CONSERVATION EASEMENTS

"Save the earth AND money, at the same time? What's the catch??"

Rich people like Ted Turner and golf course developers have used this tax trick to save MILLIONS ... why doesn't the Bay Area "middle class" know about this?? Well, NOW you know!

WHAT IS IT?

Without giving up their ownership, a land owner can grant an "easement" to a conservation charity by signing a permanent contract to give up the right to use that land in a certain way - like for mining or housing developments. The potential value of the uses that they are giving up can be considered a charitable contribution – just as if they donated cash. Because donations to charity can be deducted from taxable income, this would reduce the income they have to pay taxes on, saving them money, as well as preserving their land.

WHAT CAN IT DO?

Investing in a Conservation Easement is a "tax mitigation" strategy. There are organizations that "syndicate" CE's, i.e. pool investors' money to execute CEs, so more people can get the benefits. Syndicators buy land that they "could have" developed for profit, then sell "shares" of that land to investors. They then give away the right to the land's profitable uses in the form of a CE "donation," and distribute the tax write-off proportionally to the investors, so all share in the savings. Unlike most donations, CEs can give investors a greater financial return than it cost them to invest... it can turn a profit! That makes this a favorite "trick" of wealthy businesspeople.

WHAT'S THE MATH?

Example (specific numbers used just to make the math easy):

- Investor pays $25K for 25% share of on a plot of land bought by the investment group / syndicator for $100K. If the land were developed by the group and used for oil drilling, it would be worth $1,000,000.
- The syndicator "donates" $1M by signing a CE not to allow oil drilling – that's a $1M write-off. Investor gets $250K (his 25% share of total $1M) as a tax write-off.
- At a 30% tax rate, $250K write-off = $75K savings ($250K * 0.3).
- Investor saved $75K in exchange for their initial $25K cash investment = $50K "profit." They effectively DOUBLED their money!

CAN I DO THIS?

- Need to be a "Accredited Investor" - which you are if you have $300K+ income for a couple, or $200K+ for a single person. (Might be "middle class," in the Bay Area?!)
- Need to be paying more than $50K taxes in a year
- Be able to pay $25K+ for their share of the CE. (That's the non-deductible capital invested in the land, before it's donated via CE and results in a deduction.)
- If this isn't for you, tell friends, and understand the principles...this is a GREAT TRICK!

OK, LET'S DO THIS!

MANY THANKS to our Guest Experts!

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FINANCIAL PRINCIPLES TO KNOW...*TO GO!*

Not every financial "trick" will be right for your situation, but learning about them and the principles behind them will help anyone become more comfortable and savvy about money! You can empower yourself to make the best choices for your family, and be helpful to others - your friends, family, and clients - who might not be as well-informed.

Hold on to these key takeaways and definitions...

What's an Independent Registered Investment Advisor?

For most people, it's the best kind of financial advisor! They won't push their own company's financial products or direct your money into certain investments based on their sales quotas or commissions. They are legally obligated to act as a fiduciary, meaning they're liable and legally accountable for YOUR best financial interests.

What about Certified Financial Planners?

The "CFP" designation doesn't mean a planner is objective or will act as an impartial advocate, although some may be. When employed by a bank, for instance, the bank will make the "rules" for how they operate with clients.

Does the "brand" of a certain investment matter?

Some investments are "commodities" - meaning every investment called by that name is basically equal, so there's no advantage to investing in a certain "type" or "brand." They're just traded by name - like oil, gold, and pork bellies! But most investments - like CONSERVATION EASEMENTS - are NOT commodities and the investment firm managing them is very important. There are GOOD ones, and VERY BAD ONES. You MUST do your "due diligence" - i.e. your homework! - to pick the right advisors to guide you through these kind of investments.

"It's not what you make, it's what you KEEP."

Income (minus) Expenses (minus) Taxes = What you KEEP ... this is the key to MONEY MATH that reveals the importance of understanding and MANAGING not just your income and expenses, but your TAXES. "Mitigate" your taxes by increasing your deductions or “write-offs” so you owe the government less money...it's as good as earning more money, or reducing your expenses, without getting a raise!