



TAX PLANNING IS AN INTEGRAL PART OF WEALTH MANAGEMENT

By Andrea Dennis

Now that April 15th has come and gone, it is only natural to think you can forget about your taxes for a while. But when it comes to your overall wealth management, now is an ideal time to start tax planning for this year.

“Proactive tax management can often make a big impact on how quickly you can accumulate assets if you’re still building wealth or how much after-tax, or “spendable,” income you would have during retirement,” says J. Michael Mott, owner of Bradenton wealth management firm, Mott & Associates.

However, unless your financial advisor and tax advisor work together as a team or, like Mott, your advisor understands both, you may not have an efficient tax plan. Mott’s belief:

“When you focus on only one area, things could be falling apart somewhere else. By knowing everything about someone’s financial situation, you can really make things work together.”

Working together, according to Mott, means combining proactive tax planning with investment strategies to pay less in taxes. For example, while someone could take money from their IRA and pay income tax on it, the better approach might be to sell an investment and pay tax at the capital gains rate. This is because the capital gains rate could be much less than the ordinary income tax rate due on an IRA distribution.

The key to making the combined strategy work is having an early tax review – or in the case of Mott’s firm, a financial checkup. This allows time to spot problems, take advantage of opportunities and sometimes even reposition assets. This approach is not only beneficial to your overall wealth management efforts and tax savings potential, but it also means you and your tax preparer will be on the same page.

“It’s really too late to save much if you wait until tax season when the focus is on recording history,” Mott says. “It’s best to review things before the end of the current year. In fact, the earlier you make changes, the more impact it could have.”



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