

TSP Exit Strategies

Presented By:

- Tim Goff
- Kevin Brunner



IST Introduction

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The SellMyFDX Executive Team



Trevor LaParl
COO



Kevin Brunner
Founder & CEO



Michael Burwick
Tax Attorney



Norb Kohler
Business Consultant



Craig Redler
Trustee / Attorney



Morris Chubb
Trust Administrator



Nathan Partch
CMO



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THE GREAT RED
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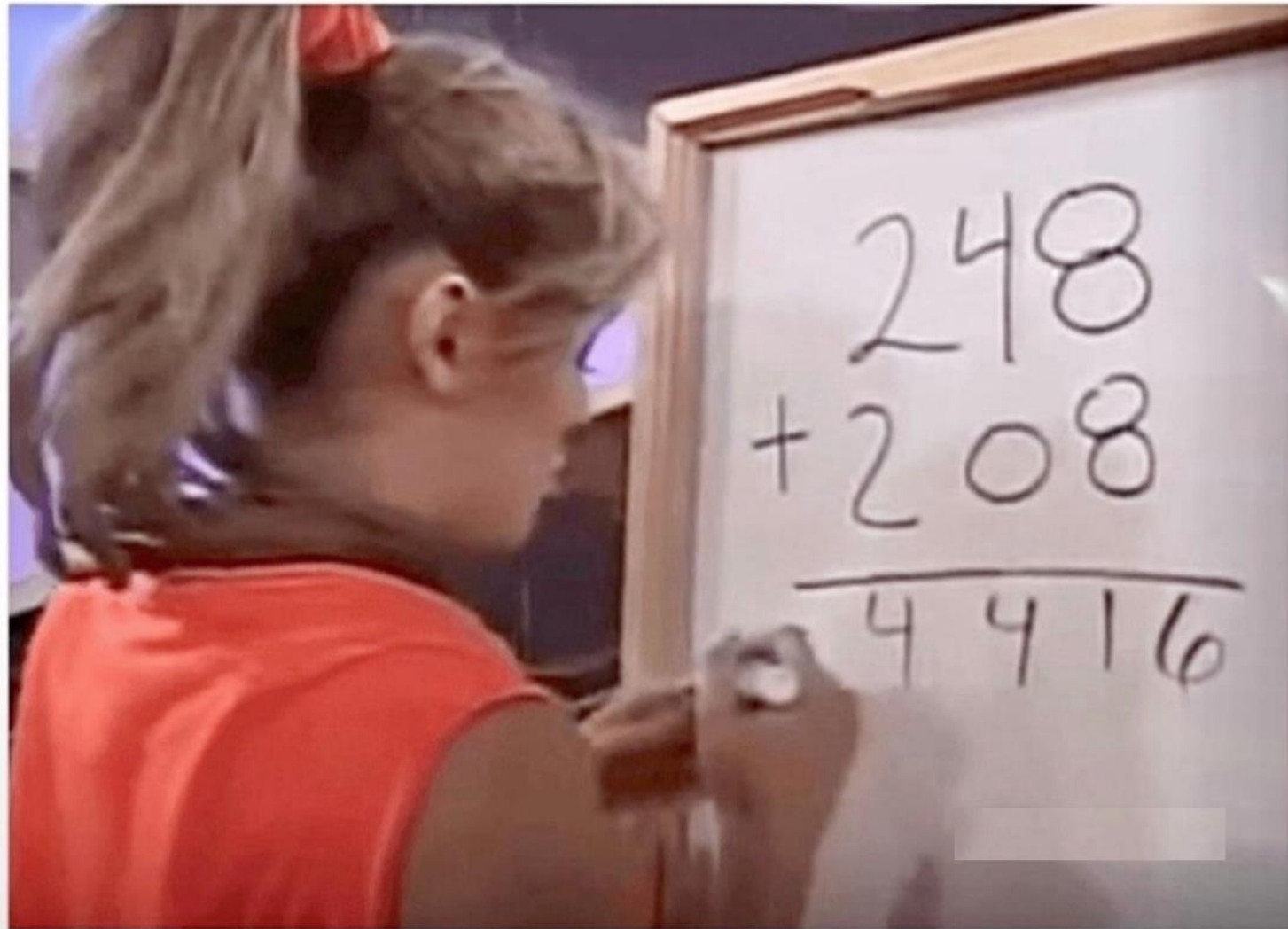
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Capital Gains Taxes

What it feels like...

The IRS calculating my capital gains



Meanwhile, at the IRS Training Center.



Our Specialization



Installment Sale Trust

Definition: A trust arrangement that combines special-purpose vehicles with installment sales. This financial strategy is commonly used for business sales, to defer capital gains tax over time.

Maximize Income

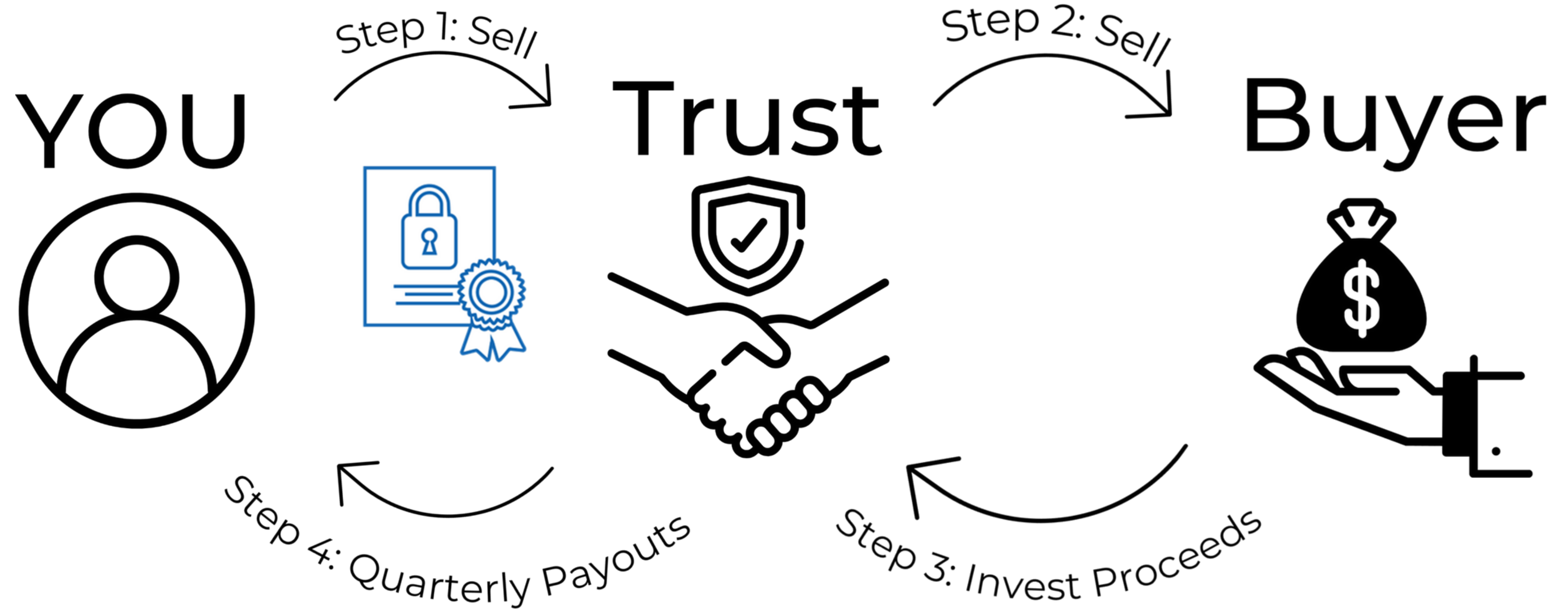
We combine tax-saving strategies with income planning to maximize income-earning potential.

“Retirement is about income, not assets. Not all assets return the name income.”

-Kevin Brunner; Forbes 2015



How the IST Works



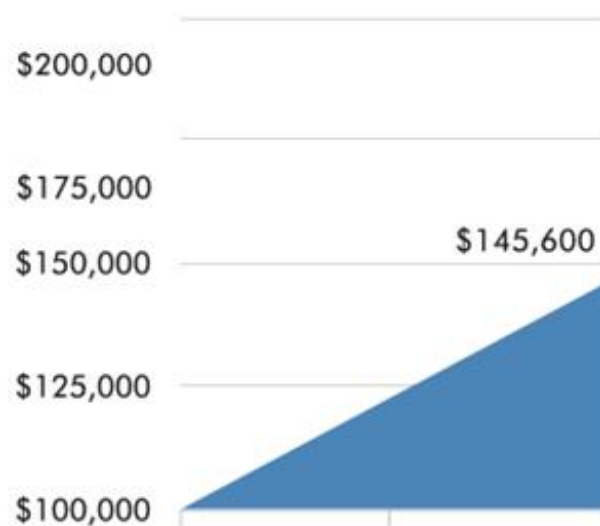
Questions?

Growth Within The Trust

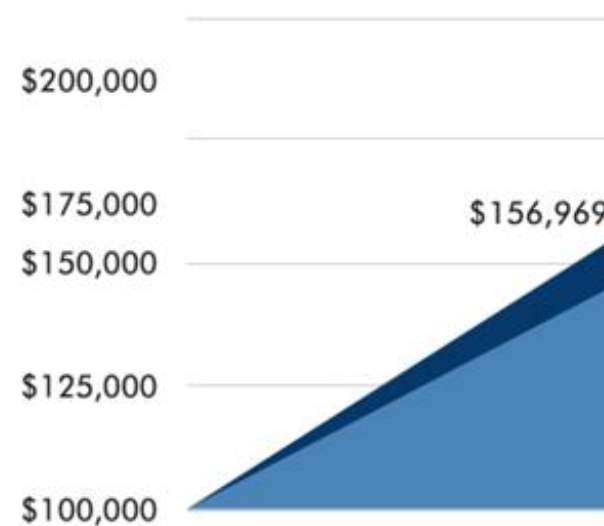
With and Installment Sale Trust (IST), all money grows tax-deferred until income is withdrawn. This allows for three levels of compounding interest.

Three levels of compounding interest

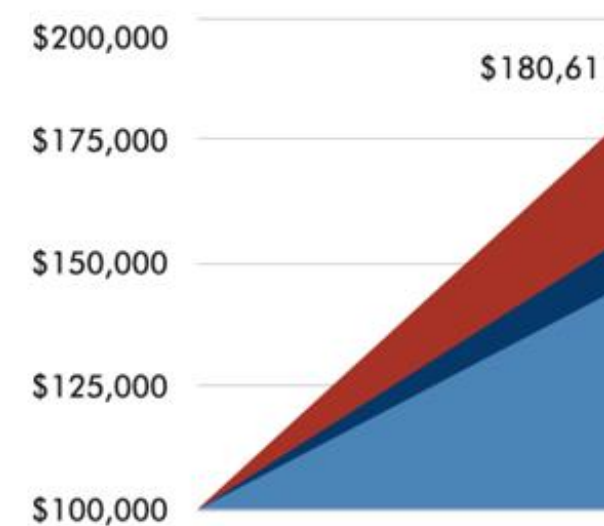
1 Interest on principal*
An initial basis to the IST earns interest over time.



2 Interest on interest*
As long as the interest earned on the principal is not withdrawn, it will earn additional interest known as compound interest.



3 Interest on taxes saved*
Interest on taxes saved for a 24% tax-bracket, provides another layer of compound interest that allows all of the money in the IST to work harder for the Note Owner.



These are hypothetical graphs for demonstration purposes only.

It Feels Like...



Self-Directed IRA

It may feel like an IRA that is paying you an income in retirement. It will be working next to your current retirement accounts with alternative investments.



Annuity w/ Liquidity

It may feel like an annuity since a large sum of money will be tied to paying you an income every quarter instead of collecting it all at once. The upside is that you can leave it whenever you want, though, you would have to pay the tax.



Another Bank Account

If you already have your retirement sorted and don't need another income stream, this may feel like a high-yield savings account that you're saving for your heirs. This account will be growing at a greater rate and tax-deferred.

Questions?

Why This is IRS-Accepted



IRS code 453

We follow the IRS code and do not operate in any grey areas. This is not a “loophole” and has been used since the 1970s for exiting businesses.



We DO NOT Monetize the Note

We DO NOT monetize the note! We are not a monetized installment sale, nor do we condone them. This means you can not use the secured note as collateral for a loan.



Income Tax is Still Paid

When you receive your installment payments, you still pay income tax on what you receive. This can be avoided by letting the income compound instead of collecting.



Tax-Deferred... Indefinitely

Where else have you seen this that is IRS-approved? - The 1031 exchange! As long as you don't liquidate, you don't have to pay the tax.

Revenue Estimator



Tax Assessment

Every Revenue Estimator runs a tax assessment on your asset, showing the expected amount of taxes to be paid at closing. This tax assessment is based on the income information provided to us for the report.



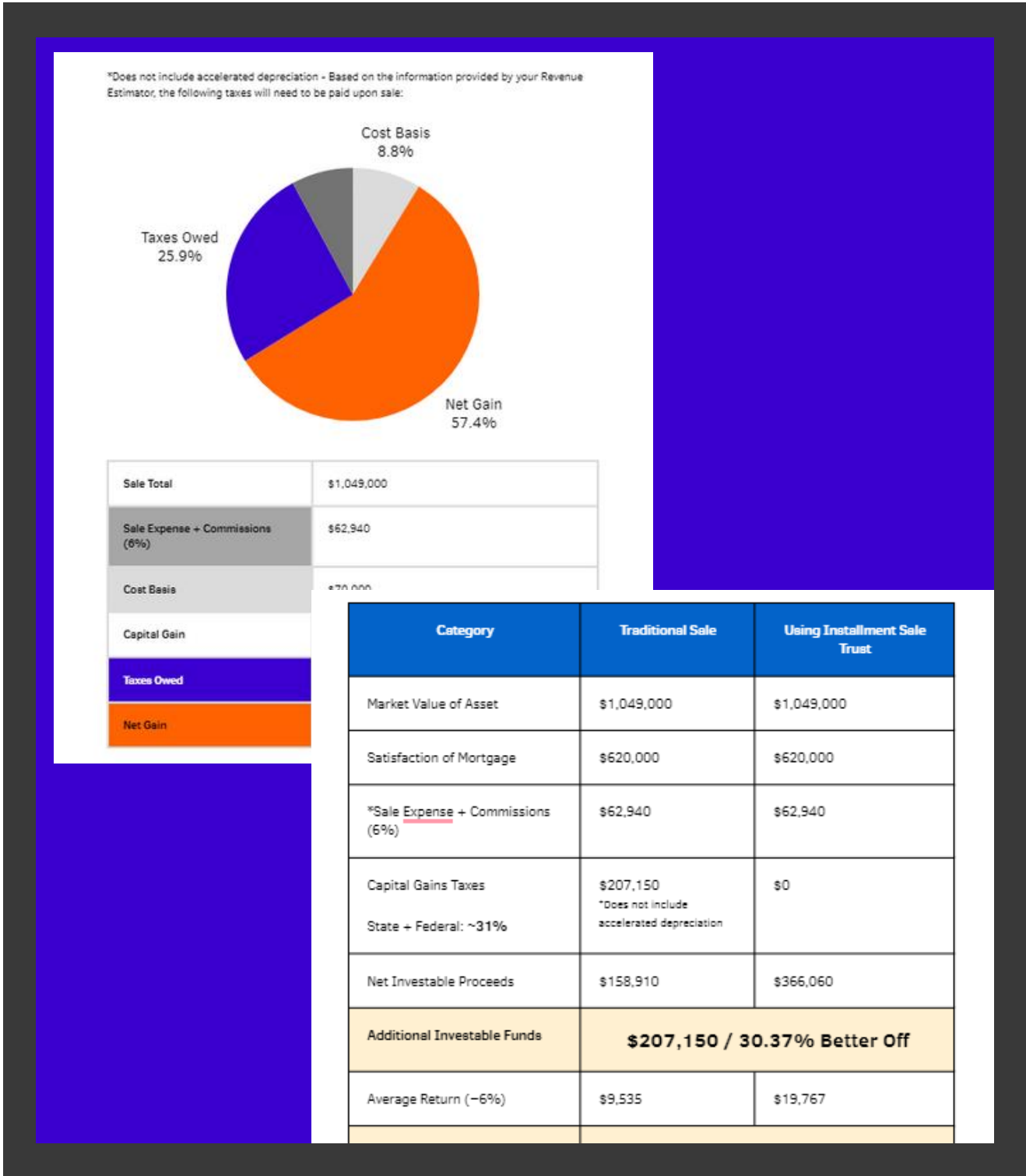
Information

The Revenue Estimator is a report about your asset, the tax savings, and additional information about the IST process.



Comparison

The Revenue Estimator was created to quickly compare the difference between using an IST to a traditional sale. This is a rough comparison and uses conservative numbers. You usually have enough information to fill this report out on your own.



Pro Forma Report



Tax Accuracy

The Pro Forma Report takes your tax information directly into account. This assessment shows what you will most likely pay, taking appreciation recapture into account.




Your Earnings

Your Pro Forma Report will show your income after all expenses including closing costs, fees, and commissions. This will show your effective rate of return and your savings from using the IST.



Comparison

The Pro Forma Report was created to thoroughly compare the difference between using an IST to a traditional sale. This is an accurate comparison and uses your numbers. This report is typically filled out with your CPA or Attorney.



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Proforma for: John & Mary Jones

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Choose the proposed interest rate you would like to receive on your note (see footnote j below)

Years before payment begins 0

Proposed payment start date 30-Jun-21

Number of years of payments once they begin 10

State in which property or business is located California

State that is your legal residence California

Income for the year of the sale, not including the property sale 180,000

Tax filing status Married

Was this your main residence and did you own it for at least two years out of the last five years? no

Gross value of property sold 1,700,000

Net value of property sold (net of selling & closing costs) 6% 1,598,000

Less loan payoff amount -

Mortgage up to Basis 18,149

Additional Cash required by Seller 18,149

Total Cash to Seller 18,149

IST note value before legal fees & taxes on mortgage in excess of basis if applicable 1,579,851

Cost basis (your purchase price plus improvements) 245,000

Minus depreciation taken (Sect. 1250 depreciation, not deferring depreciation taken in excess of straightline) 226,851

Adjusted Basis -

Current debt is EXCESS of adjusted basis ("MOB") (taxed at time of sale)

Current debt is LESS than adjusted basis (opportunity to borrow with no tax consequence)

Assumed IST payment period

TAX Rates:

Your estimated federal capital gains tax rate based on the information you provided (see footnote g below)

Your estimated state capital gains tax rate based on the information you provided

Choose your expected Federal marginal income tax rate for the current year (see footnote below)

Your estimated state marginal income tax rate based on the information you provided (see footnote below)

Your Investment Income (Medicare) Tax rate based on the information you provided. (in over rate to see more info on this tax)

Standard legal fee

The above assumptions were provided to us by you, we have not audited or made efforts if the property is located in a state different from where you live, your state rate may be

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19925 Stevens Creek Blvd, Ste 100-CBAS
Cupertino, CA 95014



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Illustration Date: 4/16/21

Property located in state of: CA

How is the Property being Titled: Personal


Property / Business Information: 406 W Elm St, Los Angeles, CA 90018

Interest Only No Amortization of Principal	Without IST	With IST
Sale price net of selling expense	1,598,000	1,598,000
Adjusted basis	(18,149)	(18,149)
Federal Exemption	-	-
Mortgage Up to Basis paid out to Seller	(18,149)	(18,149)
Taxable Gain	1,579,851	1,579,851
Investable Proceeds before Tax	1,579,851	1,579,851
Taxes payable on gain based on rate you selected: Federal	(338,805)	-
Taxes payable on gain based on rate you selected: State	(200,378)	-
Legal Fee	-	(5,000)
Net proceeds to invest / Balance of IST note at beginning of payments	1,040,669	1,574,851
Rate of interest (and assumed earning rate)	6.0%	6.0%
Annual Interest payments	62,440	94,491
Contemplated Loan	-	-
Interest on Loan	7.5%	-
Net Interest Earned	62,440	94,491
Less marginal Federal tax on income based on the rate you selected	(14,986)	(22,678)
Less marginal State tax based on information you provided.	(6,388)	(9,666)
Less Investment Income (Medicare) tax if applicable	(2,373)	(3,591)
Annual Interest Income net of tax	38,694	58,556
Interest income net of tax	Years - 10 386,941	585,561
Percent INCREASE in Investable Assets using Installment Sale Trust		51.3%
EFFECTIVE interest rate using the Installment Sales Trust		9.1%
Cash from sale you receive at close of sale + additional investment	1,040,669	-
Cash from sale you receive at end of IST term	-	1,574,851
Total payments received	1,427,610	2,160,413
Less Federal taxes payable on remaining capital gain based on information you provided.	-	(277,888)
Less State taxes payable on remaining taxable gain based on information you provided.	-	(199,744)
Less Investment Income (Medicare) tax on remaining taxable gain based on information you provided	-	(59,844)
Net proceeds after investment	1,427,610	1,622,937
Cumulative BEFORE TAX Income difference between using a IST vs not using a IST		320,509
Cumulative AFTER TAX Income difference between using a IST vs not using a IST		195,327

The above assumptions were provided to us by you, we have not audited or made efforts to confirm these assumptions. If the property is located in a state different from where you live, your state rate may be higher or lower.

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Cupertino, CA 95014



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800-675-8551



Income-Maximization Planning

In addition to the Installment Sale Trust, we assist our clients in maximizing their retirement income, increasing by 50% on average.

Risk Assessment and Management

We assess risk associated with market downturns so you are still receiving an income in a falling economy.



Advanced Tax Planning

With our strategic tax planning using life insurance and other financial vehicles, we're able to reduce owed taxes significantly.



Model Q Strategy

The tried and true Model Q strategy was created by Kevin Brunner as a more affordable and reliable solution to market volatility.



Your Next Steps Planned Ahead

Through meticulous financial planning, we want to reap the rewards from upturns while planning for downturns. Additionally, we include big life events and generational wealth planning.



Why Work With Us?

Numbers

- 3500+ Transactions
- We Have 20 Years of Experience
- IST Started in 1971
- 0 IRS Audits

Reasons

- You Maintain Full Asset Control
- No Binding Contracts
- Low Fees, Privately Owned

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Thank You

Questions?



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8250 Royal St. Georges Way, Duluth, GA 30097
+1 (678) 576-4886
sales@mygroundforce.com
www.mygroundforce.com

mygroundforce®

