The basic premise of the Family Management Company (FMC) plan is to manufacture more expenses for a Corporation, thus lowering your taxable income. If you have a spouse and/or kids that are of working age (over the age of 10 and under the age of 24), this plan can lower your tax dramatically!!! It can also help you put money away for higher education costs or invest in real estate in the future.

After initial setup, you will spend less than 10 minutes per month executing this plan. It is worth it to save thousands of dollars in tax!!! Please note that you should pay your children for legitimate work for your business. It teaches them the value of money and they are contributing to the family business.

To avoid audit and stay in compliance with IRS regulations, follow these steps:

**SET UP**

* Acquire a EIN number for a sole proprietor business. The name of your new business should be “(your last name) Family Management Company”
* Take the EIN number to the bank and set up a separate sole proprietor bank account for this new business.
* Set up bank accounts for each of your participating children.
* Fill out a W-9 for the family management as if the new company is a contractor of the Corp/S-Corp

**EXECUTION OF THE PLAN**

* Write a check (or transfer with a good memo) each month in the amount of $1000 / mo per participating family members to the family management company.
  + Example: 3 kids = $3000 check or transfer from your Corp to your FMC.
* FMC writes a $1000 check (or transfer with a good memo) to each of the kids.
* Deposit these checks in their individual bank accounts.

You already pay for your kid’s events, cars, insurance, sports, etc. Make them pay for these things or you pay for them out of *their* accounts and save a bunch on taxes!!!

**THE REASON THIS WORKS**

*Schedule C businesses are not required to issue 1099’s or W-2’s to family members under the age of 18 for work performed.* If you were to put your family members on payroll under your S-Corp, you would have to pay payroll taxes. In the above example, $36,000 in salaries would add up to roughly $6500 in payroll taxes! If you issue the 1099 to your Family Management Company for $36,000, we report the $36,000 to a Schedule C on your personal return and since we paid out all of the money to your “outside contractors”, we can expense the payments without any extra tax!!

Under the new tax laws, no one is required to file a tax return that makes less than $12,000. Do not overpay your spouse or children!!! $1000 / month limit per worker!!

If your children are over the age of 18, you can still do this, however, you need to issue them a 1099. That’s ok!! They now have a legitimate business that supports your Corp! They have write offs travelling to visit their “vendor” when they come home from school, mileage, home office, supplies, computers, etc!!!

A $36,000 expense for your Corporation at a 25% combined tax rate = $9,000 in tax savings each year!!!!