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## TAX SECRETS OF THE WEALTHY



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## WHY MAKING MONEY IS NOT ENOUGH

### *The Closely Guarded Secret of the Wealthy*

When I set out to write this book, some people believed it would only appeal to a small percentage of the population since it dealt with protecting wealth rather than creating wealth. The idea that wealth protection is only important for an exclusive group is actually a common misconception that keeps our nation's wealth out of the hands of many and in the hands of a select few. What most people fail to realize is that the *protection* of wealth goes hand in hand with the *creation* of wealth. In fact, *wealth protection* is an essential step for anyone seeking to create and build lasting wealth. Wealthy families know this. They understand asset protection is the primary tool for safeguarding their assets so that they can continue to become wealthier. This book is not only for those who have already built a sizable financial portfolio but also for those seeking to do so.

The topic of asset protection is amazing, cunning, baffling, powerful, and tricky. For some, it means nothing more than making sure that they hold on to the money they currently possess. For others, it's an area reserved only for those "rare" individuals who might find themselves on the receiving end of a lawsuit. Others believe (mistakenly) that it's something

someone else needs to worry about. The truth is that asset protection is the closely guarded secret of the wealthy that enables them to build and grow their wealth on an ongoing basis. This book shows you how to tap into the financial secrets that the wealthy (and their advisors, like me) know about. Asset protection is the foundation of all wealth building; you must understand it if you are ever to join the ranks of the financial elite.

### KEY TO FINANCIAL INDEPENDENCE

Most people think that the key to financial independence is to simply increase their income. While this is important, making more money, in and of itself, will not make you wealthy. The only way to become wealthy is to continually increase the gap between the amount of money that comes in and the amount that goes out. That's it.

When I was growing up, my dad was a successful real estate investor, developer, and entrepreneur. One of his business endeavors was to travel the country teaching people to build wealth through the vehicle of real estate. I remember telling my dad that someday I wanted to make a lot of money like him. I still remember his response. He said, "Son, making money is important, but *building wealth* is more important." I wasn't sure what he meant at the time, but as I worked with literally thousands of clients over the years, his words began to make a lot of sense. I've seen far too many people who have made a lot of money but weren't able to keep enough to ever become wealthy. Even if they did keep a sizeable portion of their money, they often lost it all through taxes, lawsuits, and other misfortunes. You see, regardless of how much income you generate, you'll never become a millionaire unless you *accumulate* a million dollars worth of assets over and above your liabilities. Simply put, *you have to keep more of what you make*. That's what asset protection is all about.

### GOVERNMENT SPONSORED ATTACK ON WEALTH

Most people don't recognize the threats to their keeping their money. In fact, they rely on others for their protection rather than taking

control of their assets. Many people even look to the government for protection—like sheep hoping the wolf will protect them. My practice and businesses are dedicated to helping individuals identify the potential threats to their wealth and then formulating and implementing a plan for protecting their hard-earned assets. This book explains what you're up against in your quest to become (or stay) wealthy.

While the masses lean on the government for their protection, the wealthy understand that the government has a very sophisticated strategy for extracting wealth from its citizens. State and federal governments, along with other sources, are attempting to place what I refer to as a LID on wealth. LID is an acronym for the three major threats to wealth: (1) Lawsuits, (2) Income taxes, and (3) Death taxes. To become wealthy, you must blow this LID off your business and personal financial situation.

This book helps you create a security system to protect your assets. It's organized around three key topics:

1. Tax reduction.
2. Protection from lawsuits.
3. Estate and retirement planning.

Let's take a brief look at each of these.

### *Tax Reduction: Legal Ways to Downsize Uncle Sam*

The biggest ongoing threat to your wealth is the income tax. At the asset protection and tax seminars that I conduct throughout the country, I often ask, "What is the single biggest expense that you incur each and every year?" Surprisingly enough, few people realize that the biggest expense, even bigger than their mortgage in most instances, comes in the form of taxes. Even worse, most people fail to realize that there is actually something they can do to avoid many of the taxes they pay. If you plan on becoming (or staying) wealthy, you must learn to *legally* combat your tax bill.

As an attorney who specializes in tax reduction, I hear people complain about their taxes all the time. I always ask them the same question: *What are you doing about it?* The blank look on the faces of these people shows me that they believe that tax reduction is an oxymoron. Many people don't believe it's possible. For the rich, however, tax reduction is a daily reality that enables them to spend before-tax dollars while others pay for items with after-tax dollars. If you don't understand what I mean by that, keep reading.

The simple fact is that nobody cares about reducing your taxes more than you do. Since that's the case, you must learn how to do it—and it will make a tremendous difference in your financial life. The strategies in this book enable you to follow in their steps to install your very own asset security system against taxes, as well as lawsuits and death taxes.

### *Protection from Lawsuits: Escaping Lawsuit Hell*

When it comes to lawsuits, most people have heard horror stories of individuals who have been sued for ridiculous things, things that are often out of their control. A cover story in *Newsweek* magazine described our situation as “Lawsuit Hell.” Studies show that a new lawsuit is filed in this country every 30 seconds on average. In the short time that it's taken you to read this chapter, several lawsuits have already been filed somewhere against somebody. Lives have been changed, forever. Financial pictures have been altered, irrevocably. Entire family futures have been put in jeopardy. The worst part is that these lawsuits often could have been avoided with a few simple preventative measures. You will learn more about this in later chapters.

### *Estate and Retirement Planning: Avoiding the Wealth Death Penalty*

Wealth death penalty refers to the estate taxes imposed on those who build up appreciable amounts of wealth. If you die leaving no assets for your heirs and beneficiaries, the government is not concerned. However, if you actually accumulate some wealth to pass on to your loved

ones, the government feels the need to penalize you. While this may not make sense, this is exactly how the system works. The government does this through the implementation of death taxes.

Most people spend more time planning their vacations than they do their estates. Studies have indicated that the average person will spend over 90 thousand hours working to accumulate wealth (40 hours a week times 50 weeks a year for 45 years of their working lives), but less than 3 hours learning how to preserve that wealth. Most people fail to plan their estates—and their families unexpectedly discover that the wealth their loved one spent a lifetime building is largely consumed by estate taxes, fees, and other expenses. Many of these situations could have been avoided by implementing simple estate plans using the tools you will be learning as you read this book. Wealthy families in this country take estate planning seriously because they know how bad government intervention can be. You must adopt this mentality.

*Unlocking Einstein's Most Powerful Force* Retirement is the light at the end of the tunnel that makes some of the dark times of our working lives more tolerable. Unfortunately, a large majority of workers will never experience the type of retirement that they dream of.

Why is this? Primarily because they don't understand what Albert Einstein called the most powerful force on earth: *compounding growth*. Today most people have access to something even more powerful, *tax-sheltered compound growth*, through their company-sponsored or self-established retirement plans. With this type of millionaire-making mechanism available, it would seem like a no-brainer that most of us would invest in it. But in practice, few people have any sort of savings plan to provide for themselves and their families when their working days are over. To make things worse, people live much longer today than in previous decades. You can see the type of crisis that awaits our society if people don't begin to make a change.

The chapters in this book on retirement planning will get you well on your way to building wealth through the power of tax-sheltered compounding growth. You will see how to personally take control over

your retirement plans to turbo-charge the power of your pensions and reap enormous returns.

### ASSET-SHELTERING LEGAL ENTITIES OF THE RICH

Most people don't realize that there are legal entities they could be using right now which would:

1. Reduce their tax liability by 30 percent, 40 percent, even 50 percent.
2. Avoid liability associated with frivolous lawsuits.
3. Pass on literally millions of dollars to their heirs estate tax-free.
4. Build wealth faster by keeping more of their profits.

Implementing an *Asset Security System* is the process of blending various legal entities in a way that maximizes the advantages of each entity while minimizing any potential disadvantages. My practice uses a customized approach that is different from other types of asset protection programs because it is not a one-size-fits-all plan. This book helps you design a plan that fits your individual situation. It is the key component in helping you effectively manage your personal financial situation and begin keeping more of your hard-earned assets to build wealth.