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# Long-Term Tax Strategy: 5 Questions To Ask Your Advisor

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*I help people on their path to Financial Freedom.* **FULL BIO**
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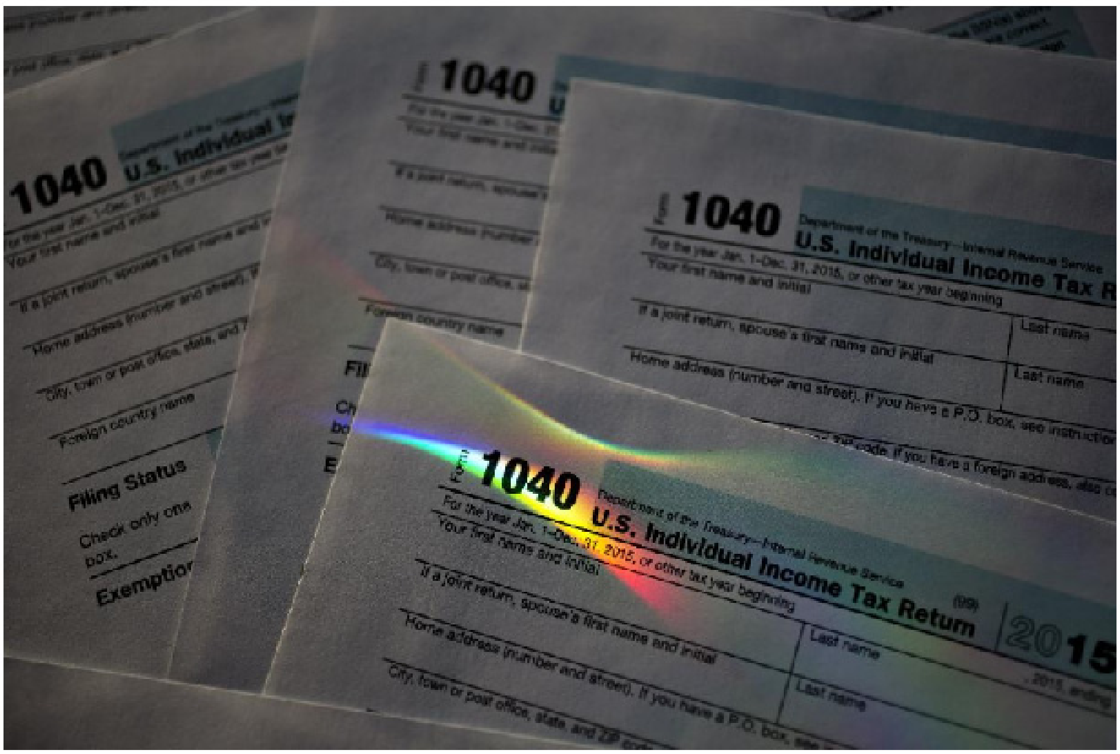
The Tax Deadline is quickly approaching and the influx of 2016 tax tips is hitting the newsstands. While it's a great time to brush up on the tax laws and create a 2016 game plan, it's also important to take a step back and think about the bigger picture and your long-term tax approach.




*U.S. Department of the Treasury Internal Revenue Service (IRS) 1040 Individual Income Tax forms for the 2015 tax year are arranged for a photograph in Washington, D.C., U.S., on Tuesday, Jan. 19, 2016. The IRS began accepting 2015 individual income tax returns today and taxpayers have until Monday, April 18 to file their 2015 tax returns and pay any tax. Photographer: Andrew Harrer/Bloomberg*

## The Rising Tax Burden

Today's middle class is faced with many financial challenges – a tough job market, stagnant wages, lack of savings, and the rising cost of health care (from both higher premiums and higher deductibles). The increasing tax burden on the middle class is also a headwind for those trying to gain their financial freedom and retire comfortably. With Federal debt at an all-time high and state capitals needing to fund their budgets, the middle class will likely be asked to pay more. Whether it is in the form of higher federal and state income taxes, property taxes, higher fees (such as raising the cost of car registrations, toll roads, various licenses, etc.), or the elimination of deductions and loopholes, lawmakers can get creative when they need to raise money. And despite what some politicians say, our current economic climate is showing few signs for a lower, future tax environment. In fact, some politicians are openly calling for an increase in taxes.

More than ever before, today's middle class needs to be aware of this rising tax burden and take steps to reduce its impact now and in the future. As you begin creating your 2016 game plan, remember this bigger economic picture and consider a longer-term approach to reducing the tax burden's impact on you.

## Long-Term Tax Strategy

The strategic tax moves that we are talking about here go beyond the usual deductions in our annual tax filings. Your financial planning should include a short and long-term tax strategy, and because the strategies vary from person to person, it's best that you to speak with a financial professional. When looking into your long-term tax approach or when you meet with your financial professional, ask yourself (or him/her) the following questions.

- Ordinary income, capital gains, and dividends all have different tax treatment. Am I managing my tax bill accordingly?
- Before I sell an asset, am I considering the tax implications?
- What are the future tax implications of my savings/investments? Have I looked into tax-advantaged options (e.g. Roth IRA's or tax-advantaged permanent life insurance)?
- Have I considered asset location as a tax management tool (e.g. placing bonds, multi-asset funds, and actively traded strategies, etc., inside tax-deferred vehicles, and placing tax sensitive equities and municipal bonds in taxable accounts)?
- What is the after-tax cost of my current debt, and if it is low, how can I leverage this smart debt to my advantage?

The answers to these questions and your subsequent actions will help you reduce the impact of this rising tax burden. Keep in mind that you are not alone in this. As I wrote in my first Forbes article, 'In 2015, married joint tax filers with a combined income of $74,901 are in the 25% tax bracket; single filers enter the 25% bracket at $37,451. State income tax can in some instances add nearly ten percentage points bringing a typical Gen X family into a 30% or higher tax bracket. Additionally, if you are in one of the highest tax brackets and subject to the investment taxes within the Affordable Care Act, you can approach a 50% tax bracket!' You are ahead of curve by acknowledging our current economic climate and considering a new approach. Though the tax burden is rising, you can work to limit its impact on you and your financial future.

## Contributor's Bio

Mark Avallone is the author of Countdown To Financial Freedom, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the Wall Street Journal as well as in Forbes where he is a regular contributor. He has appeared on CNBC and has been a repeat guest on the Fox Business Network. His insights have also appeared in USA Today, U.S. News & World Report, The Washington Post, and other leading publications.