numerous tax breaks and tax solutions. It's kind of amazing when you think about it, and it's important to know that these tax solutions exist so you can ask about them.

Our concerns and priorities are simple. How can our clients legally reduce and eliminate taxes, specifically in the retirement and wealth-transfer tax law?

The problem is that if you and/or your advisors are not knowledgeable of these sound and accepted strategies, you, like the thousands of others, will needlessly have to "pony up" an extraordinary amount of taxes that you truly didn't have to pay.

When you're nearing retirement or rolling along in your golden years, at some point you most likely have encountered stifling taxes as you have learned to navigate the wealth-transfer process.

If you are near retirement or retired, the major taxes you'll have to contend with fall within these five main areas:

1. Social Security Taxes
2. Capital Gains Taxes
3. Taxes on Interest Income
4. Taxes on IRA's, 401k's, TSP Plans
5. Federal Estate Taxation

Within the massive tax code, the federal government has granted the following major tax breaks:

1. Exemptions
2. Exclusions
3. Credits
4. Deductions

In addition to these tax breaks is the freedom to utilize strategies that use tax arbitrage (profiting off the difference between taxes due and taxes paid) and tax leveraging (using debt as the leverage against the tax). With these two strategies alone, you can pay substantially less in taxes, or in some cases none at all.

By the way, these are also complex solutions that I would not recommend doing yourself. You need a qualified tax professional to ensure that the arbitrage and leveraging you're involved with is within the legal limits of the state or even the country you're in.

It is imperative to know how, within the tax codes, where the exemption, exclusions, deductions, and

credits are that pertain to the particular tax you're confronted with.

But there's something that needs to happen **before** the tax man comes knocking at your door. It's how you invest money in the first place. Generally speaking, you have the option to choose from taxable, tax-deferred, and or tax-free investing. It's your choice—you can give to the IRS or give to your family. Pretty much everyone I know would choose "family," but because they're not taking advantage of the tax laws, they end up giving their money to the IRS.

There are a few other remarkable ways to utilize strategies to eliminate capital gains taxes. One of the most interesting is called opportunity zones—the ability to invest in distressed areas of the U.S. (like most inner-cities in America), and receive sizable tax breaks because of it.

You could save thousands, even millions, in taxes by investing smartly. The key is to know that they exist and then insist on having your CPA perform a tax analysis to determine if you are exercising the tax breaks within the tax codes available to you.

Tax money is supposed to help our communities and our government do its work. That's why it's important to pay your taxes. But you only need to pay what you legally have to. Why pay more? It only hurts you.



### About the Author

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