The Ultimate Guide to Retirement Planning

Course Description & Study Guide

We are all (including tax practitioners) getting older, and the need for effective retirement planning has never been greater. This course is essential for participants who wish to attain a comfortable retirement for themselves and their clients by maximizing tax saving strategies. This presentation integrates federal taxation with retirement planning. The course will examine tax and savings strategies related to determining retirement income needs, wealth building, capital preservation, and estate distribution. The result is a unified explanation of tax-economics that will permit the tax professional to locate, analyze, and solve financial aspects of retirement. Designed to improve the quality of services to clients and the profitability of engagements, this program projects the accountant into the world of retirement planning. This course will give the participant practice in analyzing problems, developing solutions, and presenting final personal retirement plans to clients. The emphasis is on practical simplicity in dealing with the self-employed and highly compensated individual. Retirement income needs are calculated; net after tax Social Security benefits are determined; and distribution options from IRAs and retirement plans are explored. Special consideration is given to the tax treatment of the home and business on retirement. Buy-sell agreements are discussed and eldercare planning is examined.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels. (40 Credits)

Category: Taxation

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Learning Assignments & Objectives

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

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At the start of the chapter, participants should identify the following topics for study:

- Goals v. purposes
- Investment purposes
- Myths of retirement
• Investment goals
• Investment needs of five critical decades
• Investment vehicles & entities
• Retirement - the ultimate objective
• Basic planning elements

**Learning Objectives**

After reading the chapter, participants will be able to:

1. Contrast short-term financial goals with the four generic investment purposes explaining the planning purpose of this distinction, discuss the importance of defining, listing and prioritizing realistic goals, and point out to clients how investing allocation changes with age.

2. Evaluate the tax consequences of title holding methods by:
   a. Listing nine basic ways to hold title to assets starting with the simplest and most direct way to hold property;
   b. Identifying the tax benefits and drawbacks of co-tenancies, corporations (both C & S), partnerships, qualified retirement plans, and trusts particularly as they relate to a client’s after-tax investment return; and
   c. Defining custodianship describing the two uniform acts and clarifying how an estate can be tax beneficial to taxpayers.

After studying the materials in this chapter, answer the exam questions 1 to 7.

**ASSIGNMENT SUBJECT**

Chapter 2 Building an Estate

At the start of the chapter, participants should identify the following topics for study:

• Types of income
• Information reporting on taxable income
• Rules of budgeting
• Cash
• Acquisition
• Assets
• Rules of management
• Managing risk
• Taxes & investment economics
• Leverage

**Learning Objectives**

After reading the chapter, participants will be able to:

1. Name three goals of money management listing four types of income, identify three causes of increased taxable income for itemizing taxpayers, and appropriately report at least eight types of taxable income.

2. Distinguish tax-free municipal bonds from fringe benefits in generating tax-free income, explain two benefits of tax deferral, and identify at least one tax-deferred investment permitting taxpayers to better invest for retirement.
3. Name several ways to shelter income explaining how income sheltering amplifies investment return.

4. Budget income into cash by containing expenditures with the author’s six step process and developing discretionary income using four important variables, diffuse a client’s negative outlook on budgeting with five strategies, convert income into assets by purchasing investments, and apply six important asset acquisition rules or improved investment return.

5. Evaluate at least eight major tax-advantage investments following six basic management rules, and discuss the economic impact of accelerating deductions, postponing tax liability, and leveraging.

After studying the materials in this chapter, answer the exam questions 8 to 21.

ASSIGNMENT SUBJECT

Chapter 3 Preservation of Wealth

At the start of the chapter, participants should identify the following topics for study:

- Obstacles to preservation
- Tracking spending
- Building savings
- Designing a budget
- Determining worth
- Analyzing net worth
- Ignorance
- Inflation
- Taxes
- Tax planning tactics

Learning Objectives

After reading the chapter, participants will be able to:

1. Track spending habits and design a budget to increase discretionary income, analyze net worth using a balance sheet, take an asset inventory listing liabilities, and identify where changes must be made to meet financial goals.

2. Explain why individuals should take primary responsibility for the investment planning including necessary self-education, allocate financial resources among investments to maximize return, and discuss the impact of inflation, risk versus return, and basic income tax planning tactics that can be used by clients to minimize taxes.

After studying the materials in this chapter, answer the exam questions 22 to 26.

ASSIGNMENT SUBJECT

Chapter 4 Deferral

At the start of the chapter, participants should identify the following topics for study:

- Elements of like-kind exchanges
• Related party exchanges
• Personal & multiple property regulations
• Delayed (deferred) exchange regulations
• Actual & constructive receipt rule
• Qualified contribution plans
• Tax-deferred annuities
• Installment sales
• At-risk rule
• Deferred compensation and options

Learning Objectives

After reading the chapter, participants will be able to:

1. Name two benefits of tax deferral, summarize the former use of tax deferral under §1034, and clarify the deferral advantage under §1031 listing its three elements.

2. Explain the related party §1031 restrictions identifying prohibited parties or entities and permissible disposition exceptions, make recommendations for the protection of exchange participants, and summarize the history of the personal and multiple property regulations clarifying the unique personal property like-kind and netting requirements for multiple asset exchanges.

3. Outline the evolution of §1031 delayed exchanges identifying allowable transfers, select replacement property within statutory deadlines, list four constructive receipt safe harbors, explain methods to secure exchange party performance, and summarize the §1031 partnership underlying asset rule. Design retirement plans following four basic steps, identify two of the most popular methods for providing for retirement, and determine near retirement investments.

4. Determine three requirements for an installment, explain how to elect out of the installment method, list at least five variables affecting §453 availability. Illustrate how to use a property option to receive income and postpone tax.

After studying the materials in this chapter, answer the exam questions 27 to 41.

ASSIGNMENT SUBJECT

Chapter 5 Reduction

At the start of the chapter, participants should identify the following topics for study:

• Work Opportunity Credit & Rehabilitation Credit
• Low Income Housing Credit & Child & Dependent Care Credit
• Estimated taxes
• Interest
• Automobile deductions
• Business entertainment deductions
• Depreciation & cost recovery
• Net operating losses
• Tax breaks for nonitemizers
• Amended returns

Learning Objectives

After reading the chapter, participants will be able to:

1. Apply at least six tax saving credits identifying qualified computational expenses and describing their limitations and restrictions.

2. Outline the estimated tax rules and procedures including the four payment deadlines and underpayment penalties, point out the economics of overpaying estimated taxes. Delineate the types of interest that are nondeductible including personal interest under §163(h)(1).

3. Determine the deductibility of investment interest, prepaid interest, points, and prepayment penalties, and offset passive income with rental property mortgage interest.

4. Deduct business vehicle operating costs using (or switching between) the actual cost method or the standard mileage rate and allocating expenses based on §162 usage, retain substantiable expense and mileage records, and explain five depreciation traps when purchasing a vehicle.

5. List three requirements for business expenses to meet the directly related test, explain the elements of the associated test, identify the nine business expense statutory exceptions, and summarize the application of R.R. 90-23 and R.R. 99-7 to the deduction of transportation costs to a temporary work location.

6. Apply business asset depreciation using both ACRS and MACRS recovery classes, identify three sources of §172 net operating losses (NOLs) explaining carryback and carryover rules, name several tax breaks for nonitemizing taxpayers, evaluate the advisability of filing an amended return, avoid audits by claiming refunds for provable items, and determine which return amendments are safest.

After studying the materials in this chapter, answer the exam questions 42 to 54.

ASSIGNMENT SUBJECT

Chapter 6 Income Splitting

At the start of the chapter, participants should identify the following topics for study:

• Using progressive tax rates
• Deductible business expenses
• Home-office deduction
• C or regular corporations
• S corporations
• Family partnerships
• Kiddie tax trap
• Child care & education
• Gifts
• Interest-free loans
Learning Objectives

After reading the chapter, participants will be able to:

1. List six formats for income splitting, compare the tax treatment of employee and self-employed business expenses particularly home-office expenses noting the two non-exclusive use exceptions and the income limitation, summarize changes made to home office deduction under TRA ’97, and determine the ability of self-employeds to make annual deductible contributions to a Keogh plan.

2. Maximize the tax opportunities available to an unincorporated business by specifically discussing retirement plans, hiring family members, travel expenses, casualty losses, bad debts, and self-employment tax.

3. Summarize the uses and tax characteristics of regular and S corporations by:
   a. naming at least six circumstances when incorporation is desirable,
   b. comparing the taxation of these entities including their ability to split income; and
   c. listing initial §351 formation and capitalization issues discussing appropriate tax form filings for each entity.

4. Explain the use of partnerships to split income among partners specifically including the use of §704(e) family partnerships and the consequences of gifting a partnership interest to a child or to another family member.

5. Set up a custodianship to split income and contain the “kiddie tax” listing three initial planning considerations and four examples of good investments for children, summarize deductions and credits for childcare, education, children, and §7872 loans, and explain the income and later estate tax benefits of gifts.

After studying the materials in this chapter, answer the exam questions 55 to 67.

ASSIGNMENT SUBJECT

Chapter 7 Elimination

At the start of the chapter, participants should identify the following topics for study:

- $500,000 home sale exclusion
- Municipal bonds
- Divorce & separation settlements
- Gifts & inheritances
- Life insurance
- Fringe benefits
- Taxation & valuation of benefits
- Employee expense reimbursement & reporting
- Fixed & variable rate allowances
- Social Security

Learning Objectives

After reading the chapter, participants will be able to:
1. Apply selected tax elimination techniques by:

   a. explaining the current §121 home sale exclusion contrasting it with the former provision;
   b. determining qualifications for tax-free state or local obligations specifically discussing private activity bonds; and
   c. identifying the tax elimination aspects of family transactions such as gifts, bequests, inheritances, life insurance, and even divorce.

2. Maximize employer deductions and increase tax-free incentive-based compensation for employees by:

   a. explaining at least eight rules for excluding fringe benefits under §132 and their proper reporting on the W-2; and
   b. adopting popular employee fringe benefits including employer paid accident & health coverage, meals or lodging, cafeteria plan benefits, §127 education assistance, achievement awards, group life insurance and dependent care assistance.

3. Value fringe benefits according to IRS regulations, comply with ERISA requirements, properly report reimbursed and unreimbursed business expenses under accountable and nonaccountable plans, substantiate auto expenses using a fixed and variable rate, and determine eligible for retirement benefits exempt from social security taxes.

After studying the materials in this chapter, answer the exam questions 68 to 75.

ASSIGNMENT SUBJECT

Chapter 8 Asset Protection

At the start of the chapter, participants should identify the following topics for study:

- Need for asset protection
- Types of creditors
- Fraudulent transfers
- Preparation for asset protection
- Types of insurance
- Buy-sell agreements
- Individual ownership and corporate ownership
- Asset protection aspects of trusts
- Co-tenancy and partnerships
- Divorce

Learning Objectives

After reading the chapter, participants will be able to:

1. Point out the goals and purposes of asset protection and describe the objections some people have about shielding assets from creditors by:

   a. Listing at least six reasons for asset protection and identifying sixteen situations that can unexpectedly put assets and financial security at stake;
   b. Isolating eighteen common sources of lawsuits and analyzing the author’s concept of exploding and imploding liability; and
c. Implementing asset protection using the primary concepts of insurance, asset placement and statutory protections.

2. Advise clients on the importance of the three types of creditors associated with asset protection and fraudulent transfers.

3. Summarize the fraudulent transfer laws listing several badges of fraud, clarify statute of limitations and criminal penalties, and differentiate permissible asset transfers.

4. Determine the degree and necessity of asset protection by figuring net worth using a balance sheet, determining asset values, and preparing a balance sheet.

5. Identify the ways that insurance and buy-sell agreements can offer asset protection by:
   a. Clarifying the asset protection elements of homeowner’s, automobile and disability insurance;
   b. Differentiating the four parties under a life insurance contract giving potential reasons for establishing an irrevocable life insurance trust; and
   c. Compare entity purchase and cross purchase buy sell agreements.

6. Analyze and contrast the asset protection advantages and disadvantages of ownership formats and entities by:
   a. Comparing the use of individual ownership and corporate ownership in an asset protection plan and including the importance of S corporations and their estate tax planning advantages;
   b. Discussing testamentary trusts, living trusts and at least eight subcategories of trusts pointing out asset protection elements;
   c. Distinguishing among the various types of co-tenancy listing their asset protection dangers, describing several types of partnerships and comparing them to limited liability companies; and
   d. Demonstrating the unique asset protection qualities of retirement plans, custodianship, and estates as asset protection tools.

7. Identify three formats that courts typically follow if a couple does not have an enforceable premarital agreement, and explain post-nuptial and premarital agreements and how they relate to divorce settlements and divisions.

After studying the materials in this chapter, answer the exam questions 76 to 96.

ASSIGNMENT SUBJECT

Chapter 9  How Much Do You Need To Retire?

At the start of the chapter, participants should identify the following topics for study:

•  Mapping mechanics
•  Common pitfalls
•  Popular retirement myths
•  Defining retirement
•  Developing a plan
•  Savings
•  Assets
Learning Objectives

After reading the chapter, participants will be able to:

1. Analyze personal retirement maps with clients to suit their objectives & lifestyles and summarize the basic guidelines of retirement planning, including the four common pitfalls and the ten misconceptions of retirement.

2. Define retirement using three major levels of retirement and three key questions that have financial and personal ramifications.

3. Determine retirement costs and income needs of clients based on their current budget, apply tax savings strategies and exercise six basic guidelines when purchasing investment assets.

After studying the materials in this chapter, answer the exam questions 97 to 113.

ASSIGNMENT SUBJECT

Chapter 10 Social Security Benefits & Retirement Planning

At the start of the chapter, participants should identify the following topics for study:

- Will Social Security be there?
- How Social Security works
- Social Security participants
- Social Security benefits
- Retirement benefits
- Direct deposit
- Social security tax
- Total disability benefits
- Survivors’ benefits
- Medicare

Learning Objectives

After reading the chapter, participants will be able to:

1. Explain how Social Security funds are assessed and then paid, outline the system’s mechanics, and identify qualified Social Security participants including their eligibility for benefits.

2. List the requirements to receive Social Security retirement benefits, and estimate clients’ retirement benefits following a four-step calculation process.

3. Identify two Social Security taxes, their tax rates and covered earnings allowing better retirement planning.

4. Explain the eligibility requirements of Social Security disability benefits and survivors’ benefits, and distinguish Medicare Part A from Medicare Part B noting what is needed to qualify.

After studying the materials in this chapter, answer the exam questions 114 to 127.

ASSIGNMENT SUBJECT
Chapter 11  Retirement Plans

At the start of the chapter, participants should identify the following topics for study:

- Qualified deferred compensation
- Basic requirements of a qualified pension plan
- Basic types of corporate plans
- Types of defined contribution plans
- Self-employed plans – Keogh
- Distribution & settlement options of IRAs
- Tax-free rollovers for IRAs
- Roth IRAs
- Simplified employee pension plans (SEPs)
- SIMPLE plans

Learning Objectives

After reading the chapter, participants will be able to:

1. Differentiate nonqualified and qualified deferred compensation plans identifying their benefits and contributions limits and list the current and deferred advantages and disadvantages of corporate plans pointing out fiduciary responsibilities and prohibited transactions.

2. Describe the requirements of three basic forms of qualified pension plans enabling clients to compare and contrast such plans.

3. Distinguish defined contribution from defined benefit retirement plans and differentiate among five types of defined contribution plans describing their impact on retirement benefits.

4. Contrast self-employed plans from qualified plans for other business types and owners identifying key choice of entity factors. Outline the requirements of IRAs, SEPs, and SIMPLEs, and explain tax-free Roth IRA distributions noting strategies to maximize plan benefits.

After studying the materials in this chapter, answer the exam questions 128 to 146.

ASSIGNMENT SUBJECT

Chapter 12  Distributions from Retirement Plans & IRAs

At the start of the chapter, participants should identify the following topics for study:

- Prior law for annuity payments
- Mandatory basis rule for annuity payments
- Nonqualifying lump-sum distributions
- Treatment options for lump-sum distributions
- Eligible rollover distributions
- 20% withholding
- Rollover period
- Premature distributions
- Minimum distribution rules
- Making charitable gifts with plan balances
Learning Objectives

After reading the chapter, participants will be able to:

1. Name two popular ways to receive distributions from a retirement plan or an IRA, list four types of annuities and their effect on how and when participants receive payments and estimate the tax on annuity payments using either the general rule or the simplified general rule.
2. Advise clients on lump-sum distributions permitting them to receive special tax treatment on the distribution.
3. Outline key components of rollovers that can be used to reinvest cash or other assets without including the amount in income.
4. List the tax consequences of taking premature distributions and assist clients in avoiding the 10% penalty.
5. Explain the minimum distribution rules and help clients avoid the 50% penalty associated with either taking smaller distributions than required or with taking distributions after the required beginning date for minimum distributions.

After studying the materials in this chapter, answer the exam questions 147 to 158.

ASSIGNMENT SUBJECT

Chapter 13 Nonqualified Plans

At the start of the chapter, participants should identify the following topics for study:

- Postponement of income
- Purposes & benefits
- Constructive receipt
- Economic benefit
- Funded company account plan
- Segregated asset plan
- Tax consequences
- Accounting
- Estate planning considerations
- Withholding, Social Security & IRAs

Learning Objectives

After reading the chapter, participants will be able to:

1. Analyze the postponement of income with a nonqualified plan by:
   a. Identifying nonqualified plan advantages including five ways to design the plans and discussing the IRS’s position on such arrangements explaining the impact of constructive receipt and economic benefit concepts;
   b. Listing five deferred compensation patterns set forth in R.R. 60-31 analyzing the taxability of each; and
c. Contrasting unfunded with funded plans explaining the use of company assets or bookkeeping accounts to avoid employee taxation.

2. Outline the set up of a segregated asset plan where the account is not subject to the claims of the employer’s creditors and still avoids employee taxation and list the tax consequences of establishing a nonqualified plan.

After studying the materials in this chapter, answer the exam questions 159 to 167.

ASSIGNMENT SUBJECT

Chapter 14 Life Insurance, Annuities & Buy-sell Agreement

At the start of the chapter, participants should identify the following topics for study:

- Taxes
- Types of life insurance
- Life insurance trusts
- Annuities
- Buy-sell agreements
- Purchase price & terms
- Community property
- Professional corporations
- S corporations
- Sole shareholder planning

Learning Objectives

After reading the chapter, participants will be able to:

1. List at least five reasons to purchase life insurance and name four parties with rights in a life insurance policy.

2. Describe the tax treatment of life insurance proceeds by:
   a. Explaining the tax treatment of premiums and lifetime benefits listing several exceptions to the transfer for value rule and naming at least three variables that influence whether life insurance is taxable for federal estate tax purposes; and
   b. Discussing the gift tax associated with transfers of life insurance policies.

3. Compare and contrast the pros and cons of seven types of life insurance policies (and their variations) to help clients choose a suitable policy.

4. List reasons for using an irrevocable life insurance trust in an estate plan identifying eight trust considerations and differentiate deferred from private annuities.

5. Distinguish an entity purchase from a cross purchase buy-sell agreement maximizing tax and legal advantages.

After studying the materials in this chapter, answer the exam questions 168 to 180.

ASSIGNMENT SUBJECT

Chapter 15 Home Sales & Moving Expenses
At the start of the chapter, participants should identify the following topics for study:

- Capital gains rates
- Rate groups
- AMT
- Home sales under §121
- Special rules for ownership & use requirements
- Prorata exception
- 1099-S reporting
- Distance & time tests for moving expenses
- Deductible moving expenses
- Reporting moving expenses

Learning Objectives

After reading the chapter, participants will be able to:

1. Explain the relationship between home sales and the capital gains rates and list four current rate baskets created by the capital gain provisions noting how to treat capital assets in each category.

2. Outline the key elements and application of the §121 home sale exclusion and apply the three safe harbor regulations associated with the home sale exclusion.

3. Determine whether a taxpayer meets distance and time tests for deductible moving expenses under §217.

After studying the materials in this chapter, answer the exam questions 181 to 189.

ASSIGNMENT SUBJECT

Chapter 16 Estate Planning Issues

At the start of the chapter, participants should identify the following topics for study:

- Unlimited marital deduction
- Applicable exclusion amount
- Stepped-up basis
- Basic estate planning goals
- Simple will
- Types of trusts
- Charitable trusts
- Insurance trusts
- Family documents
- Private annuities

Learning Objectives

After reading the chapter, participants will be able to:

1. Simplify estate planning for business clients by:
a. Explaining at least three elements of estate tax planning that have remained unchanged by recent legislation;
b. Analyzing the unlimited marital deduction and its effect on the gross estate of the value of property; and
c. Determining the applicable exclusion amounts for various years of death.

2. Define for a business owner “stepped-up basis” and potential “modified carryover basis” for estate tax purposes.

3. List five basic estate-planning goals, and outlining the benefits and drawbacks of the three primary dispositive plans.

4. Differentiate various types of estate trusts, identify six family documents that every taxpayer should consider, and name advantages and disadvantages of the former private annuity format.

After studying the materials in this chapter, answer the exam questions 190 to 200.

Notice

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