CRITICAL CAPITAL MASS (CCM)

THE "LOSS" TEST

Estimate how much income may be exposed to unnecessary taxation

WORKSHEET ASSUMPTION **40% combined tax rate / 60% spendable income**

Use your own tax-rate assumption when a more accurate figure is available.

1 Annual after-tax living expenses

Include housing, food, travel, education, vehicles, entertainment and other personal costs. $ ____________ (A)

2 Pre-tax income required to fund your lifestyle

Divide annual living expenses by 0.60.

$ ____________ / 0.60 = $ ____________ (B)

3 Net practice or business income

After business expenses, but before personal income taxes and employer payroll-tax matching. $ ____________ (C)

4 Calculate total annual pre-tax income

Practice / business income (C)	$	
Other pre-tax income (rent, speaking fees, etc.)	$	
Spouse or partner pre-tax income	$	
TOTAL PRE-TAX INCOME	$	(D)

5 Calculate surplus pre-tax earnings

Total annual pre-tax income (D)	$	
Less: pre-tax income required for living expenses (B)	$	
SURPLUS PRE-TAX EARNINGS	$	(E)

6 Estimated annual tax cost on surplus earnings

Multiply surplus pre-tax earnings by the assumed 40% tax rate.

$ ____________ **x 40% =** **$** ____________