

The Perfect RIA, Episode 82: Helping clients pay less in taxes

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Action Items

1. **Find, read and advise on a few dozen tax returns.** Take your clients' documentation, find them on the Internet, take political tax returns which are published. Review them one by one so that you can get more experience around it.
2. **Check out Putnam Investments.** They have a really amazing tax printout that Matthew has been using for years now. Thanks to them you can have all the numbers you need at hand. What are the IRA contribution limits? What are the tax brackets? You don't have to memorize those things, just know when you can find them.
3. **Create a process for doing tax review.** If you are new in this, keep it simple. Try to review two or three per day, or maybe it will be easier and more efficient if you do them in batches. It all depends on how you work and what is best for you, but make sure you DO have a process for that.
4. **Don't try to fight the compliance scrutiny.** If you're dependent on your broker dealer or whoever else, work with them, don't fight them. Anytime you talk about taxes with your clients, let them know to review this with their tax preparer before taking any action.
5. **Get your CE credit.** Jump on our website perfectria.com and take the two quizzes that are going to be there. You'll need to log in and give us your answers, CFP number, social security number, date of birth, bank account and everything else that you will see there.

Today's episode is special not only because of our amazing hosts, but it is also a video podcast! If you're listening to this on your phone and you can't see the video that's because you need to log into your Backstage Pass. If you're not a member yet, put this on your bucket list!

We all wish the taxes could be lower and Matt and Micah provide this opportunity for their clients to actually do it legally. This episode together with the previous one is potentially eligible for CFP credit. If you've watched it already, why not take advantage of it? There will be two quizzes to take and then, if we get the approval, you will get CE credit for it. Isn't that fun?

Today Matt and Micah decided to go through some more practical stuff. They took a tax return from one of the clients and they are going step by step with what is important to look at, how things should be done and why. Very few tax preparers are talking about taxes in a way their clients understand them and there is usually no tax planning at all. Micah is going through hundreds of tax returns each year. He is not doing the preparation anymore, but he is doing the planning and he is doing it thoroughly.

One of the things Micah does is looking at the tax return before his clients file them. He can give them tax advice, check if everything is correctly filled in or if they are not missing anything. When you are reviewing so many documents, you need to have a system for that. Think about it, are you going to review every single tax return that will land on your desk? By when will you look at them? Maybe it will be easier to have them in batches? It doesn't really matter *how* you do it as long as you have a system. Don't worry if you're not feeling confident yet, Micah and Matt started from the beginning as well and look at them now. Go step by step, elevate your game, pick one or two things to go through.

When looking at the tax return make sure that the contact information is correct. Maybe the clients changed his address or email and they didn't update it. Those might sound like details but are very important things that can mess everything up. If you look at the document and don't see children there, ask why. Ask if they have any plan for supporting children's college. You might see someone marked as a qualified widower or as single. Check their status, make sure everything is correct. If a couple is coming to you, assume they are probably married but double check this because they might not be, and

they will be filing two single tax returns. Depending on the situation, you will have a lot of different opportunities that you can take advantage of.

Sometimes it happens that the tax preparer doesn't have all the information, or they just miss something. What Matthew likes to do is reaching out to the tax preparer and discussing his clients' situation. That way he knows everything he needs to know, and he can be sure that everything is going as it should be.

Check if they are eligible for Roth or traditional contributions. For clients who are retired or anyone over 59 and a half, look at advising each year on Roth conversions. They might not be eligible yet but it's a good idea to leave that topic there just so they are aware of that and you can come back to it later.

Make sure your clients get a tax return on everything possible. Nobody will ever say "\$300? I don't care about this, it's trivial money". Mistakes happen but you should make sure that the whole document is filled in correctly and that the tax preparer did a good job. Don't attack them if they make a mistake but carefully let them know so that in the future they have that in mind.

Next thing is pension incomes. Micah looks at those in RIAs. Together with that he would check the QCDs – qualified charitable distributions. Sometimes they get reported as taxable income and they are not marked there because the custodian didn't fill it in properly. The next step for Micah is checking the social security income. He doesn't go into details with this one, but he will just check if his clients have their social security returned. Matthew also likes to have the whole tax documentation scanned and saved on his computer. Whenever he has some questions, he can just open it and check whatever he needs to know.

Another thing to look at is AGI – adjusted gross income. The client whose tax return they use as an example doesn't have any adjustments but it's good to have in mind to check it. Matthew likes to ask his clients if there are any charities they are donating for. If not, he will have in mind that there might be some tax benefits. If you just started doing taxes and you don't have resources to track things yet, you can use the 1040 Excel document.

Then, Micah just keeps going down the tax return to see if there are any other taxes that the client has. If there are, where did they come from? What is generating them? If Matthew sees that the client owns some bigger amount of money, he asks about it. The client might not even be aware of that, some people don't want to owe anything so Matthew will remember that for the future.

For younger clients or those who are near the threshold, sometimes you can see that child tax credit is phased out. There are some opportunities around it that you can take advantage of so don't forget to check it out as well. If they are not using a health savings account, if they are self-employed, if they are students – all of that gives you a bunch of opportunities, you just need to sit down and look for them.