Finance 425 (FI 425.SF1)  
Income Tax Planning

Course Outline & Syllabus

Summary
Description: Tax planning used by personal financial planners
Meetings: Wednesdays, May 5, 2010 – August 18, 2010 (sixteen weeks)
Instructor: Brian Pon, EA, CFP®, NAPFA-registered financial advisor

Description
Strategies used by financial planners to help clients achieve greater tax efficiency. Topics include income tax concepts and calculations, income tax research methods, gross income realization, exclusions and deductions, passive activities, alternative minimum tax, tax considerations of business forms, taxable and non-taxable property transactions, compensation planning, family tax planning, audit risk & dealing with the Internal Revenue Service. Satisfies part of the requirements to sit for the CFP® examination.

Objectives
FI 425 is a course on tax planning for the prospective or practicing financial advisor. This course emphasizes federal income tax theory with ongoing examples relevant to financial advisory practices.

- Ours not intended to be a course on tax preparation. To pursue tax preparation, you may later enroll in a course devoted to that discipline.
- This course satisfies a component of the CFP® Board of Standards educational requirement toward the CFP® designation.
- This course is also a component of the degree program for the Master of Science in Financial Planning (MS Financial Planning) at Golden Gate University. Workload should be appropriate for a graduate-level class.

This course emphasizes ongoing tax concepts rather than “temporary” tax law changes.
Outcomes

Graduates of the MS Financial Planning degree program at Golden Gate University will be able to demonstrate that they possess the following knowledge, skills, abilities, and values:

1. The skills and knowledge of financial planning that are represented in the full range of topics covered by the CFP® examination.
2. The quantitative, analytical, and technical skills needed to address complex financial situations.
3. The ability to apply their knowledge to real-world problems in financial planning.

Requirements

Prerequisites

- This course requires completion of FI 420, FI 460, or their equivalents.
- This course requires ongoing access to the CyberCampus (please refer to “Technology” below).

Prior Knowledge

- This course assumes basic knowledge of concepts of common forms of investment income and proficiency in arithmetic.
- Extensive prior knowledge of tax is not required.
- Students who have completed or are enrolled in other courses in Golden Gate University's Financial Planning curriculum will be able to leverage their knowledge further.

Technology

- The course is enhanced with the Golden Gate University CyberCampus (“Cyber”).
  - Your weekly and thoughtful participation in Cyber via internet connection is required and a component of your Participation grade.
  - Some important course material will be presented or discussed only in Cyber.
  - Assignments will be administered, submitted, and graded in Cyber.
- Your computer(s) should be able to read PDF-formatted and DOC-formatted files.
- Please note that Golden Gate University’s main computing facilities are available at no charge.
- Your voice recorder is permitted if you would share the audio file with the class.

Textbook

This book has not yet been published as of this writing.

For 2009’s class, students that ordered the book online had difficulty obtaining the book in a timely manner whereas students that purchased the book from the GGU bookstore had no problems.

- Reading will be assigned weekly via Cyber.
  - Some reading assignments will be expected to have been completed prior to each class meeting.

**Meetings**

Scheduled class meetings are held 6:50 p.m. – 9:30 p.m., Wednesdays, May 5 – August 18, 2010. Please inform the instructor of any scheduling conflicts.

Classes will be located at GGU’s San Francisco campus at 536 Mission Street. The room number will be announced.

PowerPoint and white/chalkboard will be used extensively during most classes. It is strongly recommended that you sit reasonably close to the front of the classroom for favorable viewing and acoustics.

**Instructor**

Brian Pon, EA, CFP®, NAPFA-registered financial advisor  
Financial Connections Group, Inc.  
BrianPon@FinancialConnections.com  
(415) 924-1091

Brian Pon is a fee-only CERTIFIED FINANCIAL PLANNER™ professional and an IRS Enrolled Agent. His expertise is delivering sophisticated financial solutions that integrate a client’s image of the future with their financial resources.

*Background*

Brian has been a tax professional since 1997 and a financial advisor and investment manager since 2000 when he joined Financial Connections Group, Inc., a fee-only financial advisory firm in Marin County and Berkeley, introducing tax services as part of the firm’s offerings. He works with individuals, trusts, families, and small businesses. Areas of expertise include financial planning, investment management, tax planning, retirement planning, working with unmarried couples, and establishing retirement plans for small businesses.

In addition to his financial planning practice, Brian is an adjunct professor in the Ageno School of Business for Golden Gate University’s Financial Planning Program.

Brian is an engineer by training. He graduated from the University of California, Berkeley, with a degree in Engineering Physics. Before becoming a financial advisor, Brian spent nine years at the Lawrence Berkeley National Laboratory, researching the effects of energy use on the environment.
Volunteer Activities

- Volunteers his time conducting seminars for Consumer Credit Counseling Service of the East Bay (now a division of Money Management International)/California Northern Centers for Financial Education on budgeting, cash and debt management, and introductory investing, recipient of their Volunteer of the Year award (visit http://www.CCCSEBay.org)
- Volunteer tax instructor for the IRS’s Volunteer Income Tax Assistance (VITA) Program (visit http://www.IRS.gov/individuals/article/0,,id=107626,00.html)
- Recipient of the 2008 Pro Bono award from the San Francisco Chapter of the Financial Planning Association (FPA)

Grading & Assignments

Course grading will be based upon 1,000 points distributed approximately as follows:

- 10% Participation
- 26% Homework Assignments
- 16% Exam 1
- 16% Exam 2
- 32% Exam 3 (Final Exam)

The precise grading breakdown will be available in Cyber.

Participation

- Participation includes classroom attendance.
- Full credit requires participation in Cyber.

Homework Assignments

- Homework is one of the best ways to learn the course material. Thus, homework will be assigned every week of the course.
- Assignments will be demanding, but full credit can be earned without answering every question correctly.
  - Homework must be completed by their assigned due date in order to receive full credit.
  - Solutions will be available on Cyber after the assigned due date if the assignment is submitted by the student.

Exams

- Exam 1 covers material from Class 01 through Class 05.
- Exam 2 primarily covers material from Class 06 though Class 10, but previous material will be referenced.
- Exam 3 (“Final Exam”) references the entire course.
Schedule

Our course schedule is flexible and is subject to change.

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<td>May 12</td>
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<td>May 19</td>
<td>Adjustments (part 2), Filing Status, Exemptions, &amp; Deductions (part 1)</td>
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<td>Jun 16</td>
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<td>Exam 3</td>
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Class 01: Introductions & Gross Income (part 1)

- Introduction to FI425
- Introduction to U.S. Tax
  - History and Major Types of Income Tax (in the textbook only)
  - Tax Advisors & the Tax Practice
  - Tax Law and Tax Administration (also more material in the textbook)
  - Basic Income Tax Entities
  - Tax Calculations, Rates, & Payments
  - Tax Rates & Determining Individual Income Tax
  - Federal Forms 1040
- Gross Income (part 1)
  - Introduction to Gross Income Theory

Class 02: Gross Income (part 2), Exclusions, & Adjustments (part 1)

- Gross Income (part 2)
  - Accounting Periods and Methods
  - Types of Gross Income
- Exclusions from Gross Income
  - Adjustments for Gross Income (part 1)
    - Introduction to Adjustments for Gross Income

Class 03: Adjustments (part 2), Filing Status, Exemptions, & Deductions (part 1)
  - Exemptions
  - Filing Status
  - Adjustments for Gross Income (part 2)
  - Deductions (part 1)
    - Standard Deductions
    - Itemized Deductions (part 1)

Class 04: Deductions (part 2) & Sole Proprietorships and Rentals (part 1)
  - Deductions (part 2)
    - Itemized Deductions (part 2)
  - Individuals vs. Sole Proprietorships vs. Rentals (part 1)
    - Introduction to Deductions for Sole Proprietorship and Rentals

Class 05: Sole Proprietorships and Rentals (part 2) & Cost Recovery (part 1)
  - Individuals vs. Sole Proprietorships vs. Rentals (part 2)
    - Deductions for Sole Proprietorship and Rentals versus for Individuals
    - Hobbies
  - Cost Recovery (part 1)
    - Introduction to Cost Recovery

Class 06: Sole Proprietorships and Rentals (part 3), Property Transactions (part 1), & Exam 1
  - Cost Recovery (part 2)
    - Methods & Calculation
  - Property Transactions (part 1)
    - Gains & Losses (part 1)
  - Exam 1

Class 07: Property Transactions (part 2) & Health Savings Accounts (HSAs)
  - Property Transactions (part 2)
    - Gains & Losses (part 2)
    - Nontaxable & Tax-Free Transactions
    - Recapture of Cost Recovery
  - Health Savings Accounts
Class 08: Tax Deferral (part 1)
- Taxation of Annuity Income
- Taxation of Deferred Compensation

Class 09: Investments and Taxes
- Cost Basis & Net Sales Proceeds
- Dividend Income
- Investment Sales
- Exchange-Traded Option Contracts
- Bond
- Employee Stock Options (part 1)

Class 10: Taxes Deferral (part 2), Tax Credits, & Alternative Minimum Tax
- Tax Deferral (part 2)
  - Losses on Non-Qualified Annuity Contracts and IRAs
- Tax Credits
- Alternative Minimum Tax
  - The "AMT"
  - Employee Stock Options (part 2)

Class 11: Final Income Taxes & Exam 2
- The Decedent's Final Tax Return
- Fiduciary Income Tax Returns (Estates & Trusts)
- Exam 2

Class 12: Transfers (part 1)
- Gift Tax
  - Definition of Gifts
  - Tax-Free Gifts
  - Imputed Interest
  - Received Gifts
  - Gift Tax Returns
- Estate Tax (part 1)
  - Estate Tax Returns
  - Taxable Estates
  - Received Inheritances
  - Valuation of Estates (& Gifts)
- Cost Basis of Gifts & Inheritances
Class 13: Transfers (part 2)
   • Estate Tax (part 2)
     o Generation Skipping
     o Why Pay Gift Taxes
     o Estate Tax & Trusts
   • Generation Skipping Transfer Tax

Class 14: Corporations & Partnerships
   • Corporations
   • Partnerships

Class 15: Class Review / Love, Marriage, Divorce, & Children
   • Income
     o Basic Principles
     o Tax Documents
   • Taxes
   • Exemptions
   • Filing Status
   • Deductions
   • Filing Requirements
   • Married Filing Jointly vs. Separately
   • “Kiddie” Tax
   • Education
     o Adjustments for Income
     o Tax Credits
     o Investment Accounts
   • Retirement Issues
   • Tax Credits & Children
   • Non-Traditional Families

Class 16: Exam 3