



Income Shifting: **SAVE** Thousands in Taxes

Want to save money in taxes WITHOUT working harder? One way is to **shift income around to family members**. Generally, you can shift income from a high tax-rate family member to a lower or zero tax- rate family member. One idea is you can legitimately shift income to your kids. This will **save THOUSANDS in taxes**. Let me give you an example.

Jane owned a consulting business. She had two teenage sons that legitimately did work for the business. Some of the tasks they did included vacuuming the offices, emptying trash cans weekly, taking care of recycle and shredding documents, filing receipts, stuffing envelopes and doing yard work outside the office. Jane plans to pay her sons \$5,000 each for the year. She was able to shift \$10,000 from her high tax rate of 38% to her son's ZERO tax rate. This is a \$3,800 tax savings. She plans to use this \$10,000 to teach her kids about budgeting.

Also, this income shift helped with her personal cash flow because she has the kids help pay for groceries. Another thing she plans to do is to put money aside in a Roth IRA for the kids. While the company will need to pay some payroll taxes, **the savings far outweigh the cost**. What a GREAT tax deduction for her business – and it was EASY!

Here are some facts and tips around income shifting:

- Your kids can be any age
- They need to keep a time card for work done – documentation is key
- The work needs to be appropriate for the age and skill level
- Depending on the situation, your child may not have to file a tax return
- Consider helping parents or grandchildren who might be in lower income brackets

Depending on your business entity, you can also **reduce self-employment taxes with this strategy**. For corporations, it is a great way to reduce the taxable income. If you are a sole proprietor, there are some taxes the kids don't have to pay in their paycheck. And, the IRS allows this, but they don't volunteer the information to you.

There are several options to reduce your taxes, depending on your situation. To take advantage of the opportunities, talk to someone who knows the rules so you can **play the tax game**.