



35 COMPREHENSIVE INVESTMENT TAX STRATEGIES

These strategies are designed to help **individuals and business owners** save on taxes and grow wealth. These span across **retirement, real estate, business, capital gains, healthcare, education, and estate planning**—ideal for various income levels and timelines. The key is to find the strategy or strategies that's right for you.



Retirement & Tax-Deferred Investment Accounts

1. Max Out Employer Retirement Plans (401(k)/403(b))

Strategy: Maximize pre-tax contributions to reduce current taxable income.

Example: Joan earns \$120,000 and contributes \$23,000 to her 401(k), saving over \$5,000 in taxes at a 22% rate.

2. Traditional IRA Contributions

Strategy: Deductible for eligible income levels; grows tax-deferred.

Example: Mike contributes \$6,500 to a Traditional IRA, reducing his taxable income to avoid the next tax bracket.

3. Roth IRA Conversions in Low-Income Years

Strategy: Convert pre-tax assets to Roth during years with little to no income.

Example: Mary retires early and converts \$30,000 from her Traditional IRA, paying 10% tax now for future tax-free growth.

4. Backdoor Roth IRA

Strategy: High earners contribute to a non-deductible IRA and convert to Roth.

Example: Sam makes \$250K, uses a backdoor Roth to grow \$6,500/year tax-free.



5. Solo 401(k) for Entrepreneurs

Strategy: Combine employer and employee contributions to maximize savings.

Example: Independent consultant Lynn earns \$100,000 and contributes \$66,000 to a Solo 401(k), sheltering 66% of income from tax.

6. SEP IRA for Freelancers and Small Businesses

Strategy: Save 25% of net self-employment income up to \$69,000 (2025).

Example: Anita earns \$200,000 and contributes \$50,000 to her SEP IRA.

7. Health Savings Account (HSA)

Strategy: Triple-tax-advantaged: deductible, grows tax-free, withdrawals tax-free for medical use.

Example: James contributes \$8,300 (family limit) and uses \$2,000 tax-free for medical bills.



Real Estate Tax Strategies

8. Depreciation of Rental Property

Strategy: Deduct a portion of the property's cost each year.

Example: Rental property worth \$275,000 yields ~\$10,000 in annual depreciation deductions.

9. 1031 Exchange

Strategy: Sell and reinvest into like-kind property to defer capital gains.

Example: Leah sells a property for \$400,000 profit and reinvests without paying immediate tax.



10. Cost Segregation Study

Strategy: Accelerate depreciation for parts of a building (e.g., HVAC, flooring).

Example: A \$1.5M building gets \$300K written off in Year 1 through engineering-based segregation.

11. Short-Term Rental Loophole

Strategy: Avoid passive loss limits if you materially participate.

Example: Airbnb operator Brian actively manages and deducts \$35,000 in rental losses against W-2 income.

12. Real Estate Professional Status (REPS)

Strategy: Deduct real estate losses from other income.

Example: Tina qualifies as a real estate professional and deducts \$80,000 in passive losses from her \$150,000 job income.

13. Opportunity Zone Funds

Strategy: Defer and potentially eliminate capital gains by investing in low-income areas.

Example: Mark invests \$200,000 gain and pays no tax on future appreciation after 10 years.

14. Home Office Deduction

Strategy: Deduct portion of home used exclusively for business.

Example: Carla deducts \$3,000 annually for her 300 sq. ft. office.



Business & Self-Employment Strategies

15. Hire Your Children

Strategy: Pay wages to children for legitimate work; deductible by business.

Example: Karen pays her teen \$13,000/year—tax-free to child, deductible to her.

16. Form an S Corporation

Strategy: Take a reasonable salary, distribute the rest to avoid self-employment tax.

Example: Greg pays himself a \$60K salary, takes \$40K as distributions, saving \$6,000 in taxes.

17. Section 179 & Bonus Depreciation

Strategy: Immediately expense business equipment.

Example: Dr. Smith buys \$70,000 of medical equipment and deducts the full cost this year.

18. Accountable Plan

Strategy: Reimburse personal expenses used for business tax-free.

Example: LLC reimburses \$10,000 in home-office, internet, and auto use, all deductible.

19. Captive Insurance Company

Strategy: Insure business risks and deduct premiums.

Example: A company sets up a captive, pays \$150,000 in premiums, and builds a tax-deferred reserve.

20. Defer Income/Accelerate Expenses

Strategy: Shift income to next year or expenses to current year.

Example: Jason bills clients in January and prepays subscriptions in December, reducing taxable profit.



Capital Gains & Investment Strategies

21. Tax-Loss Harvesting

Strategy: Offset gains with investment losses.

Example: Jennifer sells \$10K in losing stocks to offset a \$10K capital gain.

22. Hold Investments Over 12 Months

Strategy: Qualify for lower long-term capital gains rates.

Example: Selling a \$100K gain after 1 year saves Jennifer \$15K in taxes compared to short-term rates.

23. Installment Sale

Strategy: Spread gains over years.

Example: Sale of business for \$500,000 over 5 years allows partial taxation each year.

24. Invest in Municipal Bonds

Strategy: Earn tax-free interest (federally and often state).

Example: Charlie earns \$3,000/year from a \$100K muni bond portfolio—tax-free.

25. Use Qualified Dividends

Strategy: Pay lower tax rate on investments from U.S. companies.

Example: Dividend from S&P 500 ETF taxed at 15%, not 37%.



Education & Healthcare

26. 529 College Savings Plan

Strategy: Tax-free growth for education use.

Example: Amanda invests \$50K; in 10 years, it's \$80K and used tax-free for college.

27. American Opportunity Tax Credit

Strategy: Up to \$2,500 tax credit for undergraduate tuition.

Example: Blake pays \$4,000 for school and gets a \$2,500 reduction in taxes owed.

28. Lifetime Learning Credit

Strategy: 20% of eligible tuition up to \$2,000.

Example: Adult learner Sarah spends \$10K on courses and gets a \$2,000 tax credit.

29. Deductible Medical Expenses (Over 7.5% of AGI)

Strategy: Bunch expenses to exceed threshold.

Example: Couple with \$100K AGI incurs \$10K in surgery bills, deducting \$2.5K.

30. Flexible Spending Account (FSA)

Strategy: Tax-free contributions up to \$3,200 for medical expenses.

Example: Ben contributes \$3,000, avoiding \$900 in tax (30% bracket).



31. Donor-Advised Fund (DAF)

Strategy: Contribute now, donate later.

Example: Rachel donates \$25K in appreciated stock, gets deduction, and avoids capital gains.

32. Qualified Charitable Distributions (QCDs)

Strategy: IRA owners 70½+ can donate RMDs directly to charity tax-free.

Example: George donates \$15,000 RMD directly from IRA, reducing taxable income.

33. Annual Gifting Exclusion

Strategy: Gift up to \$18,000 per person/year tax-free.

Example: A couple gifts \$36K to each of three children annually, removing \$108K from estate tax-free.

34. Charitable Remainder Trust (CRT)

Strategy: Donate appreciated assets, get income and reduce estate.

Example: Investor places \$500K in a CRT, avoids immediate capital gains, gets income for life.

35. Grantor Retained Annuity Trust (GRAT)

Strategy: Transfer asset appreciation to heirs with minimal gift tax.

Example: Bob places \$2M stock in GRAT; after 5 years, \$800K appreciation goes to heirs tax-free.



✓ Summary

These strategies are **flexible and powerful**, especially when **layered**. For example, a business owner could combine:

- An S-corp for income splitting,
- A Solo 401(k) for tax-deferred growth,
- Real estate investments for depreciation,
- And HSA/529 accounts for family tax savings.

