ADVANCED TAX PLANNING

THE MILLIONAIRE TAX CODE

Five advanced strategies that could help affluent families legally preserve more of what they've built.

EXIT WEALTH ADVISORS
THE MILLIONAIRES WEALTH VAULT

I QUALIFIED RURAL OPPORTUNITY ZONES

Repositioning capital gains instead of writing the check now

Most affluent investors have heard of Opportunity Zones. Fewer have looked at the Qualified Rural Opportunity Zone provisions, which recent legislation expanded with the aim of directing investment toward rural communities. The mechanics resemble traditional zones: eligible capital gains are reinvested into a qualified fund, tax on those gains may be deferred, and appreciation on the new investment may receive favorable treatment if held for the required period.

The rural designation is where the differences appear. These projects may carry enhanced incentives relative to standard zones. The trade-offs are equally real: these are illiquid, long-hold investments, and the tax benefit means little if the underlying project does not perform. Because the provisions tie to recent law, the specifics should be confirmed before you act.

> HYPOTHETICAL EXAMPLE
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> *An investor sells a business and realizes a $3 million capital gain. Rather than paying the tax immediately, a portion of the proceeds is reinvested into a Qualified Rural Opportunity Zone fund. The gain may be deferred, and appreciation within the investment may receive favorable treatment over the hold period, while the capital participates in long-term growth. For illustration only.*

II CASH BALANCE PLANS

The retirement plan most high earners never hear about

Maxing out a 401(k) is where the typical high earner stops. Business owners and high-income professionals often have room to do considerably more. Cash balance plans (a type of defined benefit plan) can allow six-figure deductible contributions in a single year, with limits that rise with age, and they can be layered on top of a 401(k), and profit-sharing plan. For an owner in peak earning years, that combination can shelter a substantial amount of income annually.

There is a related move many advisors overlook. Plenty of successful people keep earning well after they step back: board fees, consulting income, speaking fees, expert witness work, advisory retainers. Received personally, that income is fully exposed. Run through a properly structured LLC or S-corp, a portion may instead fund a retirement plan tied to that business activity.

> HYPOTHETICAL EXAMPLE
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> *A retired executive earns $150,000 a year serving on boards. Through a properly structured entity and an associated retirement plan, a meaningful share of that income may be directed into tax-deferred savings rather than taxed in full in the year received. For illustration only.*

III CHARITABLE REMAINDER TRUSTS

Diversifying a highly appreciated asset without an immediate tax bill

A charitable remainder trust is one of the more misunderstood tools available to a family holding a concentrated, highly appreciated asset. Selling that asset outright triggers the full capital gain at once. Contributing it to a CRT before the sale may allow the trust to sell, defer immediate capital gains treatment, pay you an income stream for life, and leave a remainder to charity, with a charitable deduction along the way. It works across concentrated stock positions, investment real estate, and closely held business interests.

That last category is where planning ahead matters most. Before a business sale closes, a percentage of ownership may be contributed to the trust; on a successful exit, the trust may sell its interest while providing income to the donor. The timing is the strategy: once a sale is under contract, the window often closes.

> HYPOTHETICAL EXAMPLE
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> *A founder holds a stock position bought years ago for $100,000 that is now worth $2 million. Sold outright, it generates a large capital gain. Contributed to a CRT instead, the position may be sold inside the trust, providing a lifetime income stream and a charitable remainder, with capital gains handled differently than an outright sale. For illustration only.*

IV COST SEGREGATION STUDIES

Accelerating depreciation on real estate you already own

A great many real estate owners take depreciation on the standard schedule and leave money on the table. A cost segregation study uses an engineering-based analysis to reclassify components of a property into shorter depreciation lives, which can accelerate deductions into earlier years. It applies across apartment buildings, medical and office space, warehouses, and short-term rentals, and pairs with bonus depreciation rules. How much benefit reaches your return depends on your situation. Real estate professional status and passive activity rules both affect what you can use, which makes this a coordinated decision rather than a standalone one.

> HYPOTHETICAL EXAMPLE
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> *A physician buys a $2 million medical office building. A cost segregation study identifies several hundred thousand dollars of components eligible for accelerated depreciation, moving deductions earlier than the standard schedule would allow. For illustration only.*

V

THE AUGUSTA RULE

Section 280A(g), named for the city that inspired it

Under Section 280A(g), a homeowner may rent their personal residence for up to 14 days a year and exclude that rental income from federal income tax. A business owner can use this by renting their home to their own company for legitimate purposes: an annual planning meeting, a board meeting, a team retreat. The business may take a deduction for the rent, and the homeowner may receive the income tax-free, provided the requirements are met.

The catch is documentation. The rate has to be fair market value, the meetings have to be real and business-related, and you need minutes and records to support both. Done loosely, it invites scrutiny; done correctly, it is straightforward.

> HYPOTHETICAL EXAMPLE
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> *A business owner hosts quarterly planning meetings at home and rents the residence to the company at a documented fair-market rate for those days. Within the 14-day limit and with proper records, the company deducts the rent and the owner excludes the income. For illustration only.*

THE BIGGEST MISTAKE

It is rarely the wrong strategy. It is the absence of coordination.

The most expensive mistake is not choosing the wrong strategy. It is having no one coordinating them. One advisor recommends a CRT. Another points to an Opportunity Zone. A third suggests a cash balance plan. Each may be sound on its own, yet without a CPA, investment advisor, estate attorney, insurance advisor, and tax strategist working from the same plan, the pieces can work against each other, or simply never get implemented.

The families who keep the most are rarely the ones with the most clever single idea. They are the ones whose advisors sit at the same table.

APPLY FOR MEMBERSHIP AT EXIT WEALTH®

Exit Wealth® works with entrepreneurs, executives, retirees, and affluent families seeking a more coordinated approach to wealth management. Our members typically have at least $3 million in investable assets and want planning that connects investments, tax strategy, estate planning, insurance, business exit, and family legacy, rather than treating each in isolation. If you'd like to explore whether these strategies fit your situation, we invite you to apply for membership and schedule a confidential wealth review.

Because the goal isn't simply to make more. It's to keep more of what you've already earned.

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