Consider This Program

Episode Date:

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On This Show:

Big Joe Clark, CFP®: Managing Partner and Lead Advisor of Financial Enhancement Group

Ken Dilger: Former Tight End at Indianapolis Colts, Senior Loan Officer at Milestone

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Show Notes:

Topics Include:

- Phantom Income
- Zero Coupon Bonds
- Married Filing Jointly
- Federal Minimum Wage

Our first conversation today was a phantom income. And we talked about tips. The waitress protected inflation very close, close enough, that they are treasury. That means coming from the federal government inflation-protected securities. And so it's bonds that actually don't pay a coupon, but they go up based on the inflation rate. So if you're worried about purchasing power or real return, it makes sense.

We also talked about zero-coupon bonds, but the biggest point of that segment that I want you to carry away is that it matters. One, what you own. Two, it matters what your tax rate is when you go to own it. And three, it matters what type of tax treatment you have around it. Is it in an IRA, is it in a Roth, is it in a 401k or is it in a retail account that's exposed to taxes every year? And that's really where phantom capital gains come from.

We didn't really get much into short-term, long-term capital gains. And the difference between the two is how long you've owned it, right? Short-term capital gains is anything less than 12 months. A long-term capital gain's 12 months in a day. Long-term capital gains have their own tax rate. So even if in the higher brackets, you still get preferential treatment and short-term capital gain is taxed at ordinary income rates. Whatever your top marginal bracket is. And there are some things that are exempt or fall into a different category and one of them is the sale of a home. So the other thing that I noticed in the article were collectibles, the sale of a home up to a certain amount of money is not unlimited. You can't sell a house in Florida for $7 million that you put $2 million into. But there are limits on that. It's a half a million dollars, I believe.

Now married filing jointly of gain. So if you bought a house for $500,000 and you sold it for a million and you lived there three of the last five years, could be two for those five. It's why we keep our CPA's in the office. Then you're exempt from the capital gain. But if it was a dollar more than, $1 would be taxed at a long-term capital gain. Keep in mind when you talk about a house though, it's all the stuff that you did to it that made it better. The roofs, all things that you're not able to depreciate kind of adds to that basis that you built into it.

Well, one other thing that was kind of interesting, where was the category of collectible? It's collectibles, art cars, coins that aren't minted by the United States treasury. So even if they're a long-term capital gain, which a lot of times is either zero, 15 or 20%, even if those, you've had the coin collection 30 years, how's it taxed? Yeah, it's whatever your ordinary income tax rate is. Cars are the same way. Art's the same way.

There are two tax codes for the United States government. One for the informed and one for the uninsured. Absolutely everybody thinks it's the one for the rich and one for the poor.

The other topic that we talked about was whether or not the federal minimum wage matters. How does Wall Street get paid off of minimum wage? Let's just go straight to the exchanges. The New York Stock Exchange, the Nasdaq, they get paid off what's called volume and the space between two stocks. So when you see the price for a stock, you see what's either the bid or the ask, depending on where it is you're looking. The bid price is what they'll pay for it. The ask prices, what they'll sell it for. And there's a space between the two. So Wall Street's number one job in life is to create volume, right?

In this segment, we talked about social security and when you should take it and questions that you should have. If you've got questions about any of that, don't forget to call Angie: (800) 928-4001. Seriously, if you want to do this on your own, I'm happy to do the show and I hope it helps. If you're looking for a fiduciary that truly is our business, we help reduce financial regret.