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Wealthy South Floridians seeking ways to avoid feared higher taxes



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By Donna Gehrke-White
Sun Sentinel

3:42 p.m. EST, December 14, 2012

Some wealthy South Floridians are rushing to move around money to avoid what they think will be higher taxes, financial advisors said.

Some are selling stocks now so they won't have to pay higher taxes on capital taxes in 2013 while others are donating stock profits to charities – to save both on taxes and to get a deduction to lessen their overall tax bite. Others are plowing more money into tax-deferred annuities or retirement accounts. A few are being advised to consider setting up a special fund to self-insure as a way to save on taxes.

"People are doing what they can," said Victor Mendelson, co-president of Hollywood-based **Heico** Co. He is now planning to give some of his wealth early to family to avoid higher estate and gift taxes in 2013. Current law allows up to \$5 million tax-free; after Jan. 1, without congressional changes it will drop to \$1 million.

His company is also preparing to distribute a special dividend this month and give its semi-annual dividend now instead of January to help stockholders save on taxes -- if they go up as expected in 2013.

"You have to do something," said Mendelson, "although part of the difficulty is that we don't know exactly what is going to happen."

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Indeed, President **Barack Obama** and congressional officials went another day Friday without agreeing on which Bush tax cuts to keep – and which to abolish after Dec. 31 to raise money to help pay for the ballooning U.S. deficit, now at more than \$16 trillion. The president favors taxing only the top 2 percent more,

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DONNA GEHRKE is a veteran reporter and editor who has worked in South Florida for

while Republican leaders have said they want to limit the wealthy's deductions rather than raising their tax rates more than the current 35 percent.

The uncertainty is causing many well-off South Floridians to try to come up with a defensive strategy. In Plantation, certified financial planner Ben Tobias said his office has been swamped with clients wanting to avoid higher taxes. "They're confident they're going up," he said.

Tobias recently had a couple who decided to give away \$300,000 in stocks after their shares in Apple had jumped about \$1 million in value. They put their large donation in a donor-advised fund that allows them to take the charitable deduction now on federal income taxes for the 2012 tax season, he said. At the same time, they won't have to pay taxes on their donated stocks' appreciation, Tobias said.

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By placing their charitable contribution in a donor-advised fund, they don't have to allocate it right away but can take years to dole it out, he added.

"That's the beauty of the plan," Tobias said.

The couple -- and other South Floridians -- are concerned that Washington may limit how much charitable giving they can deduct in future years, he said.

Other wealthy investors are selling stock outright so they will only have to pay the current 15 percent tax on capital gains on stocks held for a year or more, financial advisers said.

But **Boca Raton** financial adviser Terry Weissberg, president of the CFA Society of South Florida, said not everyone should be selling to avoid higher taxes. Many should hold onto good stocks and let them grow even more. People will end up with more profits than if they had sold before the end of 2012 to avoid the higher taxes, he said.

"You don't want the tax tail to wag the investment dog," Weissberg quipped.

Even ordinary South Floridians, concerned about rising taxes, can save by placing more of their taxable wages into retirement accounts that aren't taxed until withdrawn, said Boca Raton financial planner Mari Adam.

Sole proprietors and self-employed professionals, such as doctors and attorneys, have been rushing to add to or even set up a solo 401k retirement plan, that allows them this year to salt away tax-free as much as \$55,000 a year if they're 50 and over, said Adam Bergman, a South Florida tax attorney and partner at IRA Financial Group.

"People are suddenly waking up," to saving tax-free for retirement while they still can, said Bergman.

That helps people build savings for their Golden Years, while lessening their worries over a future higher tax bite, he said.

"The anxiety is pervasive out there" that taxes are going up -- for even middle-class folks, added financial planner Adam.

Some South Floridians can also avoid possible higher taxes by putting savings in tax-free municipal bonds, she added.

In **Deerfield Beach**, financial adviser Chris Nichols said some of his clients are considering tax-deferred annuities because they don't pay taxes on earnings until they start making withdrawals.

For some of South Florida's wealthiest business owners and professionals, they can opt to start an 831(b) captive insurance program that allows them to self-insure and save on taxes, Nichols added. Up to a limit, money put in the program is not taxed, he said. It also helps businesses save on insurance premiums and gives them access to reinsurance.

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Krammm at 3:24 PM December 22, 2012

As the article says it's not only the filthy rich (income over \$250k per Barry) who are looking for tax breaks. This is what Romney was hammered for throughout the campaign- that he didn't step up and pay his fair share. What is Dwayne Wade's fair share of his \$17 mil salary. I hope he pays it.

Remember , anyone who takes the mortgage interest deduction is using a tax "loophole" that the prez whines about. Tax advisors will no doubt be outlawed so we will all pay whatever the IRS says. It's those pesky loopholes that keep the gov't broke.

DEN Willow at 1:51 AM December 15, 2012

Move out of the SWAMP...WHy worry,the dollar is worth what .23 cents.....hmmmmmm

Stan Smith- American Dad at 12:31 PM December 14, 2012

Wealthy individuals will always be one step ahead when sheltering "their money". Two examples?

1. Google Inc. avoided about \$2 billion in worldwide income taxes in 2011 by shifting \$9.8 billion in revenues into a Bermuda shell company, almost double the total from three years before, filings show.By legally funneling profits from overseas subsidiaries into Bermuda, which doesn't have a corporate income tax, Google cut its overall tax rate almost in half. The amount moved to Bermuda is equivalent to about 80 percent of Google's total pretax profit in 2011.

<http://www.delawareonline.com/article/20121211/BUSINESS09/312110065/Google-revenues-sheltered-no-tax-Bermuda-soar-10-billion>

2. Beginning in 2014 most small biz owners will break up their companies into smaller groups of less than 50 employees to avoid the Obamacare tax. All these regulations will further kill hiring.

<http://smallbusiness.foxbusiness.com/entrepreneurs/2012/11/07/business-owners-readying-for-obamacare-1772174200/>

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