Smart Money Planning

An Insider's view:

25 Years of Practical Experience

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Preface

In this book, I will attempt to teach you a more comprehensive way to invest your money and more importantly how to plan your retirement properly. The problem investors are having today is that they are investing the same way they did over the last 60 years, why is this a problem? Well, to start we are now in a world economy and there are many new factors affecting our markets not to mention many more opportunities to make money in different markets around the world, but I think the two biggest missed opportunities are three-dimensional investing and proper tax planning.

Let's start with three-dimensional investing, what does that mean? Well, one aspect is making money in a down market by using options to make money when everyone else is losing money. This is a strategy that in the past was only for experienced traders but today it is almost pure science once we started tracking and understanding trends that present opportunities by using graphs and historical data coupled with artificial intelligence we can now predict and make more educated investment choices. It takes a lot of effort to be successful in trading options, fortunately there are a lot of new companies popping up that are doing very well by either telling investors what to invest in or brokers who will do it for you for a fee.

Your task is to do your due diligence and find the right fit for you. My advice is to start small at the same time educate yourself on the process. It is quite fascinating if you are proficient in options trading, you can make money in any

market! I will get into more detailed information about options later in the book. Now let's talk about tax planning and exit strategies. Let's start with proper tax planning, what is tax planning? Most Americans have all their retirement money in government tax-qualified accounts in the traditional qualified plans you get a tax deduction for the contributions you make that year into your retirement plan then it grows tax-deferred, and you are taxed when you take distributions later at your current tax rate. The problem with this type of investing is no one knows what the tax rate will be when you retire also with U.S. government debt being so high and its out-of-control spending it is almost a certainty that taxes will be going up in the future.

I will go into tax planning later in the book, the last factor is the one that shocks me the most. A planned exit strategy, when I bring this term up to new prospects or clients, they say what are you talking about? Almost all retirement plans look like this, you put your money in your investment or retirement account, and it will fluctuate over time, hoping you will make between 5% and 7% over time but there are a few problems with this strategy. You can lose a substantial amount of money just before you retire and need years to recoup that money and taxes are eating up a significant amount of your retirement money but there is another factor, I did not mention earlier proper diversification in your portfolio which is part of your exit strategy.

I have been in financial services for 25 years and I manage about $220 million in clients' assets. I started my career on Wall Street in the mid-90s as a broker trainee and from there worked my way up to the private client group and then became an investment advisor and an investment banker. It was a very exciting time we were in the middle of the dot-com phenomenon unfortunately this gave rise to

schlock house brokerage firms. I witnessed stock manipulation, IPOs on companies with literally no revenue, and small firms would become market makers for individual stocks, they would sell to the public and get a huge rip (commission). Almost all of those stocks in reality had little or no value, the firms would use the "straight line" also known as the boardwalk pitch to create narratives about these stocks drive up the price per share by selling them to the unsuspecting public and then the firms would dump their own shares and a few coveted insiders or value clients all at once driving the stock price down and all the unknowing public would get stuck with almost worthless stock.

There was insider trading and brokers moving from firm to firm to stay ahead of the NASD now known as FINRA, The governing body of Wall Street. I was the naïve kid from Staten Island and could not believe what was happening! How could the public not know? Let me explain how I went from a naïve kid from Staten Island to work in the lion's den. I had some friends who were working on Wall Street for those of you who don't know Wall Street is only two blocks long and there is only one major brokerage house on Wall Street the rest were all a new breed of white-collar con men.

I interviewed at one of those firms and was immediately hired as a broker trainee which meant for five hours a day, I would call up leads and get their financial information, we were given scripts and taught by some very talented trainee managers on how to get this information. After doing that till about 1:00 PM we would then study for our series 7 test for four hours a day. I became very adept at getting clients' financial information, we were taught to bully and intimidate prospects and promise them they would be working with a successful senior broker. The reason I did very well on the phone was I was raised with manners and spoke to

everyone with dignity and respect, in fact, I was called into my senior broker's office, and he asked why I wasn't following the script. I replied I am but in my own manner. He said you get me between 8 and 10 leads almost every day keep doing what you are doing, but I'm going to put you away from the other trainee brokers. He then said, Ken, you have talent and if you work hard, you can be me someday. I really did not like the man, he was arrogant and a bit shady but on the third day in the firm they got their paychecks, he said I had a bad month and showed me a check for $44,600. I still remember the amount to this day; I still had no idea what was going on around me, and I was oblivious at first. My eyes were opened about two months later when my senior broker was arrested right in his fancy office along with the two owners of the firm. I quit that day and interviewed with another firm, and they ask me why I left the last firm I told him the truth, and he told me this is a clean firm, and I could prosper here.

Well, I found out that was a lie, but my new senior broker was very talented, and he liked me and taught me what not to do. Unfortunately, he lost his license illegally trading clients' accounts and was caught with inside information. He had a good friend who was still at the firm and one day he said let's go to dinner, I was broke so I said sure OK. I really didn't know him well, but he said he had an interview for me tomorrow morning at a real brokerage firm it was called Investec Ernst. I told him I was taking my series 7 test tomorrow, he just ordered two more drinks and said after you finish with the test go to the firm and see a gentleman named Bill, he then asked me if I was going to pass the test and I replied I'm real confident! The next morning, I was leaving Staten Island, and I missed the bus and then missed the Staten Island Ferry. I was supposed to be at the test site at 9:00 AM but arrived at 9:55 AM, the nice lady who was monitoring the test said you can still take the test but you will

only get two hours instead of three. I didn't even hesitate, I took the test and passed with a 79 not great, but to me, it was a pass-or-fail test and I passed. I was officially a licensed stockbroker I went on my interview and met "Bill." He was honest and successful, he trained me for the first two months on how to open up accounts I did this by learning scripts and listening to other junior brokers and getting him leads. I also sat in his office with another broker listening to Bill work with his clients and after two months of listening and getting bill leads, he said I was ready to open up accounts. He explained that I worked for him til I opened up 20 accounts for him and then I was on my own and get to keep everything that I opened after that.

I was still green but Bill was a good man and we became friends. He would buy me lunch and take us out after work one or two times a week. You see, I was still only making $300 per week but Bill would throw me an extra $100 when I would open up an account for him. He was very generous and a great teacher over the years we became good friends. I even stayed at his house a few times and met his wife. I need to rewind a bit even though I did very well in school I only did 18 months in Community College, these guys I worked with at Investec went to Ivy League schools and lived in Long Island or Connecticut I am from a very blue-collar neighborhood we were all middle and lower-class families, and I was intimidated at first. Well, on my first day of opening accounts, I opened two accounts unheard of and in six weeks, I opened up 20 accounts for Bill and was now on my own. I was no longer sitting in Bill's office but on the floor with 25 other new brokers dialing for dollars.

There was an old Jewish gentleman Saul, who didn't talk to nobody. He would come in at 5:00 am, to call Israel and Europe and he had a $5 million book. I started coming in

earlier about the same time and he would call overseas, and I would listen to Saul and one day I got up the nerve to ask him a question. He says if you want to learn, sit there, shut up, and listen, no questions. I did this for about a month and one day I brought him a coffee and a bagel he then said to me what have you learned from me? I replied mostly work ethic but you are no nonsense but I know you care about your clients and make them money. He then said you can ask me three questions. Go! I only asked him one why are you helping me? You clearly don't like me but you tolerate me, he answered the new breed of advisors are arrogant and greedy you are neither of these things, I hear you speak to your clients and prospects you speak to them with respect, and you have a good work ethic. You are here before all the other new guys and you leave late every night. He then said I don't dislike you I just don't trust you yet, trust is earned, but I do respect you. You have to understand coming from Saul that was priceless, I was getting more confident but still only making $2000 or $3000 a month, I was struggling financially you see I could open accounts, but I still didn't know how to trade accounts properly. I approached Bill one Monday morning to ask him for his help, Bill was still my friend and made me an offer to partner with him as a junior partner, you open the account, and I will teach you how to trade them and we split the Commission 50/50. I agreed but told Bill I was learning from Saul. He replied, he is teaching you. He hates everybody! He then said keep learning from Saul in the morning and in the afternoon, you come to work with me and my team. I then went to Saul, and I asked if I could speak with him for two minutes he looked up and said go and then looked at his watch. I told him I would like to start working with Bill in the afternoon but didn't want to stop learning from him in the morning Saul being Saul said I'm not your boss, but I do have one condition stop wearing the damn cologne (Joop) I still

wear it to this day. I started making money and by chance met another future mentor I will call Doctor M he was the U.S. representative for a large European pension fund Doctor M was a Greek gentleman who did very large investment banking deals. I met him at a small bar right off Wall Street he would go there almost every Friday when he was in town he usually had one or two drinks and then left, to me he was very mysterious and one day the manager of my firm was sitting next to him and I walked by and my manager Mike introduced me to Doctor M. Mike was a nice Italian guy he said I was a good broker and is learning from two of his best senior brokers, Doctor M gave me his card and said come to my office one day and we can talk.

Taking a line from the movie good fellows, it was a glorious time, I was at a great firm, and I was really coming into my own as a broker. I now lived in Manhattan and was really enjoying life, then came that fateful day I remember like it was just yesterday it was about 7:00 o'clock Eastern Standard Time. I was calling Vegas to pitch new prospects I have been trying to call this one gentleman for about two months, but his gatekeeper never let me thru to him, but I kept calling one Thursday I called, and he answered the phone himself, you see, he was the CFO for a casino that was being rebuilt I can't say his name of the casino I signed an NDA. Anyway, he said I'll make you a deal you do something for me I will give you $100,000 to invest for me and my family, I said, OK he then said I need to refinance a $50 million debt service! This is the rate I want can you do it without hesitation I just said yes the truth was I literally had no idea what he was talking about so I went to the firm's manager the next day and told him about the great deal I had just secured he smiled and said we're a retail firm and we don't do that kind of investment banking and I just said oh ****! But he had a kind of strange smile on his face and said but you do know somebody who can

do that kind of business. I was perplexed he then, said go see Doctor M and he can probably help you. I called Doctor M's office and got his assistant; I was frantic, she said if you can get here in 15 minutes you can see him for ½ hour, so I jumped in a cab and went to Doctor M's office for the first time. He invited me to sit down with him, and he was always very cordial I explained my situation. He calmly said give me a few days and I will put together a proposal for you I was shocked! Could it be that easy? The next day I told my boss what transpired, he smiled and said welcome to the big-league kid. I then asked him if I was allowed to do business with him isn't that selling away? A term used by stockbrokers who illegally sold equities with another brokerage firm.

He pulled me to the side and said you cannot sell equities with any other firm, but we don't do investment banking, so knock yourself out good luck! Early the next week, I got a call from Doctor M's assistant asking me to come to his office. I got there expediently and was greeted by the doctor himself. I went into his office, and he smiled and asked how are you? I said, a little nervous but excited he just smiled again, and he handed me a contract and a plane ticket, he said go get the contract signed and we can do more business in the future. I then said sir, slow down I have never done this before and I don't even know the terms of the deal he replied, everything you need to know is in the contract, including the terms, read it tonight and get it signed. You have an appointment with their board in two days. I was perplexed and said you are sending me to close a huge deal and I have no experience. You want me to pitch this to the board of a major casino? He smiled and said to you it's a huge deal, to me it's the minimum the pension fund we do now, go close the deal. Let's just say I was confused, scared, and felt like I was just set up for failure he walked me to the door and obviously saw the disappointment on my face he put his hand

on my shoulder and said do you remember when you first became a broker $100,000 was a lot of money I said, yes sir, now you open up accounts for $100,000 over the phone like it was nothing same thing. It's just relative, yes to you it's a lot of money to me not so much, and by the way, they're not going to say no, no one in the states can match or beat that offer we are offering, 50 basis points higher than anyone else. The next day I boarded my flight and started to think about how I was going to carry myself in the meeting I then remembered a line from Sherlock Holmes' book, the best-laid plans! I realized that if I go there with a preconceived scenario, I was probably going to get caught with my pants down so instead, I slept about three or four hours on a plane and arrived in Vegas I was in awe of the bright lights, the noise, and the electric atmosphere. I went up to my room changed and went down to the casino floor for the first time I was overwhelmed at first then I just started watching people at the gaming tables it was not what I had imagined I thought they would be gangsters, beautiful women and everyone having a good time what I saw were regular people mostly older folk focus on the gaming table people at the tables were mostly quiet and they even looked a little bit out of place.

I walked around some more and then I went for a drink I sat down and observed for about 30 minutes and then walked around the casino some more and I realized nobody there was who I thought they would be I was just like everyone else it was a curious mystery. The next morning I went to the meeting there were about a dozen people in the boardroom all looking at me trying to figure out what kind of person I was, I was cordial but direct and straight to business I explained the terms of the proposal and then they asked a few questions trying to gauge my reaction then the gentleman sitting across from me asked me what I do for my firm? I lied, and I said I managed about 100 million dollars of high-net individuals'

money and worked with the pension fund on various projects. He said why did they send you for such a large deal? I smiled and said the amount of money in this deal is the minimum the pension fund will do, he looked annoyed even offended he then repeated why did they send you I looked him straight in the face and said I get the job done now let's talk business gentlemen this proposal beats every deal in the states, you could probably find a similar one in Europe but you don't have the time and my guess is you have huge construction overruns and your capital is getting tight, am I right? He said nothing, so I said I'm going to go downstairs and have a cigarette you talk amongst yourselves and when I return you either will tell me yes or no.

I got up and began to leave the boardroom the look on everyone's face was priceless. I went down to one of the bars in the casino to have a drink and a cigarette I just sat there wondering if they were going to call my bluff. About 10 minutes later I was approached by a guy that looked like an outside linebacker he said they wanted me back upstairs, I smiled and said I will be up in a minute or two he said no sir I was told to bring you upstairs now. I lit another cigarette, sipped my drink, and he said, put the cigarette out, we have to go upstairs. I took another sip of my drink, took another drag from my cigarette, and said maybe you didn't hear what I said I would be up in a minute by the way I don't take orders from anybody in Vegas. When we finally return to the boardroom, I was shaking inside, that guy could take could have taken me out with a halfhearted swing when I return to the boardroom I sat down and the gentleman to the left said we like the terms but we're going to have to raise the rate by another quarter point, I said I'm sorry but we're already beating everyone else by 1/2 point, he then said, ok we will let you know what we have decided then we will be in touch I said OK you have till tomorrow morning and then the offer is rescinded, it got real

quiet real fast. The gentleman at the head of the table asked if we agree to the terms what would be the time frame to close the deal. I said about 30 days but that mostly depends on how fast you supply the documents needed, he just looked up at me and said OK we'll sign the letter of intent and proceed from there I got up and shook his hand and left the boardroom. I went back to my suite changed and about then there was a knock at the door, I opened it up and a very attractive young lady handed me a box she said it was a gift from your new friend, I tipped her and opened up the box and inside were two Cuban cigars $500 worth of chips and a handwritten letter that said if you ever want a job in Vegas come see me.

I returned to New York and bought the signed letter of intent to Doctor M, he smiled and said I knew you would not disappoint me. About 30 days went by and I got a call from Doctor M's assistant she said we have a check here for you I got into a cab and was there in about 20 minutes. When I arrived, she handed me the check I looked at it and I thought I read it wrong it was for only $5000, I was expecting $50,000 the usual fee. I asked to speak with Dr. M, she said he was not in office, so I asked for an appointment, and she told me he would be returning at 4:30 PM. I came back to his office later that day, he invited me into his office and asked if there was a problem? I said, yes sir I'm short $45,000, no he said we never discussed compensation I said that's the going rate. He replied you were so focused on being afraid you forgot the number one rule on the street get everything in writing. I started to leave I was pissed to no end, but he said you can storm out of here or take it as a lesson learned and I can show you how to make real money but if you want you can just leave, after about 10 seconds I said yes I do want to learn from you and I know I will never make that mistake ever again. He said, good let's meet next Friday, and I will show you what I really do! That was the start of a new chapter in my life, which really

worked out because the market was about to crash, and the dot-com bubble would burst and never return. It was an end to an era, brief but exciting.

After about six months of working with Doctor M, he sent me down to South Florida to look for investment banking deals the pension fund was looking for new construction projects, financing and or merger or acquisitions but no startups the deal minimums were $100 million. After a month in Florida, I moved to Pompano Beach, Florida, and was bringing him two or three deals a month. I lived in paradise and life was great. But then my reserve unit got called up in 2003 and I was called to active duty when all was said and done, I was in Ft. Stewart, not the ideal place for a guy from New York City. While I was there, I met the woman who would become my wife after six weeks of dating her I asked her to marry me she, said yes then I ask my new wife where do you want to live South Florida or New York City, she replied Savannah. I asked why, you see my wife was visiting from Panama and the only people she knew in the states where her two sisters and they both lived in Savannah with their families, I tried to explain to her I cannot make a living in Savannah, but we compromised and now we are living in Savannah GA. I immediately called Doctor M and to set up new deals, but he was now living elsewhere seems he was not so different from the other Wall Street people he is in some serious legal troubles, and I was SOL!

I felt defeated, but I still had my broker’s license, and I knew how to manage money, so I went to a few large brokerage houses, but they wanted me to start from the bottom and the commission structure was horrible compared to what I was making. Then fate intervened I met a recruiter from New York Life named Dwayne, he brought me into New York Life, they didn’t want to hire me because I didn’t know

anyone in Savannah, they didn't understand I was trained on Wall Street I can use the phone like a cash register. I persuaded them to hire me and then applied for my Georgia insurance license, Dwayne trained me on how to get insurance appointments and sell them, I was real good on the phone and set appointments almost every day then Dwayne taught me how to close them, in my first year I was the new agent of the year. I repeated that for that for the next two years running and in my third year was the first million-dollar roundtable New Org agent in Savannah GA ever. I still opened accounts and manage money but now I sold large life insurance policies to small businesses I was feeling good again, but little did I know the person who would change my life was my NY Life Trainer, my trainer's name was Brian. I spent three years with him, he taught me everything I know about business insurance planning, annuities, and tax strategies. Brian is now in charge of training for New York Life he was my mentor and I got so good he would bring me up in front of the new incoming class of trainees he would take out a phone book and told someone to pick five names in the phone book from the business section I would set an appointment right in front of them my life was good again but again chance came a knocking. My manager, Dwayne, left New York Life, and Brian got promoted to work in Westchester in New York City as the national training vice president. I want to say I was very lucky I had three great mentors in my life, but Brian is the one who put me on the path to become one of the top 10% of agents and advisors out there I owe him a lot.

In 2007, a new product came out that changed the insurance business forever actually two new products fixed indexed annuities and index universal life these products would allow me to change clients' lives and show them a new way to invest their money safely.

Now you know my story now let me show you what I’ve learned in the past 25 years.

Chapter 1

I really had a hard time on how to start this chapter, so I am going to try to communicate what I believe to be why most people are not more engaged in their own retirement and investment strategies. I have been a financial adviser for 25 years and I cannot understand for the life of me how individuals approach their retirement planning. I have observed and experienced people from all walks of life from blue collar to the upper middle class to the wealthy and they do not educate themselves on what I deem to be one of the most important aspects outside of health to one's prosperity, heck to just living decently without worrying about money constantly. As we get older, unfortunately, we realize we didn't plan properly and are left with the cold hard truth that there is a real chance of running out of money or having to lower our standard of living dramatically. This all stems from the fact we were never taught about qualified retirement accounts, only told we need to have one. We were told the most proficient way to make money is in the stock market what they don't explain to us is what happens if in the last few years of retirement, we are down 30% or 40% and we have suffered substantial losses like 2008 or today 2022. The other issue is individuals who have a 401K just blindly put money in it every pay period and are not proactively protecting their money. The main problem is if you seek assistance from your 401K administrator, they say "we have multiple investment choices pick out the one that is suitable for you" in other words you're on your own pal. It wasn't always like that years ago they would offer advice on how to invest your money, but later they felt there was too much liability on offering investment

advice because no one really knows how the market will react at any given time. So, they lobbied congress and FINRA to change the most important protection afforded to the consumer, it was called the ***“know your client rule”*** which made the 401K companies, Brokerage firms or Custodians a fiduciary and they had to give advice that was in the clients best interest, the problem was in 2008 almost everyone lost a significant amount of money that was tied to the market and there were lawsuits and tens of thousands of complaints filed. What they did, in my opinion was beyond contemptuous they lobbied both congress and FINRA to change the most important and protective rule for the public and consumers in the investment world and won. Now any 401K company or custodian of your money no longer legally had to offer investment advice and could no longer be sued by the public, what they did was shift the liability from themselves to you. So, when you call asking for assistance you get well there are several investment models with different allocations and different levels of risk. Quite clever but again what a travesty they can take your money charge you, fees that are generally between 3%-5% annually and they basically have no liability.

I am going to teach you how to increase your chances of making money in your retirement accounts and keeping the gains instead of being on a financial roller coaster. Almost every retirement account uses mutual funds as their accumulation product in my opinion the least favorable way to accumulate and keep your money, if you don’t believe me, have you ever heard of anyone getting wealthy from mutual funds? In a good market, they are average at best but in a bad market, they are slow to recover. I guess I should explain why we use mutual funds as the government’s favorite investment vehicle. What the original thought on these horrible products is that you diversify your risk with mutual funds because they use many different stocks from different sectors inside the

fund to have diversity and minimize risk well in theory it is a solid investment strategy but what started out as a good idea like anything else gets manipulated. Having different allocations in different sectors did minimize the risk but also made getting decent and competitive returns very difficult, so 401K companies and other custodial companies decided to increase the chances of getting better returns by making mutual funds that were sector driven like tech stocks or retail stocks, this increased the chance of making money in a good market but had some downside risk. No one mentioned like if the market was good but that particular sector was weak you lost money in an up market or if the fund was not managed, properly, its returns were weak. Now I will say they have really gotten better at the management of the mutual funds, but they still have the inherit flaw they are slow to react to market conditions and don't recover as fast as individual stocks. Like I said, you will never hear anyone brag I made a killing in mutual funds! But that's not why I dislike mutual funds, because they have a feature which they hate when clients initiate and really don't explain the reason for this investment choice.

Let's start with the best kept secret in the industry all qualified retirement accounts and some non-qualified retirement accounts if they are using mutual funds have this feature which is called the cash equivalent, it is either a money market or a very safe bond fund but almost always it is a cash account or money market fund. What I try to teach to my clients and students is when you see volatility put your money into safety, the worst that will happen is you might miss a rally, but you won't lose any money either. Would you rather miss out on a 3-point gain or lose 3-points, very different? I am not saying you can time the market that is a fool's errand, but you can minimize your losses and have much better returns over time.

Here is where I am going to try to teach you why most people are not more prosperous in the market. The golden rule in investing is buy low and sell high, but the most prudent rule which is almost always overlooked and could change your financial future for you dramatically. It is so simple but ignored all the time when you make a profit, take **25% or 50%** of that profit and keep it in cash or your money market. This will minimize losses dramatically. If you can teach yourself to do this simple strategy and put money to the side and when the market goes down, you use that cash to buy when low and as soon as you see some profits do the same thing take a good percentage of the profits out and put it in cash. Now here again greed always gets in the way instead of taking your gains, immediately you say I will let it ride a little more and try to make some more money, therefore most retirement accounts look like a roller coaster ride. The solution is so simple but unattainable for most people because greed will lead you to losses and regret. We do this with individual stocks as well we ride the roller coaster of fate.

The next solution is using fixed products to protect your principal and have safe, consistent growth. Stockbrokers and investment advisors hate this solution because it takes away their ability to use your money in the market. Most investment advisors make between 1%-1.5% managing your money that is based on your account value and they keep making money even if you are losing money, not a bad racket. Their argument against fixed insurance products is you are locking up your money for extended periods of time. They say the insurance salesman makes a lot of commission selling you these products, that's rich coming from them, almost hilarious except for the fact that is what they honestly say. I personally use Fixed Indexed annuities in me and my family's investment strategy. I will dive into the inner workings of Fixed Indexed Annuities later in the book.

The next strategy is investing in precious metals now they are not exciting, but they have for a very long time had slow but consistent growth and I will let you in a big secret if you buy bullion not coins and the metal increases in value you do not pay capital gains tax!! Always take possession of the bullion, do not keep it with a custodian because they leverage your bullion many times, take physical possession of your bullion get a safe and put it in a safe deposit box. You can never go wrong with this investment strategy it is tried and true.

The next investment strategy is investing in real estate. The misconception is you must be rich or wealthy to use this strategy it is not true. When you start to buy a multi-unit house or building. I will give you a quick example, in buying a property that has four rental units and you rent them for $1200.00 per month, that is $4800.00 dollars you take in monthly and let's say your mortgage is $2800 per month you are making $2000 per month profit. Now to be fair, there are insurance costs and upkeep of the property and sometimes you pay a person or company to manage the property let's say after all that, you have a positive cash flow of $1000 per month not a killing but that is $12,000 annually, that goes into your savings. Now there is a second option, you can live in one of the units, manage the property yourself and live for free in one of the apartments instead of making $4800 per month you are making $3600 per month and then you can save your own money every month because your overhead is low. If you repeat this scenario and purchase a new property every three or four years, you will have built quite a handsome portfolio of real estate and have a good passive income.

The next piece of advice is having a side business it doesn't matter, what it is just something that is yours and you continue to learn and grow. I will tell you a very well-kept

secret if you are consistent and believe in your business over time you will be successful at it, what's the secret? People give up too easy and go onto something else and continue that cycle. If you stay the course, learn, get better, be consistent, and understand you will have failures or try things that just don't work in your business, that is the learning curve called paying your dues. Remember, you never fail if you never quit. Failure is enviable, but only successful people don't give up they learn from their mistakes and move on, is it easy? Absolutely not, it is tough and sometimes frustrating, yes, but boys and girls, that is life you choose to give up or grow and move on it's just that simple.

Now I will give you the number one reason why more people do not attain wealth or a stress-free retirement it is because they did not have a plan going forward. A road map to prosperity I have coined the term "Exit Strategy," when most people hear that term, they think of a business strategy or a way to exit from a deal or situation. I use this in a more literal sense if you have a well-planned out multi layered retirement strategy that includes true diversification, short- and long-term goals, and a well-planned tax strategy you will have a much better chance of reaching your goals for a stress-free retirement. But with anything in life, you have to put in the effort, do not trust any one person with your future, educate yourself and make sure you do not let anyone persuade to stray from your strategy. Now understand there will be investment advisors and fiduciaries that will have very compelling presentations, but I can tell you right now they will not have a complete solution, they either want to manage your money in the market or invest in some way making you stray from your goals. How do I know this I have been in Financial Services for 25 years from Wall Street to Main Street and as I

have stated earlier, there are very few Advisors that are well versed in multi-layered investment strategies that include market growth, fixed insurance products, advanced tax strategies and other strategies that give you true diversification.

In the next couple of paragraphs, I will explain why what we are taught or thought to believe about investing in is backwards 180 degrees. In all qualified government tax plans 401K's, IRA's, 403B's, SEP's or Profit Sharing and a few more you get a deduction for contributions for that year, it grows tax deferred, and you get taxed when you take deductions or if you haven't you have required minimum distributions starting at age 70 ½. Why required distributions if you don't need the money right then, well it's because the government wants it cut and if you don't take the Required Minimum Distributions known as (RMD's) at age 70 ½ they will tax 3% of your qualified portfolio every year at the tax penalty rate of 50%. Just so you understand, even if you don't need the money or want it at that particular time you are forced to start making 3% withdrawals at 70 1/2 or face a penalty or 50% tax for that 3% of your portfolio. The public does not understand how much the government makes annually from RMD's. Let's say there is five Trillion dollars of Qualified retirement money for people 70 ½ and over 3% of five trillion dollars is 150 billion dollars annually that is just in required RMD's now let's look at just federal tax of regular distributions annually. Let's just say for this example that the public is taking 1 trillion dollars from their retirement accounts annually that is another 250 billion in taxes every year so combined that is 400 billion dollars the government is making every year from taxing your retirement accounts. The sad thing is we never look at this scenario from this perspective. I understand if you are working with a company that offers a 401K you should take advantage of the plan it may not be ideal, but I will show

how to use another strategy combined with your 401K when you turn 59 1/2 and optimize your retirement portfolio and again I will go into that strategy later In the book.

Let me ask you a question now since you understand tax deferred, investing I am going to ask you a simple question using an example, would you rather be taxed on the seed or the harvest? What does that mean, well would you rather be taxed at the beginning of your investment or after when it has grown significantly? The latter of the two the government retirement plan taxes you on the “harvest” Now let’s look at the first option being taxed on the “seed” meaning being taxed on your initial investment it then grows tax deferred and the distributions are tax free! Now, doesn’t that sound much more attractive?

So now you understand the difference between these two investment strategies how do you accomplish the first option being taxed on the “seed”, well there are only a few options available the first is a Roth IRA that is when you are taxed on your initial investment it grows tax deferred and the distributions are tax free. Now understand there are some very strict rules in using the Roth IRA Tax code, such as you can only make a certain amount of money annually both as an individual or if you are married. Second, there are restrictions on what you can invest in and there are penalties for early distributions, but overall, it is a much smarter way to invest your money.

The second option is Municipal Bonds they are triple tax exempt but here again there are rules for a municipal bond to be triple tax exempt you have to purchase municipal bonds in the state you live in and the other catch is that if you live in a state that the bonds are highly rated they tend to pay less than states with lesser credit ratings and like any investment there is a chance of default of the bond debt but to be fair it is

very low about 1/12 of one percent but understand in very volatile markets like now with high inflation and high debt ratios it does increase that chance but they are very stable and tried and true. Now, using my reference from earlier in the book, you will never hear someone say I got rich from buying municipal bonds.

Now the third option is my favorite, and I have been using this investment option since 2007 with my clients and it is tried and true but when I tell you what it is, you will frown and instantly disregard it but that will be a mistake because this strategy has been used by the wealthy for over 100 years and until recently has been the best kept secret despite the industry screaming out the benefits since the early 70's. It is permanent cash value life insurance, either a Whole Life Policy or an IUL (Indexed Universal Life Policy). I personally prefer the IUL's because they have much more upside potential and have worked better for my clients. Why do I like this strategy so much well you pay with after tax money you then have tax deferred growth but all the distributions if structured properly are tax free that includes any cash withdrawals at any time the death benefit or policy loans which are forgivable loans. How this works is there is IRS tax code 7702a. This is a unique tax law that no other industry can use and the wealthy people in this country use it go grow their wealthy safely with no chance of losses and the money is protected from any creditors even the IRS. For one example, Mr. Frank Woolworth used a Whole Life Insurance Policy to open his first five and dime department stores many professional athletes and people in the entertainment industry use this strategy, and yes that includes the rich and ultra-wealthy in this country. I will go into detail about this strategy later in the book it is called a SLIRP (Supplemental Life Insurance Retirement Policy).

Now I use this strategy even more effectively with business owners from the small mom and pops to the wealthy. In this more advanced strategy, I combine three IRS tax codes together to create a very safe and advantageous place to put their money. The three tax codes I use are IRS sub section 162 affectionately known as the executive benefit rule and IRS sub sections 7702a and 7872 combined to form what I believe to be the ultimate investment strategy for the business owner I can argue this with any Investment professional or tax specialist that is the perfect tax and investment strategy. It literally has no flaws, sounds too good to be true, it has been challenged by the IRS many times in the past and has allowed it to be deemed legal. How do I know this well, three of my clients have been audited, and it was deemed not only legal but allowable according to their own tax laws. In fact, in my unique version, I got the help writing my version from the IRS I must admit they unwittingly helped me just by answering a lot of different questions multiple times with different IRS personnel. You see, when you call the IRS or communicate with them, you will never speak to the same person twice. I also worked with a few different Insurance companies with some of the best tax attorneys and advisors in the business. So, you understand I use this strategy with three major multibillion dollar insurance companies who are at the very least ultra conservative and compliance is very strict. I use this strategy in many forms, including business partnerships, all versions, Golden Handcuffs and Golden Parachutes. I mostly recently wrote a strategy for the Marijuana industry. I will go into detail like I said earlier later in the book. Not taking advantage of this strategy is where a lot of people miss out simply because they are not properly advised, or their investment professional is oblivious to the strategy.

Chapter 2

Habits and Diversification

I want to begin this chapter talking about habits, I have learned from being around a lot of successful individuals the one thing they all have in common is good business habits. To be successful, you must be disciplined and have a very thick skin you also must understand if you are not failing you are not moving forward, what does that mean? It's just not a cliché it is a way of life. If you are going to try to be successful at anything you must understand you will have failures and setbacks and they may seem overwhelming at times but how you handle these challenges is paramount to becoming successful, you must not look at these setbacks or failures as a roadblock but as a learning experience I know easier said than done but one of the biggest reasons most new business owners fail is they give up too easy. Success is a state of mind, and you must be disciplined and not think with your heart but with your head. If you can truly learn from your mistakes and slow down a little bit and contemplate your next move, this will create a positive pattern of learning that will lead to success.

Good habits lead to growth both as an individual and as an investor. Most positive people have their own good habits that help them function and stay healthy and grow as a person. For example, I get up every morning at 6:30 and drink a room temperature bottle of water, I then do 10 pull-ups, 10 chin-ups, and then I walk my do, when I get home, I get ready for the gym, I eat a mouthful of peanut butter or a pre-workout

drink, drive to the gym and workout for about 1 ½ hours, four to five days a week. On the days I don't go to the gym, I walk about 3 miles and do push-ups three times a day. I come home and take a shower and then eat and go over my itinerary for the day. These are habits that have taught me self-discipline. These are habits for my health now let's talk about business and investing habits.

Learning good investing habits can be challenging, but I think I can help you shorten your learning curve. First is the most basic rule, buy low and sell high or let's say, with a profit. So what does that entail it means you must at the very least watch a number of stocks or funds that you believe you have potential learn to look at past performance and what the market is doing, here is a good rule if the market is up and doing really it's usually not the time to invest in new investment opportunities you have to be disciplined enough to wait to when there is a good buying opportunity. This brings up the number one bad habit of novice investors the lack of patience and discipline. When you see everyone around you making money or your other investments are doing well, we tend to get antsy believing if we don't invest now, we are going to lose potential gains but in fact most times the opposite is true when we don't have good discipline and follow one of the golden rules buy low and sell high, we tend to lose money. The point I am trying to make is timing is important, not just knowledge. Good timing often means having the discipline to wait for the proper time to invest your hard-earned money. Using this strategy usually means greater returns and minimizes losses, you see, most people get too impatient and invest with their heart and not their head. These rules are very simple, but adhering to good habits requires discipline. The moral of that paragraph is patience and discipline, boys and girls.

The next bad habit is unrealistic expectations, we live in a society with instant gratification and have very little patience for anything else. There are no get rich quick schemes, if there were the rich and insiders will have gobbled them up before you even get to hear about them. A very good example of this is crypto yes it did very well for years, and I believe will come back strongly in the second or third quarter of 2023 yet here again most people will miss the boat meaning they will wait until crypto starts to make gains again instead of buying it now when it is down 30% and 40%. What all amateurs try to do is waiting till it bottoms out well guess what they're no real way of knowing that what you can do is understand you may buy it today and it may lose 10% or 15% but be patient enough and it will most likely go back towards its highs in a year or so this is how professional or educated investors make money in the market. Now, if you do this, you must have some investment goals and realistic expectations. Let's say you buy a crypto currency at $90 dollars today and in 12 to 18 months it is trading at $160 what almost every novice investor will do is let it all ride thinking it will go to $400 or $500 a coin and they will become rich but in reality, it will continue to fluctuate like any other investment or worse get regulated by the federal government. So, manage your expectations and be disciplined and not greedy and take 25% to 50% of your gains and put them into cash. This strategy will minimize your losses and give you liquidity if there is another good investment available or if the investment starts to decline in value.

Now let's talk about expectations further we always think about gains but never losses what if I told you can plan ahead and get out of investment even if you are not, watching it closely it is called a Stop Loss. A stop loss can trigger automatically by you setting a dollar amount you want to sell at if your investment is losing money let's say for this example

you bought an investment at 90 dollars and you don't want to lose more than 15% you would put a stop loss at $76.50 that is 15% of $90 the sale will automatically trigger when the price hits $76.50. Learning to use stop losses is a very good habit to learn and will save you money in the future, especially in a volatile market. You must understand if you always try to hit a home run on every investment, you will end up striking out a lot and in the investment world, that translates to financial losses. We got spoiled over the last 6 years, the market did very well, but make no mistake, it will eventually fall and have a correction, not just me saying that, look at history whenever you have sustained gains you will have a major correction every time.

Now we know that most investors' portfolios were up 50% and more over the last 6 years but since January of 2022 the market is down 35% to 40% depending on the sector, now in real dollars that translates to almost if not all your gains were wiped out because of greed the undisciplined or unknowledgeable did not take their gains and put them into cash or cash equivalents. This is managing realistic expectations we are so afraid of missing out on future gains we just sit and watch our financial gains disappear. There is another phenomenon that really perplexes me people will sit and watch their investments lose value and not react at all you see most market crashes take many months it does not happen overnight why not do something. I asked many of my newer clients why didn't you do something instead of watching your investments fall? Their responses amazed me, they replied I didn't know how to go into cash in my 401K or I was afraid to sell, and it would go up soon as I did. I am not making fun of these people, but at the same time don't you think taking a little time to educate yourself on your own investments is worth the investment in time? I am no mechanic, but if my car sounds different or the check engine

light is on, I am going to bring it to a mechanic. I also believe that we hold in our hands every day the entire knowledge of the world in the form of a smart phone or tablet or laptop. Let me give you some perspective we go to the store, and we are overcharged by twenty dollars most of us would correct that situation immediately but if you lose $20,000 in the market most of us do nothing, I fail to see the logic in that. So have realistic expectations of growth and losses, take the time to at least be able to access your investments, maybe put in some stop losses when you can and take some of your gains when you're up and put them aside.

Now let's talk about future positive habits; if we just take a few hours a month to educate ourselves on the investment world within a year, you can increase your knowledge dramatically. You can call up your 401K company and ask questions or go on your investment website or portal and learn more about what investments that are available to you, learn how to protect your downside with stop losses or putting your money in cash or cash equivalents. You can also practice being more disciplined in your private life or using your newfound discipline to get healthy or healthier. Remember, life is a journey and sometimes we get so caught up in the moment we forget to make time to grow and flourish and to continue our journey of self-knowledge. Most people reading this have already had significant losses, so what do I do know? The first thing I suggest is to learn from your mistakes. Now you know if you have a 401K, you can put your all or a portion of your money in a money market or fixed account. You must have enough self-discipline to make that defensive move. Don't be so afraid of missing out of gains that you end up losing money because you got greedy. Second lesson start using your newfound knowledge and have the discipline to take gains, start slowly, for example your account is up 10% now you just take 25% of that 10% and put it into

your money market or fixed account once you have done this two or three times you will see you cash account grow but more importantly you will have learned a good habit and as time goes on, you will learn to take more of your gains and put them into safety just using this simple tactic you will have minimized your losses and maximized your gains. Practice does not perfect. It makes improvement and you will have learned a life changing good habit and increased your ability to be self-disciplined.

Now let's take that newfound discipline and create even more good habits. The next habit I suggest you learn is take 1 hour a week at first and learn about different investments and investment opportunities now this is a journey. I don't expect you to become well versed in different investment or opportunities, but I suggest you learn about three different strategies or investments. Let's say we pick stock options, metals, and fixed insurance products. The first month you learn about options basics, then the next month learn about investing in metals gold, silver, palladium, or any other metal. Then the third month you learn about fixed insurance products, a little about fixed annuities or cash value life insurance. Now most people want to try to learn as much as possible about each individual subject and then move to the next I ask you to follow this scenario. This is where self-discipline comes in, you see, we want to learn the way we are used to learning I ask you to indulge me and honor this request. The reason I want you to learn the basics of each investment and then continue to learn more about each subject every month using the original plan is that you will gain a very different perspective of the investment world using this tactic. I will attempt to explain my reasoning now with this old saying: "A jack of all trades but master of none." We have all heard that old saying a hundred times, but did you know that is only a part of that quote it originally said, "a jack

of all trades but master of none, but often times better than a master of one." What that means is you can master one specific subject or discipline but know nothing or very little of other disciplines and you can never get the complete picture, just that one viewpoint. Let me give you an example; there are two brothers and both have saved up some money and they both decide to build homes for themselves, one brother is a master carpenter and does an incredible job framing the house but does not know anything about plumbing, electrical or drywall so he has to spend a lot more money hiring other people to help finish his house but the other brother is a master of none but has knowledge of all the above mentioned skills and builds his house cheaper and with little or no help. Now how does that apply to investment knowledge if you learn about different opportunities, and strategies you will start to get a more comprehensive understanding of how to make money and keep it. The next year you learn three more strategies or investment products let's say next year you learn about tax planning, currencies, and real estate. In a few years, you will have learned enough discipline and good habits to become a lot more financially savvy and I am willing to bet a lot more financially stable maybe even successful. Remember this is easily obtainable you just have to make the effort and be patient, if you repeat this learning cycle over and over again I promise you will see a direct correlation to your portfolio grow and you will see much smaller market losses. Using another cliché, a thousand-mile journey begins with just one step!

No, let's go to one of my favorite subjects' diversification.

Diversification

The definition of diversification is "the action of diversifying something or the fact of becoming more diverse," another definition is "the process of a business enlarging or varying its range of products or field of operation." These are, for the most part the traditional thoughts on diversification tried and true, but I believe them to be very two dimensional. When you are putting together a comprehensive investment strategy there are so many factors and disciplines that must be taken into account, but at the same time 90% of the public investment strategy uses only traditional government qualified plans which are for the most part invest now and get a tax deduction that year and then there is tax deferred growth and you are taxed on your retirement distributions at your current tax rate at the time of distribution. Well, for me there are two inherent flaws with that form of investing, the first is you do not know what the tax rate will be when you retire and no one has a way of knowing that most important factor and the second is in my mind the getting a tax write off when you initially invest your money and then letting it grow tax deferred and being taxed when your account is at its highest value is not very effective for you, in fact, it is the least effective way of investing. Yet a vast majority of the general public invests that way because we are led to believe that this is the most effective and responsible way to grow your retirement dollars. Now I understand you can get a Roth IRA and other Roth strategies, but the truth is you are so very limited by your annual contributions that it makes it very difficult to grow your wealth. For example, for the tax year 2022 the contribution limits are $6000 if you are under age 50 and $7000 if you are 50 or older and your gross income as an individual must be under $140,000 and if you are married

your gross combined income must be under $214,000 if you exceed the annual income limits you may not invest in a Roth plan. Now I would like you to think about the reasons for the limitations be so small and so limited. I have given this much thought over the years and I cannot come up with a valid explanation except the government wants to limit personal wealth. I am not a conspiracy nut or anti-government, I am exactly the opposite I believe myself to be a true patriot and I love my country but that being said, there is no other explanation for the small investment limits. Even in the best investment scenarios, you still are limited to the average citizen retirement savings be well under a million dollars. Now there are the exceptions, but believe me, I have been doing this for 25 years and I can tell you that is, in my humble opinion, about 90% of the retirement savings fall into that category.

Is there a better strategy and why do not more people invest differently? The answer is two-fold; the first factor is the investment professionals who at best are two-dimensional thinkers meaning they invest in the market and almost never have a comprehensive exit strategy for their clients that would include proper tax planning, true diversification not just in equities or bonds this occurs because in my opinion they don't try to educate themselves to think outside of the box and the other more horrible reason they truly do not care. Now that is a very crass statement, but I stand behind it because if brokerage firms and investment professionals really did care they would have a very different plan of action and would also lobby congress on your behalf and believe they do lobby but not on your behalf but their own. The second reason is more literal, greed and wanting to minimize their liability or exposure. You see it is very challenging to invest client's money and give them decent returns and be profitable and keep their liability to a minimum and they know if they started

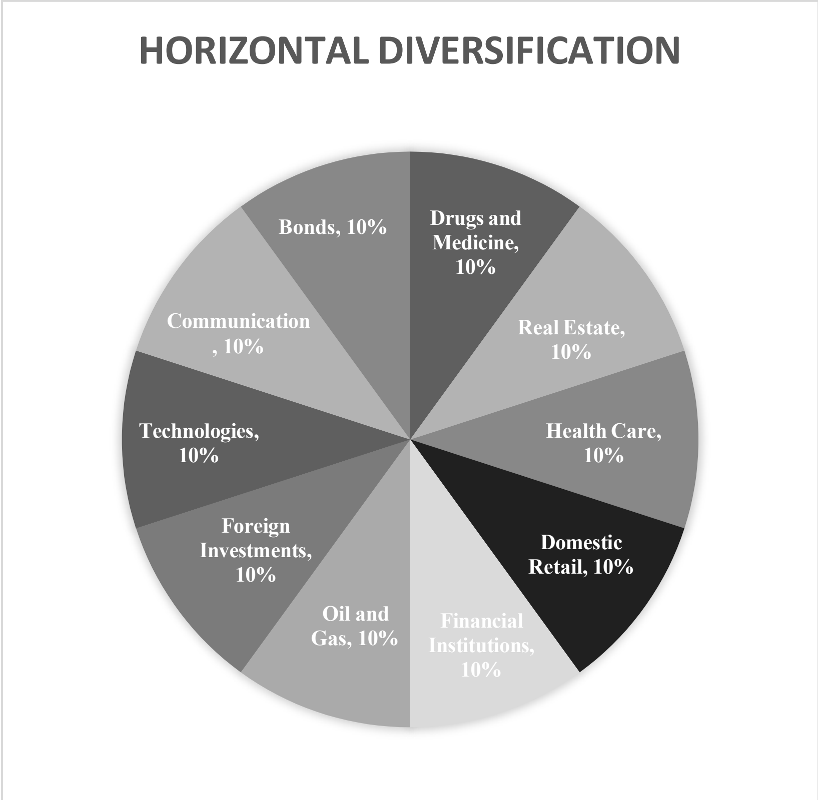
playing in different investment arena's this would decrease their profits and increase their liabilities and that is not how Wall Street works. Now you may say I am just jaded, but again this is my point of view from 25 years of experience. You must understand it is true that this entire country is really controlled by just 3% of the very influential and powerful people. If you don't believe me look at the wage disparity in this country, the middle class is getting smaller and the wealthy are growing steadily and more individuals have learned how to grow wealth because the world has changed so much in the last 25 years, probably more than the last 5000 years our knowledge has grown significantly but are habits keep us limited to our perspective of how the world works remains the same, you see our individual views are limited by our experiences and lack of wanting to grow as individuals as we get older we become jaded and tend to stop learning and experiencing new realities. The sad fact is we get complicit and resign ourselves to the fact that this is how the world works this is a very sad commentary of our once great nation. In my opinion, the government no longer works for the people, but they are here to govern and control us and the few become powerful and corrupt, for as the old saying goes, "absolute power corrupts absolutely".

Enough philosophic discussions let's get back to what we as individuals can do to change our financial future. First, we must rethink our definition of diversification we are traditionally taught that diversification is two dimensional and slow and steady wins the race. I consider traditional diversification to be ***"Horizontal Diversification"*** which means that you invest in the stock market and bonds and you diversify your money into, let's say, ten different sectors of the market for example; technologies, retail, pharmaceuticals, energy, bonds etc... this kind of diversification ties you to market ups and downs and though you may be well diversified

in the market if the entire market is down then so are all or most of your investments at any given time and if you have a major market correction like 2007-2008 or today in 2022 where entire portfolios are down 25% or more some losing over 40% of their retirement savings. Now Investment advisors will say don't worry it will come back, well that statement may be true or untrue no one can predict what the market will do in the future and even if it does comeback how long will it take to recoup your losses, it could be four to six years which is the average when you have major corrections and then you have to take into account the time value of money. Yes, it might come back, but it could take 5 years just to regain all your losses and now you are 5 years behind your investment goals. Let's put this into perspective say you are 60 years today and you have lost 25% of your retirement savings due to this correction now let's say it takes 5 years to regain all your losses from today 2022 now its 2027 and you are in the same place you were at 5 years ago with no gains all you did was recoup your losses. You want to retire but do to the 2022 market correction and let's say taxes have increased just 5% now you may not have enough money to not outlive your retirement savings. This is a very real problem that people only realize when it is too late. You see, we are living longer, and the price of goods are souring not to mention our national debt is so high and social security is going to run out of money in twelve to fifteen years, the government has no choice but to raise taxes across the board both to individuals and businesses. But wait there are other factors that affect your retirement savings let's say your money is in a 401K well the average fee for a 401K is between 3%-5% annually or you have your investments with a brokerage firm well their fees average between 1%-1.5% annually now that doesn't sound like much but if you have $500,000 in your brokerage account 1% of $500,000 is $5000 annual fee now let's say in five years

your account value has grown to $650,000 now your 1% annual fee is $6500 and let's not forget you pay that fee even if you are losing money. I am going to give you one more example that I always give to new clients: you have $500,000 in your retirement account that is a decent amount of money and to most people that would seem sufficient to fund their retirement, well let's look at some harsh realities, if you are just in a 25% tax bracket you would have to pay $125,000 in taxes so you are left with $375,000 net from your retirement savings now that does not include your brokerage fees and any unforeseen emergencies. Now your argument might be well I am going to make more money in the market well maybe that's true, but you are spending down your principal and paying fees and maybe taxes increase, what then? So, let's take a look at this from 10,000 feet and use another example: You and your spouse together are making a combined income of $125,000 per year before retirement and you are living comfortably, and you decide to retire. Your social security combined is $60,000 per year now you went from $125,000 annually to $60,000 annually that is a 50% loss but wait you have your retirement savings of $375,000 after taxes to supplement your ongoing lifestyle. Let's see what that looks like, you can take $37,500 annually for 10 years then you are out of principal ($37,500 x 10 years =$375,000) or let's say you just took only half of that $17,750 annually now that would last you 20 years and your out of money $17,500 x 20 years =$375,000) now I know what you are thinking well I will keep making money in the market and my account will continue to grow! Well, yes but your principal is going to decrease in value every year because of distributions and you still have investment fees and taxes may increase or you have a medical or family emergency that is depleting your retirement savings even more or every 10 years or so we have a major market correction, and you lose more of your

principal. Now let's take in all these factors together you have possibility of increasing taxes, market fluctuations, the price of consumer goods increasing (example: I bet you almost paid the same amount or more for your last car then you did your first house!) things will always get more expensive and you have a number of factors that are working against you not to mention you may live to your almost 100 years old chances are you will outlive your retirement savings. Scary but true. So, what's the alternative?



Now let's talk about ***Vertical Diversification:***

Vertical Diversification is a strategy that incorporates multiple investment platforms to ensure maximum growth potential and to minimize loses, it is a discipline that I have been perfecting over the last 25 years. I have structured a basic platform that includes fixed insurance products, corporate bonds, using stocks and indexes, options trading, real estate, cryptocurrencies, and precious metals. The basic idea is to take the best of all disciplines and to create a unique investment strategy for each individual using the disciplines and good habits I discussed earlier in the book to create a portfolio that does not solely rely on the stock market it is for most intensive purposes a strategy that will protect you from inflation, market downturns and some strategies will continue to grow both tax deferred and tax free. I will attempt to explain each investment strategy and why I use them. Let's start with fixed insurance products. This part of the planning process is essential to have stable growth and for tax planning. I use cash value life insurance as the one of the main pillars of the foundation that will help ensure steady growth and having access to capital if needed. I use Indexed Universal Life affectionately known as IUL policies because of their versatility and ability to create a custom investment platform for each individual while protecting the client and their family. You see most people do not understand the full potential of cash value life insurance, the first reason I use it is pure protection for the client and family, how you ask well if the client becomes critically, chronically, or terminally ill you and your family will receive a tax-free distribution from the policy either in the form of tax-free income or a tax lump sum. This reason alone is invaluable when creating a secure retirement strategy, but that is just the tip of the so-called

iceberg. Cash value life insurance has a unique tax law (IRS Tax Code subsection 7702) which allows cash value life insurance to be purchased with after tax monies and grow tax deferred and if structured properly all the distributions whether in the form of forgivable loans or death benefit are tax free. But wait folks, that's not all! You can over fund these policies and create Supplemental Individual Retirement Program (SLIRP) or just use to create a slush and or emergency fund. Even more attractive, the cash value grows with uninterrupted compounded growth. You can access your cash value at any time with no penalties and the distribution is tax free. This product falls into advanced tax planning, sounds great, but there is so much more, and I will go into more detail later in the book.

The next pillar I use to secure the investment foundation is Fixed Indexed Annuities affectionately known as FIA's these products are by far the safest and securest place to put your money. Now annuities have really gotten a bad rap over the years that is because people don't understand there are four different types of annuities, and some are not always in the clients best interest and full disclosure like all investment products they suffered from a learning curve and yes there are uneducated and some unscrupulous individuals that will try to sell their product of the day to anyone who will listen. That all being said, now let me explain why I use them, first your principal is protected from market losses, they can only increase in value now they might have a zero year, but they never lose money. They can produce guaranteed income for life to make sure you never run out of money, and they have very competitive growth. Like the afore mentioned life insurance, I will go into more detail about Fixed Indexed Annuities later in the book. There are some things both products have in common they are creditor proof even from the IRS, the cash value generally grows on the average 4%-7%

annually but you may have a zero year. They are divorce proof and are managed by very successful insurance companies, do you know why insurance companies are the highest rated companies out there? Well, for one they have no debt at all in fact for every liability they must have 150 percent of cash equivalent monies to legally operate, in layman's terms if they have 1 billion dollars in liabilities, they have to have 1.5 billion dollars in cash equivalent at all times no exceptions.

Now let's discuss our next strategy I have used these products for almost my entire investment career they are corporate bonds. Why corporate bonds you ask well if you understand how to use them, they can create an income stream with a very decent yield, but the secret is to know what kind of corporate bonds to use. Before I tell you what I use, let me give a brief explanation of what a bond is, simply put you are buying the debt of a company or entity and in return they give you a stated return called a yield, it resembles interest but it is a yield you're just going to have to trust me on this one. Now bonds are rated by the financial strength of the company or entity issuing the bond that is why strong companies or municipalities who have good credit rating offer lower yields because they will almost certainly always pay their debt obligations. The secret to using corporate bonds is understanding the rating system and the companies that rate these debt instruments. The three most notable are Moody's, Standard & Poors and Fitch, and they all use their own rating methods. We have been taught that these ratings are a good guide to invest in bonds, which is for the most part true but at the same time misleading. I will give you an example AAA is the highest bond rating then AA and A follow BBB is the lowest acceptable investment grade for most conservative institutions but let's explore the next rating BB just below investment grade but still stable. I use corporate bonds that are rated BB and have been using them for 25 years or so. I

learned that less than 1% of these BB rated bonds have ever failed and they give very strong returns either annually or semiannually, you can find yields from 4%-7%. The reason for such competitive returns is they are not considered investment grade, so they have to give good yields to compete with higher rated bonds. They have been reliable and stable and are time tested, well how come more people don't invest in these bonds? Uneducated advisors and stigma of using only investment grade and just in my opinion pure ignorance.

The reason I use these three investment strategies for the foundation of my investment portfolios is quite simple they all have consistent financial gains, and they continue to grow even in a down market. Unlike traditional horizontal investing they are limited to market growth on the contrary they continue to grow with no losses to your principal now with the fixed insurance products life and annuities you may have a zero year and best of all if you don't choose any riders there are no fees for these products. So competitive growth with no loss of principal, no fees and this portion of your portfolio grows uninterrupted. This is in my opinion what a strong investment foundation looks like and best of all, it is not just theory, but I have been using this investment strategy for over 15 years.

Now let's look at our next investment vehicle, precious metals, now this is where knowledge and studying history comes into play. All metals over time have increased in value over the last 100 years or more. At times the growth may be slow and they may at times fluctuate in value put over the course of the last hundred years they have increased in value, understand they are not exciting but they also possess a feature that most individuals do not take advantage of. If you buy bullion instead of coins and the metal increases in value, you do not have to pay capital gains taxes. I highly suggest you take

physical possession of the metals and secure them safely, why you ask? If you leave them with a precious metals company or investment company, they leverage your precious metals to other investors, in laymen's term they sell the same bar to three or four individuals because for some reason beyond my understanding they are allowed to do this, is it legal. Well, let's just say it is a very gray area. The other factor is precious metal sales are not reported to the government.

So, let's summarize the last four investment strategies we discussed where cash value life insurance it grows tax deferred with uninterrupted compounded growth and has tax-free distributions, precious metals increase in value and there is no capital gains tax. Fixed Indexed Annuities grow tax deferred your principal is protected and they generally have a return of 4%-7% annually. They can if you choose to use them for guaranteed lifetime income, so you can never run out of money and corporate bonds have a very competitive yield and continue to produce gains consistently. This strategy seems so simple, yet I have never seen it used by another investment professional to my knowledge. This foundational principle ensures consistent financial gains in any market and if you understand that this portion of your financial plan has constant growth and access to your money if needed and has with exception of precious metals you cannot lose money with the fixed insurance products and the corporate bonds are highly reliable and almost perfect history of producing safe returns.

Now let's talk about the next investment strategy Stocks and stock options. I start by having my client buy Blue Chip Stocks for the foundation of their stock portfolio and then we use options to make money on these Blue Chips in both up and down markets. I then believe you should own energy stocks that give dividends or any other stock that has a

record of dividends. Did you know there is a member of congress for many years has bought Wells Fargo stock for the dividends he has consistently bought this one stock over the years and has built quite a dividend producing base of income and keeps reinvesting those dividends to buy more stocks, unusual but profitable. I do believe in having a good balanced stock portfolio, but as you get older, I suggest you start decreasing your stock ownership to maximize your retirement savings and minimize your financial losses. That being said, a well-rounded stock portfolio should be maintained and watched. Using the good habits and discipline I spoke of earlier, we can manage the portfolio properly and manage expectations, and have a very disciplined plan moving forward. Now let’s talk about using options to make money in all markets. Options are a means to an end and the investor must have a good understanding of how to use options properly. You can learn about trading options online there are many different disciplines and opinions on how to trade options, my advice is to learn a little bit from different sources then practice trade, there are a number of free practice trading websites. If you stick to blue chips and larger companies, you will have less risk, you can also learn to use index options. Many successful options traders only use a handful of stocks or indexes to make money. There are short-term options, regular options that are good for 9 months, leaps which are longer term options. My advice when starting to trade options is to only buy calls and puts, do not sell them. When you get more experienced, you can buy or sell options, but first learn the basics. If you have never traded options, there are only two types of option categories “Calls” which basically means you want the stock price to go up on the option you purchased then there are “Puts” which are the opposite of calls with Puts options you want the stock price to go down. The reason a lot of traders use options is they are much cheaper than buying

underlining stock, for example, if a stock is trading at $50.00 dollars the option may trade for 5.00 dollars it may cost $7.00 or $10.00 dollars depending how far out of the money you are and the length of the option. The term how far out of the money means how much you think the stock will increase for a call and decrease for a put. This may seem a little confusing at first, but I promise you it is very straight forward and really not that hard to learn. Trading options is speculative but when you get a good grasp you can earn a steady stream of income using options. Do you remember earlier in the book I mentioned stop losses, when you trade options you will learn to minimize your downside using stop losses. There are some individuals who day trade options only and do very well but that takes knowledge and experience and a very good mentor. Like I mentioned earlier learn good trading habits and invest with your head not your heart don't be greedy and always take some of your gains and put them aside. Earlier in the book I talked about your 401K or retirement account, or your trading account always use the same strategy take gains, go into safety before you lose too much money don't be greedy and buy low and sell high. Every portfolio should have an equities component to help maximize gains, but this is where you can also lose the most money so be smart and have discipline.

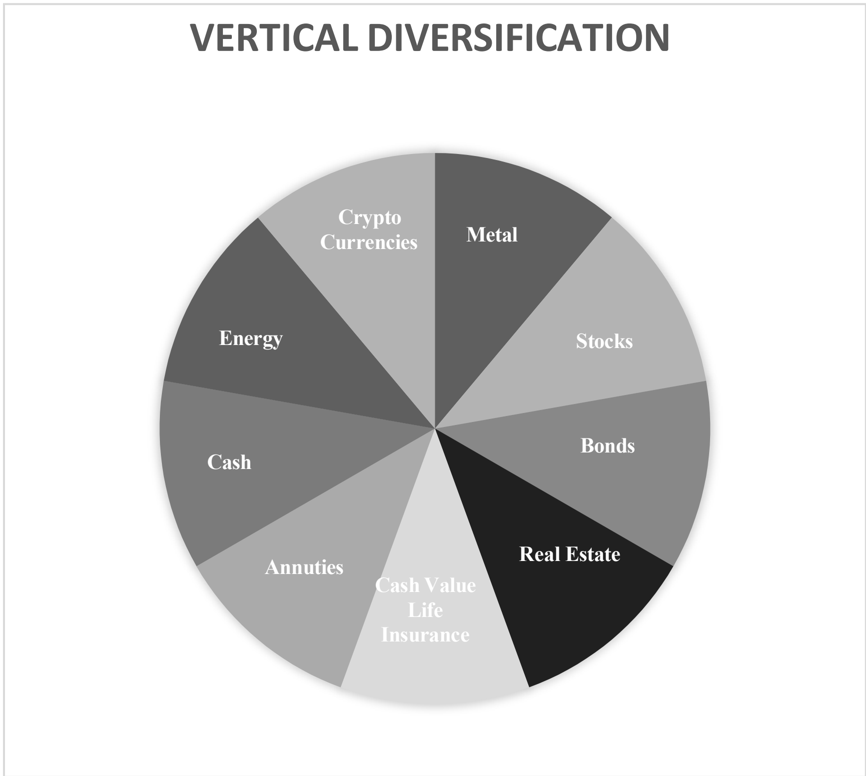
The next piece of the strategy is crypto currency but before we go any further, I am very Leary about crypto currencies for the simple reason that are not backed by any real money or assets. There is also the possibility of being regulated by the government and that will change crypto forever, but I do understand they are here to stay and can be a good way to increase your portfolio. If you follow a few rules, use the discipline you learned with other strategies, have good habits, disciplines, most of all take profits, and have realistic expectations not every crypto currency is going to be bitcoin, if you are going to invest in crypto now is the perfect time

while it has lost a lot of its value. Remember, buy low and sell high. This will be the speculative high-risk strategy of your portfolio, so invest small and reinvest your gains later, but be smart. If you are ever going to fail with my way of investing, this will be where it happens.

Now the last strategy, investing in real estate. Like any other investment strategy, you must learn how to and when to invest in real estate. If you are smart and start with an income producing property that has multiple units, you can have the property pay for itself and use it as a learning investment. You will learn the real cost of mortgages, insurance, upkeep, and management fees if you choose to have a management company which I believe is a good investment but be diligent and only hire experienced management companies with good references. Always have a good amount of money put away for repairs and services. If you are successful with your first property, you will probably purchase another and then another building a steady source of income and having a real tangible asset. Some of my clients invest strictly in Airbnb's and are very successful and continue to increase their wealth and buy additional properties. Again, like anything else, this strategy only works if you have a good management company experienced in Airbnb's. This usually entails a handyman or repair company, cleaning services, locksmiths, and real good insurance. Most of my wealthier clients have a good portfolio of rentals or Airbnb's.

I talked about a lot of strategies, and it may seem overwhelming, but I build Horizontal portfolio's that are custom to each individual client it doesn't mean you have to invest in options or real estate but whatever is suitable to your needs. When you build the right portfolio for you, you will enjoy more gains, much less losses and a sustainable income stream to help you have a worry-free retirement and enjoy

your golden years. Like anything else, I must take the time to get to know you and teach you about your individually created portfolio so you can prosper. Do you know why I have such a high retention rate with my clients, it's because I take the time to educate them and speak with them at least twice a year or more. I send regular emails and share articles about products and strategies and keep them up to date on any major tax changes.



Chapter 3

Fixed Insurance Products

In this chapter, I will attempt to explain how Indexed Universal Life Insurance (IUL'S) and Fixed Indexed Annuities (FIA's) works and why I use them.

Let's start with Life Insurance, I explained earlier Life Insurance is technically not a product but a contract between you and the insurance company and since it is a contract, it offers several protections and advantages over most financial products. Let's start with the different kinds of Life Insurance the original permanent Life insurance product was Whole Life Insurance which has been around for 160 years or more, its characteristics are you get underwritten at the time of the application and whatever rating you get at the attained age that is your premium for the life of your policy simply whatever price is offered at that time the premium never increases contractually and I say most Whole Life Insurance policies have a cash value that grows over the life of the policy and because of the favorable tax status of life insurance it grows tax deferred and all distributions are tax-free, if structured properly this is because it is not a financial product and but a contract as mentioned earlier thus there was no capital gains tax and still till to this day enjoys that tax status but some individuals were taking advantage of that tax status and over funding the life policies with large amounts of cash that would grow tax deferred and all the distributions would be tax free it became a tax shelter and the IRS picked up on that quickly and in 1984 created IRS Tax Code 7702 which was premium guide line test to ensure life insurance was not being used as a tax shelter or financial product. The good

thing is the premium guide line test is still very liberal and if you have a high enough death benefit, you can over fund your policy with three or four times the premium amount as long as it does not violate the premium guide line test. So how does Whole Life work? Well the cash value grows by both dividends and interest and somewhere between seven and ten years, whatever premium you paid into the policy you have a break-even point meaning every dollar you have spent on the policy is in the cash value tax free and continues to grows beyond that for the life of the policy simply put the cash value continues to grow tax free for the life of the policy and depending on the over funding you can have quite a lot of tax free money inside the policy. Permanent life insurance is one of the most misunderstood products available today and if more people understood the attributes of these products, they would have purchased them earlier in life. That is why savvy investors use permanent life insurance to diversify their portfolio, this strategy has been used by the richest people in America for decades it was for a long time the world's worst kept secret, but still the average individual could not separate the stigma of this kind of investment from just life insurance despite insurance companies quietly telling everyone about the favorable attributes. This is largely because IRS tax code 7702 forbids insurance companies from advertising life insurance as an investment product it must always offer it as financial protection for the client first and then can mention the favorable tax status and the IRS warned all the insurance companies that if they violated that rule the tax free growth status would be removed and all the gains would become taxable that is why insurance companies are very careful on how they advertise these products not to mention the democratic party has been trying to remove the favorable tax status for years because they see and very lucrative tax base. I have built hundreds of non-qualified deferred compensation

plans funded by life insurance affectionately known as SLIRPS (Supplemental Life Insurance Retirement Programs) what makes that term legal the word “supplemental.” I get asked by a lot of people why have I not heard of this strategy before, and I just reply you are working with the wrong advisors as I mentioned earlier in the chapter about diversification a large number of my clients use the SLIRP strategy as a pillar of their investment strategy. Life Insurance primary function is protection, and it offers not just a death benefit but riders that offer protection from critical illness, chronic illness, terminal illness, and some companies even offer long term care riders.

Now let’s talk about the second oldest life insurance product on the market today. Term Insurance, the easiest explanation is you have a contract for a number of pre-stated years for example there is five-year term, 10 years, fifteen years, twenty years, and thirty years that is what is generally offered by most insurance companies. So how does this product work, well, let take a 10-year term policy you pay the agreed-on premium which is offered after company underwrites the risk meaning they take your attained age and factor in your health status and offer you a premium amount that will not increase for the term of the policy in this case 10 years. This type of insurance does not have a cash value, but it is just pure insurance protection and because it does not have a cash value, it is generally much cheaper but here in lies the dirty little secret, yes term insurance is much cheaper in the beginning but gets much more expensive down the line. I will explain that last statement let’s say you are 40 years old and you purchase $100,000 worth of life insurance you are a non-smoker and you are in good health so your premiums for the 10-year term is $30 dollars per month now let’s fast forward 10 years and now you are 50 years old and your 10-year term policy has expired so you still have a family and want to get

another policy but when you apply, you see your premium for a ten-year term $100,000 policy is now $100 per month because for one you are now 50 years old and you cholesterol is a little elevated and you are taking daily meds to treat your high cholesterol but you have learned a thing or two from your first purchase of life insurance. You will have to buy another policy in ten years and your health might not be as good as it is today, so you ask for a 20-year policy and you get back an offer of $150 dollars per month do you see the logic now. I try to educate individuals that if you buy permanent life today, you will lock in that price forever and though it may be more expensive now, it will save you a lot of money in the future and here is another thing people don't take into consideration you might not be insurable in the future, let's say you had cancer recently or a heart attack or a stroke you might not be able to get a life insurance policy or it might be so expensive it is cost prohibited. That all being said does term insurance have its place absolutely, if you are younger and have a family and that is all you can afford by all means get term insurance, I had a few term policies over the years but now I am too old and I have always had a permanent policy to grow cash value tax free. Now there is something you should know as a consumer less than 2% of all term policies sold are ever cashed in! They are a huge cash cow for insurance companies but to be fair there is are some term polices that if you want to convert some or all of your term insurance to permanent insurance you can do so without any underwriting or sometimes just a few questions and it will be offered at the new attained age and there are some state laws that have guidelines on the minimum you can convert. For example, in Georgia you have to convert at least 25% of the term to permanent insurance. Now let's talk about the next kind of life insurance is called Universal Life Insurance.

Universal Life Insurance came about because of the changing circumstances in the world in the late 1970's and 1980's. Interest rates were extremely high in the 1980's because of very high inflation so the Fed had to raise interest rates to slow down inflation, the interest rates were a little over 18% so consumers started taking money out of their whole life policies and buying CD's. Insurance companies were panicking because the policy owners had taken so much money out of their policies that it was threatening the liquidity of the underlying insurance companies. So they came up with a very unique solution, they created a new form of insurance called universal life insurance. This form of insurance offered flexible premium payments called minimum, target and over funding the client could opt into whatever choice they wanted.

The insurance companies believed that with such high interest rates they could have their clients pay just enough premium (the minimum) and the high interest rates would cover the difference offering the clients low premiums and the chance to grow money inside the policy at a very competitive rate. Well, in theory, this was very viable, but the fact is they didn't think the possibilities all the way through. You see, President Reagan was elected, he turned around the economy in record time and that brought interest rates down a lot faster than was projected and that had a devasting effect on this new form of life insurance, you see in a perfect world the premise for this new product was sound but they didn't take into account what if interest dropped and stayed low well that is exactly what happened. The policy owners were still paying the minimum premium, and the policies were not making any money and it got to the point the policies became liquid, and either the clients had to pay a much larger premium or in some cases a lump sum of money or the policy would collapse, and you would not have any life insurance. This was a huge embarrassment for the insurance industry, you have to

understand to this point they were very conservative and had always been steadfast with their policy returns that is why they were so highly rated. Eventually they corrected the problem and now universal life is much cheaper than the whole life but does not have much or, if any, cash value it is designed as a cheaper form of permanent life insurance. The four big mutual insurance companies swore they would never go outside of their wheelhouse and stick to what works. Whole life, term and now universal life insurance, their days of experimenting were over or so they thought.

The next product was a brainchild of some of the more aggressive publicly traded insurance companies they created a product called Variable Indexed Universal Life. This was the next generation of Universal, with the premise being they would base the gains for the policy on the stock market, blending the insurance world with the investment world. It was the second iteration of a new insurance product. Even though the big mutual insurance companies swore they would never stray from Whole Life insurance again, it was presented and reviewed, and everybody agreed they got it right this time. It basically works as follows: you pay a fixed premium, and you can get potential gains by mutual fund like investment choices based on the S&P 500 and market-based stock portfolios and Indexes. When the market was going up, you would make gains, but you could lose them like a traditional portfolio. The premise seemed sound but had its flaws in a good market they performed well but like previously mentioned in a down, market it would lose money and not just the gains but your principal too. They were also very expensive they had Mortality and Expense charges called M&E charges which in the beginning were 4% or 5% percent which could be substantial especially in a down market it was a double whammy you lose money and then get charged hefty fee's but they also had one more whammy that was never talked about

during the sales process called a Market Value Adjustment charge called an MVA charge and in a down market was another substantial fee and they varied by company and market conditions. In 2007 & 2008, clients really found out the downside of Variable Universal, which was still in their infancy. The brass at the big mutual companies were furious, but they stuck with the product and refined it, and today it is a much better product. You still have M&E charges and MVA charges, but the indexes are much stronger there is even some protection for your principal but still have the flaw of being able to lose your gains and coupled with fee's. I never understood the reasoning behind tying your life insurance to a product that could fluctuate in value why not just get a whole life policy and invest in the market it's cheaper in the long run, and in my opinion much more conservative. Truth be told, I did sell them when I was with New York Life, and I was the number one Annuity producer when I was there you see in the beginning, I was fooled too I will never sell another one ever again. Learn from your mistakes. Then fate stepped in and some very intelligent individuals come up with a hybrid of Variable Indexed Universal Life and Whole Life.

I was very skeptical about these products, I am a fool me once, shame on you, fool me twice, shame on me kind of guy. So, I went to a presentation on this new product, and I must have asked fifteen or twenty different questions and I was in the room with about 50 other agents, but I didn't care. I read the entire perspective and sales material and called up later and asked more questions. After about six weeks of due diligence and additional information provided to me by the insurance companies, I was satisfied with this new product the Indexed Universal Life Insurance aka IUL's and this product was one of the products that changed my whole career as an Investment Advisor. This is how this product works, The first and most important thing to know is the gains on this

product are uni-directional, meaning you can make money base on market indexes and the gains were locked in and once the gains were locked in, you could not lose the gains now full disclosure in a down market you may have a net zero year meaning no gains but with no losses they only go up in value. There were many different types of indexes to choose from as the product evolved and the product kept getting stronger. You see, they have all the good attributes of Whole Life Insurance with so much more upside potential and were great for many forms of insurance and tax planning. I still didn't mention the best part you had fixed premiums but there was not Mortality and Expense charges now full disclosure they do have Market Value Adjustment charges but they were manageable and fair. You could also change the allocation choices when you wanted to in the beginning, but they corrected that and now you change your allocations annually on your policy anniversary.

I have learned to use this product to create buy/sell agreement, supplemental retirement programs, non-deferred compensation programs, golden parachutes and golden handcuffs, slush and emergency funds and have taught people to use life insurance greatest attribute uninterrupted compounded growth with the ability to take out forgivable loans that do not come out of the cash value but the death benefit. I learned this kind of planning in my early days with New York Life from my mentor, Brian. The funny thing Indexed Universal Life only came out when I left New York Life and Brian had become vice president of training for New York Life, but his mentorship taught me to think outside of the box. When I was with New York Life, out of every 10 permanent life insurance policies sold, eight were Whole Life, which was tried and true and the flagship product of the big four mutual insurance companies. Now out of every 10 life insurance policies sold, eight are Indexed Universal Life. The

four big mutual companies will not sell any form of indexed life insurance or annuities in fact in the first 10 years of the indexed products they called them toxic and they said time will prove us right we know better, they were not just wrong but very wrong indexed life and annuities consistently outperform fixed products and have a 20 year track record to back them up.

There are some things that almost no agent will tell you about life permanent life insurance, so I am going to list them:

- Life Insurance is uni-directional cash values, only goes up in value and never down.
- Life insurance grows tax deferred.
- You can access the cash value without any penalties.
- If structured properly, all distribution, including loans, death benefits and cash withdrawals, is tax free.
- Life Insurance is creditor proof even from the IRS no insurance policy had been pierced because, as a mentioned earlier, it is a contract between the owner and the insurance company.
- It is divorce proof—hard to believe, but true.
- After the two-year contestability period, it becomes uncontestable forever.
- Permanent Life Insurance can be used as collateral and has been for over 50 years.
- You can assign the policies for personal or business purposes.
- Life Insurance does not count towards provisional income, meaning the distributions from a life insurance policy do not count towards the allowable amount set forth by the IRS that would make your social security taxable if you go over that amount. It changes every few years. This strategy is great for advanced tax planning.

- Life Insurance can be used as a Supplemental Life Insurance Retirement program, also used for advanced tax planning.

Now let's talk about Annuities:

There are four different and distinct types of annuities, and I will give you a brief description of them all. There are two types of annuities, immediate and deferred, which basically means some annuities you purchase are used for immediate income and some annuities are deferred, meaning you wait before you start taking withdrawals or income. Let's talk a little about each one.

The original immediate annuities were very straightforward, and this is how they worked. This was most but not all, you would start receiving income immediately to the annuitant and it would have a stated amount of money every month or year according to the contract it may have been 10 years or 20 years or whatever the contract stated but in the late 1960's to 1980 if the annuitant died there was no beneficiary the money would be forfeited to the insurance company. That is why annuities got a very bad reputation during that time period.

Then there were deferred annuities, which were simply stated you purchase the annuity, and it would grow by a stated interest rate and you would take income later in the form of structured withdrawals or a sum needed at that time. They were very restrictive and not client friendly.

In the early 2000's things were changing and now there was a new type of annuity that its gains were tied to indexes in the stock market and it was called Variable Indexed annuities and they took the market by storm, illustrated really great

returns because of market returns that were back tested. The presentation was very appealing, and everyone thought they would be the annuity savior and create a new form of accumulating money with some of the protections that annuities offered, which was mostly true, but the underlying chassis that supported the Variable indexed annuities were flawed. Here is how they worked in the beginning, gains were tied to the stock market you could gain money in your cash account, but you could also lose money in your cash account, but the idea was over time you would have safer returns and the protections that annuity offered. In a good market, they flourished, but when the market started to decline the flaws in the product caused an outcry from the consumers and buyers of this product. You see, the Mortality and Expense fees were about 5% percent so let's say your account was down 10% because of market losses, you were still being charged another 5% percent meaning a 15% loss, but it gets worse there was another fee called Market Value Adjustment which was significant in a sustained down market. In 2007 and 2008, when the market got hammered some people were down 30% to 40% in their Variable Indexed Annuities and still being charged 5% fees and then the market value adjustment of top of all their losses, it was a bloodbath. Now if you just recently bought these annuities, and you had these horrendous losses and you want to get out well guess what there was another huge free called a surrender charge and some were as high as 12% that is on top of all your losses and fee's, but wait there is more some of these products offered a bonus as high as 10% for purchasing the annuity but if you got out early, you would lose almost all the bonus. In theory, this product had so much upside potential, but the chassis that it was built on was so flawed it caused an outrage and many people would never trust annuities or life insurance companies again. Most of the bad things people said about annuities were because of this

product. Now to be fair over the last 20 years they have gotten much better and yes, I did sell a lot of these annuities when they came out but today, I would never sell one of these products and advised people to steer clear of them if for nothing else the fees.

After all that trial and tribulation, the insurance industry finally got it right with a new product called Fixed Indexed Annuity and much safer and client friendly. This time they thought it through and really did learn from their earlier mistakes and thus one of my favorite products was born. Below is a description of the Fixed Indexed Annuities.

In the following paragraphs, I am going to attempt to explain what to look for when purchasing a fixed indexed annuity affectionately known as an FIA. I am going to break down the fixed indexed annuity into digestible parts, the first thing you must learn is the term of the contract- yes contract and FIA is not an instrument but a contract between you and the insurance company. The term or length of the contract is usually as follows 5 years, 7 years, 10 years, 12 years, or 14 years the longer the length of the contract the better the rates you will receive that is because the longer the contract the better the chance the insurance company can give greater returns about 70% of the FIA's sold are 10-year terms, a 10-year annuity. Here's the scary thing probably only 20% of the people that sell annuities understand the last paragraph they believe the FIA is an instrument, not a contract so if you purchase a five-year annuity your rates will be much lower than if you purchased a ten-year annuity. The main concern of people purchasing annuities is locking up their money. I hate that term most FIA's are 90% liquid on day one, you always have access to your money that is the tradeoff no fees unless you purchase a rider you cannot lose money they are unidirectional meaning they only go up in value now you can

have a zero year where you don't make any money that occurs approximately twice in the life of a 10-year annuity that is generally speaking.

Next, let's talk about fees, most FIAs don't have fees but there are riders and additional asset allocations that do have fees like lifetime income riders, and long-term care riders have a cost, and I will address that later in the article. You can also have a fee for some preferred allocations inside the annuity be very careful about paying for these allocations very few are worth the money. In a good market yes, in a down market they are a 1% drain on your returns and the average return per year is 4% I will also discuss that later in the article.

Now you must understand about taking money from your annuity:

2. Distributions and Surrender charges:

In the next three or four paragraphs, I will explain distributions and surrender charges. Most FIA's you cannot take any distributions the very first year, starting the second contract year, you may take a contractual percentage some contracts are 10% surrender free per year distributions and some are only 5% surrender free distributions. Now, if you go over the contractually allowed surrender-free percentage, you will incur a penalty called a surrender fee. The fee may be as high as 12% and decrease down to zero over the life of the annuity for example the surrender fee structure may, look like this 10%,10%,10%,9%,8%,7%,6%,5%,4%,3% this is an example of a 10-year annuity.

Now let's look at a distribution scenario:

Scenario one: you have a $300,000 annuity in year 3, you need to take out $20,000 to give to your son as a wedding present. The annuity value has grown to $325,000. In year three, you have a 10% surrender free distribution so you can take out the money and there is no fee. Why because the value of your annuity is $325,000 you have a 10% surrender free distribution that you could take up to $32,500 surrender but you only need to take out $20,000 in this scenario there is no fee, and you can continue to grow your annuity.

Scenario 2: same $300,000 annuity purchased three years ago, and the account value has grown to $325,000 you have a 10% surrender free distribution limit annually but, in this scenario, you need to take out $50,000. So, you can take out $32,500 surrender free which is 10% of the annuity value of $325,000 but now there is an additional $17,500 that you need to come out of, that additional money has a 10% surrender fee of $1750.00. [$17,500 x .10%=$1750]. So, your total distribution, including the surrender fee, will be $51,750. Now there are two ways to look at this surrender charge the first it is a fee but you understand the terms of the contract and you understand you got a banged for the 1750.00 surrender fee, or you could look at it this way you made a gain of $25,000 over the three years that you owned the annuity an emergency came up and you needed to take out $50,000 you take the $50,000 and instead of a gain of $25,000 you made $23,250 [$25,000 - $1750 = $$23,250]. You still netted 23,250 in gains. One the view of an optimist and one the view of a pessimist is still the same reality.

3. Participation Rates:

This is the secret sauce and driving force in a fixed indexed annuity and the most misunderstood part of these annuities. The sad thing is most agents are not trained properly and don't understand participation rates, what they tend to look at and show you are past returns of the index also known as the allocations inside your annuity. Annuities used different indexes as the engine to create gains inside the annuity. These Indexes can be the S&P 500 both an annual or monthly index, it could be a Nasdaq, or a JP Morgan managed indexed the point is there are hundreds of different indexes. The insurance company creates different annuities, and they pick maybe eight or ten different Indexes that are available as allocation choices inside the annuity. The better the management of the Indexes, the better the returns, now to be fair, market conditions are also a key factor, but having well-managed indexes are vital to return but that is only half the story. This is where most agents miss the mark, participation rates, also known as par rates, are the other part of the story and are so very important to growth inside a Fixed Indexed Annuity.

Let me explain how important participation rates are in an annuity. Insurance companies show agents the last 10 years of returns of the indexes that are in the annuity, which in the last 10 years are impressive. They show you graphs of the returns for the last 10 years and the agent in return shows the potential client these returns and generally, they look impressive. Now I'm going to attempt to explain the reality that participation rates are the percentage you get out of the actual returns, for example, an index has a 25% gain in one year and that is great, now the reality is the participation rate on your particular index is 30% so if it returned a gain of 25%

you get 30% of that 25% gain which is 7.5%. Now let's look at a 9% return for the year of a specific index out of that 9% gain you get only 2.7% gain that is (9 percent gain for the year x .30% the participation rate = 2.7%). This is why I always make sure my clients understand and get the best participation rates available. I personally only use 4 different annuity companies with par rates as high as 90%. This is the difference between using an educated advisor and a salesman, Buyer beware!

4. Riders:

Understanding different riders and the effect on your overall returns is so very crucial. First, let's discuss bonus riders, many annuities offer bonuses as high as 10% of the applied premium some insurance companies will give you the 10% bonus in the form of a rider and charge you 1% other insurance companies you are paying for the bonus usually 1 point reduction of returns available the different allocations meaning if you don't the bonus your participation rate maybe be one point higher than if you purchased an annuity with a bonus, either way, there is a fee hidden or upfront. For example, your returns for the year without a bonus are 6%, and with the bonus, it is only 5%. What you must also understand is the higher the accumulation of the annuity, the higher the cost of that rider or bonus. Let's look at an example.

On a $330,000 annuity with a 10% bonus, you will receive $33,000 as a bonus. If there is a 1% rider fee, you will pay $3,300 the first year ($330,000 x 1% =$3,300). Add the annuity increases in value, the fee also increases, let's say in year 2 the annuity value increased to $350,000 now the fee is $3,500 ($350,000 x 1%=$3,500). Now let's jump to year five the performance of the annuity has steadily increased and now

the annuity value is $420,000 now your fee is $4200 for that year ($420,000 x 1%=$4200). Here is the dilemma the $30,000 bonus will grow by compounded gains and significantly increase in value, but if the annuity is not performing well, the fees might be more than the gains. You have to weigh both scenarios. Now as I previously mentioned some insurance companies do not charge an upfront fee, they decrease your returns in your allocations by one point so if your returns for the year were 6.5%, they would lower your gains by one point, and you would receive 5.5%. Anyway, you look at you are paying either way.

Long-term Care Riders: these riders vary by different insurance companies, and they usually cost 1% per year of the accumulation value of the annuity over the life of the annuity, which can be significant. Do the math and weigh out the risk versus reward. There are some good long-term care writers, but if you never use them it can be a significant cost.

Lifetime Income riders or Income riders:

They are also guaranteed lifetime income riders, and they generally cost 1% of the accumulation value of the annuity for the life of the annuity. Now they also use the same tactic sometimes in saying there is no fee, but they give you a 1% or lower return in your allocation as previously mentioned, there is nothing as free, believe me. I am not a fan of guaranteed income Riders why? Because I own a calculator, remember you have compounded returns on an annuity meaning as your annuity value increases your corresponding growth gets stronger so on a $500,000 income annuity the first year fee is $5000 that's 1% of your value and that the fee keeps growing as the value increases so let's say over 10 years

you paid $75,000 in fees now if you did not have the rider that $75,000 may have grown with compounded growth to $125,000. Here's the catch you have to understand most income annuities payout between 5% to 5.5% a year for annual income some higher the amount increases the later you start the income so at 65 years old you might get 5% per year but at 75 years old you might get 5.5% per year and at age80 you may get 6% percent why simple life expectancy insurance companies never lose money you have to understand that. Now if the average annuity gains 4% per year and the payoff at age 70 is 5% they're only taking 1% from your principal per year, your annuity has compounded growth so you would have 40 years of income with that scenario you see the chance of you outliving your annuity money is very low is it possible yes but highly unlikely and remember the 1% fee comes out every year for the life of the annuity over 25 or 30 years that adds up to a lot of fees.

Now there is another curveball with income annuities there are two buckets of monies, you have the income value which is always higher than the actual cash value. You can only access the Income value by taking it out at the contracted rate lets just for example it is 5.5% per year, now let's say you have an emergency and need to pull additional money out of this income annuity your monthly or annual income will decrease by an adjusted amount over the life of the annuity. Now let's say you are unhappy with the growth of this annuity and decide to cash out the annuity when it matures let's say 10 years. Remember I said there are two pools of money the income value and for this example has grown to $750,000 and the actual cash value which has grown to $600,000 you would only receive the actual cash value of $600,000. Now here is where owning a calculator comes in handy even if you did not have the guaranteed income rider and you were only taking out 5% every year or even 5.5% per year you would have over

40 years of money in your annuity. In my 25 years of being in financial services, I have not seen anyone just taking out 5% run out of money that is barring taking out any large distributions just taking out a steady income run out of money. Now that being said is it possible? Yes, but highly unlikely.

I am a big fan of fixed index annuities. If you do not use a rider, there are no fees, and it never loses money you may have a zero year with no growth but your value grows by compounded growth and never decreases in value unless fees are taken out or you take out distributions. Now let's compare fixed index annuities to managed money most advisors charge between 1% to 1.5% annually whether you lose or make money not taking into account the cost of a stock or mutual fund fees always remember stockbrokers or four one case companies make money by managing end or trading your account. Can you make better returns with a broker possibly, but you can also lose money like very recently up to 30% of your entire portfolio. As you get older, in my opinion, you should protect the hard-earned money that you spent a lifetime accumulating and put it into a fixed product it's not exciting, but you cannot lose your principal or your gains the lesson is called the time value of money.

Below I have included one of the marketing pieces I use with potential clients or sometime use this piece for my educational seminars:

Fixed indexed annuities are the great equalizer.

First, let's start by explaining what an annuity is. An annuity is a contract between the insurance company and an individual or entity. Being a legal contract means that in 160

years, the contract has never been pierced not by the courts or by any other legal authority that can access the funds inside an annuity. That is why they are used in large endowments, civil lawsuits and lotteries. That being said, let's go over some of the attributes of fixed indexed annuities.

- 1. I believe this to be the most important attribute of a fixed indexed annuity, your initial premium is protected from market losses. This is so especially important because the older you are weather in retirement or approaching retirement, you may not have the time to recoup some of your losses. Most investment advisors will just say the market will come back and you will recoup your losses. the problem with that statement is you don't know how long it will take you to recoup your losses or if it will happen at all. In some cases, the losses may make it impossible for you to retire or to put off your retirement a few years.

- 2. Fixed index annuities are unidirectional, meaning they can only go up in value gains are locked in you cannot lose your gains once they are locked in. the only way the cash value can go down is if there's a zero-year and there is a rider fee. This statement is true for the accumulation stage end the distribution stage. When taking income out of an annuity, you may spend down some of your savings from the annuity, but at the same time it is also increasing in value. For example, let's just say you're taking out 5% income out of your annuity, but on the average most annuities increase by 4% percent a year on the average. Even in a down market, the worst that will happen is you will have zero returns for that year not losing any of your principal except for the income that you are taking out of the annuity. That is one of the great attributes of a fixed indexed annuity.

- 3. Fixed index annuities have no fees unless you choose a rider then there is a fee charged, for example, if you want an income, rider there is a fee usually of one basis point. Think how important that is if you have an investment baker slash stockbroker, he is charging you 1% to 1.5% to manage your money whether you make money or not. one of the things you might not be aware of is how much your 401K company is charging you they usually don't put the fees on your statement besides the fees they charge you for managing your account there's also fees for the individual mutual funds. One of the things I tell all my new clients is to find out what the fees are inside your 401K and how much your brokers are charging you if you're using individual brokers.

- 4. You can custom build your fixed index annuity to suit your needs. They have riders that make them even more attractive. There are long-term care riders. What is a long-term care rider, a long-term care rider is a rider that will provide you funds if you in an assisted living facility or a long-term care facility? This rider also provides money if you decide you want to stay home and have someone come in and take care of you on a long-term care basis. Income riders that can guarantee income for life even if there's no more money left in the annuity. You can structure your annuity to provide income for both spouses for life, guaranteed. This rider helps give you Peace of Mind so you know in the future you and your spouse will never run out of money.

- 5. Fixed indexed annuities are creditor proof even from the IRS. Why is being creditor proof important? God, forbid you get sued, or a creditor is trying to access your retirement money inside of an annuity your money is completely 100% safe in 160 years no one has ever

accessed or pierced an annuity without permission from the annuitant.

- 6. They are divorce-proof. This is self-explanatory if you get divorced your wife or ex-wife cannot gain access to the funds inside your annuity. This is the reason many people on their second marriage, or third marriage, put their money inside in an annuity.

- 7. They can be used as collateral. This attribute of an annuity is so unbelievably valuable, the reason being is if you need to get a loan, you can use your annuity as collateral and still be making money inside your annuity while you are paying off your loan. This is an incredibly good strategy for not using your initial premium or spending it down.

- 8. They have numerous indexes available to increase the value of your annuity you can change these indexes annually to suit your changing needs. This gives you the freedom to plan your exit strategy in the future if there are any changes needed or you have a different financial, objective you can change your indexes to suit your needs.

- 9. You can decide on multiple beneficiaries, both primary and contingent, so your wishes are always fulfilled great for estate planning. This feature gives you the opportunity to take care of not only your spouse but if your children or grandchildren if you choose to do so. This will give you Peace of Mind knowing your money will go to whoever you want to without contestation.

- 10. You have the choice to purchase annuities with different maturity dates, for example, you can get a five-year seven-year eight-year nine-year 10-year 12

year or a 14-year annuity. This allows you to custom tailor your exit strategy in retirement. You can choose the option that fits the level of comfort. This option works for both retirement planning and estate planning.

- 11. You can have a tax-qualified annuity and put it in your retirement account or put it in a non-qualified tax account. Tax planning is one of the most overlooked principles in retirement planning.

- 12. You can put your annuity in a trust or a will. Putting your annuity in a trust or a will just add an extra layer of protection for you and your family. This strategy also works well for tax planning, putting your annuity inside of a trust can defer taxes for many years in the future. It also gives you Peace of Mind to provide for your loved ones under the conditions that you dictate.

- 13. You can access your money at any time though there might be limitations in your contract. Having access to your money is so very important, most people are under the false understanding that you do not have access to your money when you need it when you purchase an annuity.

- 14. You can get (RMD'S) required minimum distributions from your qualified annuity. This is so very important for tax planning. Not paying your RMD's from your retirement can cost you 50% tax penalty.

Synopsis:

Fixed index annuities have all the upsides of investing in the market without any of the downside. They generally have no fees, only rider charges if you choose to purchase one.

Compared to managed money that charges fees for mutual funds and individual stocks, not to mention brokers charging 1% to 1.5% annually whether they make you money or not. You always have access to your money you are protected from lawsuits or any legal authorities your annuity can be used as collateral, and you can use your annuity for estate planning. So many great attributes for one product.

Chapter 4

Strategies.

This is my favorite part of the book! It has taken me over twenty years to create and perfect my signature strategies. One of the things I learned from my mentors was to always think outside of the box and come up with creative solutions to everyday problems The main problem I see with most investors is they don't have a comprehensive strategy to obtain their investing goals. Their plan is usually stay in the market till you die and except the loss/gain ratio, some more conservative investors buy income annuities but stop there what they are all missing is if you want a truly worry free retirement you have to layer your investment strategies and understand that cost of living will continue to increase and taxes will go up so if you don't have a well-planned strategy that includes fixed products combined with income-producing investments and a well thought out tax strategy the chances of them falling short of their investing goals or hell just plain financial survival is increasing dramatically. That is why I have dedicated my life to helping everyday people reach their goals and educate themselves enough to understand what their obstacles are and plan accordingly to minimize their chances out running out of money in your golden years. If you think I am just trying to scare well, yes, I am. Everyday we seniors working at the supermarket or Walmart because they don't have enough money to survive in this economy. What we are going to see more and more in the future is people who have worked their whole lives and saved having to lower their standard of living or just run out of money in their

golden years this is going to be more prevalent in the future because of the trajectory of our financial future run by politicians who are greedy and misguided with their own political agendas and not caring about the general public they don't have your best interest in heart, they want to rule and you to stay in your lane and be compliant. So I have created these strategies to help level the playing field and offer some hope too hard working Americans. Always remember if you educate yourselves and plan for the worst, you will probably land somewhere in the middle, not rich but not living paycheck to paycheck. I have decided to add links to videos at the end of each chapter to further illustrate what I am trying to convey. I am going to try to add more videos in the future, moving forward with additional information on how to navigate your retirement and all these videos will be free and available to anyone who wants them. So, let's dive into the first lesson and strategy for a successful retirement.

A Planned Exit Strategy: This is the title or term I use for the overall, catch all retirement strategy. I learned long ago that to reach your goals of financial independence or just not out living your money is to have a well-documented plan that is constantly adapting and changing to meet your needs in your retirement years. I coined the phrase exit strategy because I found it was the easiest way to make others understand that they need a comprehensive plan to meet the changing needs while in retirement. When you hear exit strategy, you think of a business strategy for exiting a business or partnership well this is an exit strategy for your retirement, and it will serve as your road map to a secure financial future. Each individual exit strategy is unique to each individual and is formed with the understanding that you have to put in some effort and participate In your financial future to have as little

stress as possible moving forward. As I spoke to earlier, I use the three pillars to build a strong foundation but understand not all of my clients have all three of the pillars some have a different combination or some do what they can afford to do but even if you don't have a lot of money available that doesn't mean we can't make a comprehensive strategy moving forward that will help with tax planning and try to have some money coming in not just taking it out of your principal. That is why I choose the three products I use as my pillars, and I will explain how and why I use them. Let's begin with Fixed Indexed annuities I use this product because it helps solve multiple problems for with the least amount of risk and can be customized to the individual needs of my clients.

I use Fixed Indexed Annuities so I can protect my client's principal, which in today's market is so very important. I can use this product with qualified retirement money or funds that are not tax qualified or a combination of the two. In either of the afore mentioned scenarios, they all have tax deferred growth and the ability to access your money if needed. I can use this product for guaranteed lifetime income to make sure my client always has money for his entire lifetime and if he is married or has a significant other in could be a joint income for life so who ever survives their spouse or significant other they deceased has peace of mind that the other person will always have that income coming in. The annuity can be used as just an accumulation product that if the money is not needed now, you will have competitive growth with no chance of loss of premium and the money can be used as an emergency fund or for a legacy instrument, passing on to your children or whoever you choose. This annuity can be put into a trust for even more protection, and that can also help with estate planning and tax planning for the future. The annuity is protected from all outside creditors or lawsuits, even from the federal government. It affords my

clients the flexibility to be whatever I need it to be for them and oh by the way, if you don't choose any riders income or any other, there is no fees for this annuity.

For the second pillar, I usually choose an Indexed Universal Life Insurance policy. I use this policy also for its flexibility, but most of all for tax planning. As I said earlier, if structured properly a Indexed Universal Life Insurance policy which I will refer to as an IUL moving forward enjoys a very favorable tax advantage while offering pure protection to the family in the form of a death benefit and critical, chronic and terminal illness protection for all intensive purposes it puts a protective bubble around the insured and then the ability to make sure he can still provide for his family in case of illness or death. The protection alone is enough to stand on its own, but I also use this product to create a pool of tax free money. As stated earlier, you pay the premiums and with after tax money, it then grows tax deferred, and all the distributions are tax free. I can over fund these policies and depending on how much a client is willing to put into these policies I can create in as little as five years a fully funded non-qualified compensation plan know as a SLIRP (Supplemental Life insurance Retirement Plan) in laymen's terms a retirement plan that all the money in it and when you take distribution is entirely tax free. I can create 5-year, ten years any amount of time over 5 years the shorter the time the more expensive it is. I can supplement your 401K or social security whatever you want to use it for we can even use it as an emergency fund or just build the cash value up over time and by the way the cash value grows with uninterrupted compounded growth even if you take out distributions. The cash value grows as a very competitive 4%-7% on the average and as stated earlier you may have a zero year, but the policy is unidirectional meaning it only goes up in value there are no losses due to market conditions and remember if you take out a forgivable loan it

does not come out of the cash value but the death benefit. I use these policies to also provide income monthly or annually to my clients. This product is like a giant Roth IRA on steroids without all the fees and since it is not a qualified retirement program, you can take out the money at any time with no penalty and did I mentioned distributions do not get reported to the IRS because they are not taxable. Now, as I mentioned earlier, the distributions are not taxable, but the death benefit can count to estate tax to defer that we can put the policy inside of a trust and defer the taxes to a later date or when needed. Also, as mentioned earlier, this policy is protected from all creditors or lawsuits. And always remember all the proceeds from a life insurance policy don't count towards provisional income and this strategy is so very important if you are on fixed income. I am going to attempt to explain what provisional income is, the IRS has rules about how much money you can earn before you social security is taxable for 2022 as individual you can earn below $25,000 if your income is between $25,000 and $34,000 half of your social security is taxable and anything above $34,000 even on penny 85% of your social security is taxable and guess what if you are married you would think your provisional income limit would be $50,000 but no its not its only $34,000 combined anything over is taxable which a think is reprehensible. So you understand you can take say $50,000 from your policy annually and it will not count towards the provisional income social security limits isn't that sweet that is just another reason I am so fond of this product and one on the best kept secrets if fact it is such a well-kept secret that most life insurance agents don't know about that trait don't believe me, if you ever speak to a life insurance agent earlier in this book I put ten attributes of life insurance I bet they don't know more than four or five.

Now let's speak about the third pillar Corporate Bonds and again all clients' exit strategies are unique to them some have all three pillars and some only one there are many factors that go into building your unique exit strategy. You must understand in a perfect world all my clients would have all three pillars, but there are mitigating factors such as cost, insurability, and time frame. All that being said, the third pillar like the two afore mentioned pillars are designed to bring in a steady source of growth or income depending on the design of your unique strategy. I created this pillar early in my career when I was working on Wall Street you have to understand at that time I was in working in the middle of the dotcom phenomenon and people were making so much money in equities and options bonds were for the most part being ignored they could not compete with the gains of that time. Fortunately for me I had a great mentor Saul and he said remember what goes up will come down and we all know most of these companies are so over evaluated that the bill will come do and the reckoning will be severe and swift and yes he was right. He explained everyone will be scrambling to find solid investments for their clients that will offer gains instead of more violability, he told me to start presenting this option to my clients now so when the market has a correction, and it will it and always does you have a good solution that you already presented to them and the reason why. How good was Saul not 60 days later one of the worst market crashes in history occurred and this is how I learned to use corporate bonds and their importance in a portfolio.

Like I mentioned earlier we have multiple choices to add to your own exit strategy, precious metals, stocks and stock options and real estate I know I mentioned crypto currencies earlier in the book but a major exchange has just become insolvent and I believe it will force the governing bodies to start regulating crypto and that will be a major

hurdle because let's be honest they are backed by nothing. Will crypto endure, I believe it will, but now is not the time to invest I would take a wait and see strategy.

The whole premise of my exit strategies is to build a portfolio that is constantly growing with multiple products that will give you different sources of income in all kind of market conditions. You have tax free growth with IUL's and protected growth with Indexed annuities that can also offer guaranteed income. You have corporate bonds that will give you a third option for growth with very little risk. Then you have stocks to capture market growth and options to protect and grow your stock investments couple with real estate to give you passive income all these form a strategy that will offer you choices and freedom from worry and simply keep you from running out of money in your golden years. A well-defined road map, and a plan based on experience, and that is tried and true.

I am going to share two stories with you about how a well-defined exit strategy could enhance even some of the most modest of individuals to the wealthier people in our country. Let's start with the latter, I met Robert through one of my existing clients, Bob, who has done very well for over the last ten years using my planned exit strategy investment philosophy, Robert is his nephew and has done very well for himself also. Robert has amassed a very impressive portfolio of Real Estate that includes over 10 BNB's, 15 vacation destinations, rentals in multiple states and over 35 multi occupied apartment rentals. He has a very impressive income and continues to buy additional properties and is very confident and knowledgeable. His uncle suggested he sit with me and see if I could enhance his investment strategy or get some good tax advice or just some good investment advice. We set a meeting, and I went to Robert's office in Jacksonville

Florida, He was polite and cordial but said he is only taking this meeting as a favor to his Uncle. I could tell immediately by his demeanor and facial expression I was dealing with a narcissistic personality he gloated and believed everyone else was inferior I gauged this in the first two minutes of our conversation. I have dealt with many individuals who possess these unattractive personality traits but wealth is relative to perception of the individual meaning I have worked with individuals with much more wealth and power I am from New York City and have clients who's homes alone on Central Park South are worth $30,000,000 alone and wield considerable influence. I maintained positive demeanor and asked if could humor me and answer a few questions he did agree but I could tell he was really not interested in engaging with me at all. I asked him some financial questions then I asked him about tax structure and finally about an exit strategy, after about 10 minutes of questions I looked him right in the eye and said I believe I have some ideas that will enhance your portfolio and save you hundreds of thousands if not more in taxes and also build you an individual tax free retirement for not just him but his wife and children also. He seemed to perk up a bit, and I took a plain yellow pad and proceeded to show him, with some restructuring and creative planning, what I proposed off the top of my head in just a few minutes. I started with restructuring his companies in a very different way I suggested he created a holding company and then create multiple other companies to create a tax strategy that would save him hundreds of thousands of dollars. Using the holding company, I created one company that supplied all the needs for the Air BNB's and vacation rentals this included furniture, appliances, security systems that included camera's, this company would lease all these necessities to the other properties creating additional tax write off for the properties in the form of everyday expenses what I did not mentioned

earlier some of apartment rentals were furnished apartments giving him even more write off's. this would create a company that has the resources to buy furniture in bulk and always be liquid for future needs. I then suggested creating a maintenance company to service all his properties and explained he would farm all of the maintenance out to sub-contractors and still making a money as maintenance company I explained he charge all the units I set fee for maintenance and pay the sub-contractors but keeping a few points for the maintenance company creating another source of income and liquid money and yes a great tax write off. He smiled but I was just getting started I suggest he create management company that would take a small amount of money each month say 100 dollars from each property to create and emergency maintenance fund in case of any natural disaster, flood and fires would allow him to take about $5000 a month towards this fund and not be taxed on that money. Now I had his attention and then I brought out the big guns and explained the concept of captive insurance companies and how he was spending between $175,000 to $200,000 on just property insurance and I said I could make him his own insurance company using the Captive insurance company strategy where he would absorb a small amount of the insurance liability in the beginning and keep up to twenty percent of the premiums annually and best of all insurance was backed by paper of a "A" rated paper of a major re-insurance company and know what his liability would be at all times and if he worked to keep his claims low he would not receive any major increases in insurance premiums. I could see he was very interested but I then said to him here comes the best part for you and your family by making his wife an officer of all the companies I could create a non-qualified deferred compensation program for the both of them from each company again lowering the taxable income from each

company and creating a SLIRP (Supplemental Retirement Insurance Retirement Plan) that over time would amass over a few million dollars and if he started now I could make his children multi-millionaires for pennies on the dollar and best of all, all the distributions were tax free. That was the beginning of a very lucrative collaboration for the both of us and he has brought me multiple clients as referrals. The next scenario is for individuals who have limited retirement resources, this where using fixed insurance products have a clear advantage over market-based investments. Let's say an gentleman is retiring at age 67 and does have not a lot in his retirement let's use $125,000 is all he has been able to save and wants to protect his principal yet try to stretch that money for as long as possible. If he keeps in the market, he could possibly make more money going forward or he could lose ten or twenty percent of his principal in my humble opinion the risk is not worth the reward. So, what's the solution? he can purchase a fixed indexed annuity with a guaranteed lifetime income rider so at the very least he will have some income coming in monthly for the rest of his life guaranteed and still have the potential to grow the principal. FIA get an average return of 4% or better with no chance of losing your principal due to market losses. Is it the ideal solution who knows but at least he has a guaranteed income for his entire life it may be small, but it is something and he has the chance of the annuity gaining money on a regular basis how much no one knows but it this situation I cannot not see a better alternative. Having a plan a comprehensive strategy will definitely benefit you and believe me you could do much worse by just making up as you go along, chances are you will run out of money or have to lower your standard of living significantly.

The next strategy is just a ***SLIRP*** (Supplemental Life Insurance Retirement Program)

There are many different scenarios where I use this strategy for individuals there are some criteria which you need to understand. The first is just being insurable the next criteria is cost, and that usually depends on your age. If you are relatively healthy and are 45 or less for the middle-class individual, why you ask well this is where price of premium comes into play, I generally use a 20 year pay Indexed Universal Life policy which is paid up in twenty years so if you were 45 when you got the policy you would be 65 years old when it is paid up and all the cash value is yours. Now there are some factors that will affect this strategy let's talk health, life insurance is underwritten for morbidity meaning your health status at the time of purchasing the policy. If you are healthy, your premiums will be less than, let's say, you have high blood pressure or type two diabetes that can make a significant difference in premium price and growing cash value. The younger and healthier you are the cheaper the cost of insurance, so I stress to younger clients start this as young as possible your premiums will be much lower, and more money will go towards building cash value instead of premium. Now you can over fund the policy and get more cash value growth if you can afford that in fact you can do this with a 15-year paid up policy or even a 10-year paid up policy the cost will be significantly more, but you will have a lot more money later. When I explain this strategy to new clients, I asked them to take this seriously a little sacrifice now can really impact your life later. So if I start with a 25-year-old say plumber he can afford a good IUL and over fund it so much that he can have over a million dollars of tax free cash value when he retires and still have other investments so he will have a worry free retirement and not to mention protect his family with against his early demise or him becoming

critically, chronically or terminally ill like I mentioned earlier it puts a protective bubble around you for the rest of your life and the premiums never increase whatever they premium was at the time of purchase. It will be the same 40 years or more later. You can use the cash value at any time with no penalty, distributions do not get reported to the IRS because gains are not taxable in life insurance. IN my humble opinion, everyone should purchase permanent life insurance for all the reasons I mentioned, earlier I will put this strategy against any other and always come on top. I have changed people's lives with this product alone and protected thousands of families even after I am long gone. By now you see my philosophy on using these different investment strategies.

Now I am going to move on to my different business strategies using Life insurance to create different strategies with literally no downside! Not possible, you say well I have challenged people from all walks of life to find a flaw or come up with a strategy that works better in all scenarios. I have challenged CPA's, Tax Attorneys, Financial Planners from major brokerage firms anyone who thinks there is a better solution and to this day no one has prevailed. I am very proud of that. I learned long ago to always think outside of the box and if there was not a satisfactory solution to a particular problem then create one, now I will admit some of my solutions have taken many years to perfect and I have made mistakes but I am a firm believer you only failed when you give up trying otherwise it is just a long learning experience obnoxiously optimistic I know but it works for me. Let's talk about my one of my all-time favorite strategies called the Golden Parachute.

Golden Parachute: I will explain this strategy and its progression from a simple solution to what is now one of the most sought-after solutions to obtain the goal of wealth and freedom. In the very beginning, when this strategy was

created, it was a workaround for a very common problem good CEOs were in short supply and keeping and holding them was a constant battle they were constantly being approached by other companies always offering more money or incentives. It got to the point that companies were paying ridiculous amounts of money to obtain these individuals, and boards of publicly traded companies were having a hard time justifying these obscene salaries to their shareholders. What the general public did not understand is that a good Chief Operating Officer was the difference between an average company and a very profitable forward-looking company running on all cylinders it was just hard for the average person to wrap their head around it the 50's and 60's. Their perception is what just greed, but in truth these highly sought CEOs were worth their weight in Gold. You have to understand back then people just started living WWII was over and the world was prospering due to hard work and good work ethic the thought of one individual making 10x or 20x times your salary was just plain greedy and unacceptable, and boards would no longer pay these obscene salaries or face the wrath of the investing public. Finally, a very smart CPA came up with a kind of work around you see any monetary compensation had to go on the balance sheets and was public record, so he came up with away to offer annual and future compensation that did not go on the balance sheets. He put together a Golden parachute where the CEO was offered stock options instead of cash, you see, the company could offer the stock options at a pre-agreed prices and they could be exercised at a later date. If a company was trading at $50 per share the warrant could be offered to him at $20 dollars a share and he could buy them and do whatever he wanted with them even sell them immediately for a 150% profit as long as he did not own more than 5% of the outstanding shares it was very hard to find the transaction unless you were specifically looking through every stock transaction. This worked will for over 10 years till

someone disclosed this to work around to the investing public and then the laws were changed by the SEC and stock options has to be disclosed to the stockholders and this was a significant blow to companies that were fighting to recruit from the top talent pool of CEO's. You have to understand companies had to compete with IBM, Hewlett Packard, Coke and major energy companies' smaller companies could not afford to recruit the top talent with cash they could be out spend by this giant conglomerates. So a mid-level accountant at Pfizer came up with a brilliant solution you see there were another way to purchase stocks in the future but were not stock options they were called warrants and had been around for a very long time but the concept was replaced with stock options, warrants were still legal and by law they didn't have to reported to on any balance sheets or reported to the shareholders it was technically legal and solved a number of problems for the smaller publicly traded companies so they could offer competitive compensation and attract better CEO talent. This worked till the early 1970's and by then a very intelligent and creative life insurance agent combined IRS Tax code subsection 162 the Executive Bonus Rule with Whole life insurance and created a very innovative and amazing solution to a very old problem. This gentleman worked for Mass Mutual Life Insurance he changed Executive Compensation forever. Now in the beginning it was created for publicly traded companies it worked like this, the company would bonus the executive enough money to buy a large Whole Life Insurance policy that the executive would buy with the bonus money, it would grow tax deferred and all the cash proceeds were tax tree now to sweet the deal the company would loan the executive the money to pay the taxes on the bonus using another little known tax code and this was legal as long as the company charged at least 3% interest on the loan. This strategy solved multiple problems for the smaller publicly traded companies, the first they

could offer a very attractive non-qualified deferred compensation program for pennies on the dollar, this solution also created the ability to keep their CEO's because they would offer a deal that would create a situation where the CEO had a very good reason to stay and this is the solution to the second problem retention. The company would offer a very lucrative golden parachute for the CEO using a large whole life insurance policy and if he stayed for a stated amount of time let's use 10 years as an example, he would own the policy and all the cash value that would continue to grow and later he could take as a lump sum or even better take it as tax free income and the policy would continue to grow. The contract itself was a work of art you see the company would bonus the premium amount to the CEO and it would be paid directly to the issuing insurance company and to avoid using his own money to pay the annual taxes on the bonus the company pay the taxes for him in the form of a loan using another IRS tax code for a stated minimum amount of interest. Since the insurance policy was owned by CEO and to prevent the CEO from just leaving the company with ownership of the lucrative insurance policy it was bound by contract for the stated number of years agreed upon with a collateral assignment. In layman's terms if the CEO left before the stated time agreed upon he would leave with nothing if he fulfilled his contract he walked away with complete ownership of the policy but what about the loan you ask? Well lets say there was $300,000 of cash value and the loan with interest had grown to say $50,000 dollars the CEO would take out a forgivable policy loan for the $50,000 and pay back the company and his cash value would continue to grow with uninterrupted compounded grow. Here are some other perks the CEO would get from owning the Whole Life Policy in the event of his untimely death his family would get a very nice

tax free death benefit, if he became critically, chronically or terminally ill he would receive either a monthly tax free distribution or a large lump sum distribution also tax free but wait there's more if he stayed healthy he would enjoy all of the living benefits of the Whole Life Policy in the form of very nice non-qualified tax free retirement plan he could access in a number of ways. Remember with a permanent life policy none of the distributions are taxable and not reported to the IRS. It was so attractive it became a very sought-after perk and it help retaining good company talent and everyone was happy no losers in this game. This was the original version and still used today but I created an even more attractive 162 Strategy and own the rights to it. I will discuss it later in this chapter.

I also use the Golden Parachute strategy for small and medium business owners, you see they have their own set of challenges start with how do I exit my business with the most amount of money possible or if it's a family-owned business how do I pass the business to my children or family while ensuring a lucrative exit and to enjoy my retirement worry free if my kids did not manage the business well or worst-case scenario they ran it into the ground. While perfecting this strategy I realized that there was no one fits all solution, so I designed multiple strategies for different scenarios and as time went on before I knew it I had over 15 different exit strategies and even then, each client individual exit strategy was unique to their situation. I will discuss a few, but I will not give all my secrets away, but you will have enough information to understand and decide if this is something you might want to pursue.

The next scenario is a small business owner with no children and does not have anyone to pass the business onto, so he decides he will sell it and retire with the proceeds of the sale of the business. I come across this scenario more times

than I care to tell you about. When I meet with business owners, and this is their plan for their retirement, I cringe and have to have a conversation with them that at first, they are not going to enjoy. I start by asking if they have a buyer and they usually say no, then I ask them if they have a business valuation, and they reply yes, and I ask to see it. I explain to all the potential sellers that valuations are opinions and if you asked for 5 different valuations, none of them will be the same in fact, they will be quite different I know this because I have been doing this for a quarter of a century. I then explain why using the sale of your business to plan your retirement I then go into my sell your business speech and it goes something like this, sir, what is the most important asset in your business? He then proceeds to name different things, like sales or inventory and a few others. I then get very serious and say to him the most important asset in your business is "YOU". You have many years of experience running the business and understand how it works in detail now remove that from the valuation, next take away your relationship and credit from your, vendors then take away about half of your client base that is the real valuation. Now let's talk about factors you don't control like if just before you want to sell and a competitor moves into your town or online space and begins taking away some of your revenue and that affects your sale price or Walmart or other big chain decides to be your competitor that could be catastrophic by just underselling you, or technology allows other unknowns to compete with you or they have a strong marketing strategy that you can't compete with. What if God forbid you get sick or are in an accident or the legislature changes laws and regulations that affect you profoundly? My point is you have to have a comprehensive exit strategy that has guarantees and will protect you in case of any of the pre-mentioned scenarios occur. So, what is the solution a non-qualified deferred compensation program

using an Indexed Universal Life policy using my trademarked 162 Exit Strategy. With this strategy, I can create a custom Exit strategy that will provide a with a large pool of cash that you can access tax free, use as collateral and is protected from all creditors or divorce. You can use this pool of money to create an income stream for 15 to 25 years and remember that the cash value continues to grow with uninterrupted compounded growth. It is like a giant Roth IRA on steroids with none of the limitations.

Our next scenario is a family-owned business and the eldest owner, let's say for this example the father, wants to pass the business to his two children, a son and daughter that work at the company. The problem is the children don't have the assets to buy out their father, and the father wants to make sure he has enough money to retire comfortably and is unwilling to just give the kids the business with no guarantees they won't fail or business declines and then he is out of luck even though he loves his children he knows it is prudent to have the assets needed to retire comfortably, so this is where I come in. I create a golden parachute where the company bonuses the dad the money for a Indexed Universal Life Policy and instead of him paying the taxes on the money himself the companies uses another IRS tax code to pay the taxes for him in the form of a loan. When the father decides to retire, he has the entire cash value of tax free money there for him that will continue to grow as long as he owns the policy. This strategy has a number of advantages for all concerned, the company gets to write off the bonus an ordinary expense in the form of payroll and lower their taxable income, the father gets a well-defined exit strategy that has not cost him any money out of his own pocket, and he has peace of mind that he will enjoy his golden years. Now for this strategy to work you have to plan ahead at least 5 years the longer the planning the better the result so even if your children are young, but you want to

pass the business on them you have to plan ahead. I have used this strategy since 2007 and I can tell you from experience there is no better alternative. The only alternative in this scenario is trusting your children will be able to fund your entire retirement or have the children get a very large loan to outright buy the company both solutions have a fair amount of risk to all involved.

The next scenario is a business with multiple partners. I am going to use a medical practice with four doctors who are equal partners, I am using this example because this was the first strategy I ever used and where I created a different exit strategy from the ones that were traditionally used prior to this. They approached me with a what I believed to be a very unique problem, they had a meeting with their financial advisor at a large brokerage house and he explained he could not meet their financial goals for retirement in the time frame they had given them. You see, they had already maxed out their 401K and profit-sharing qualified accounts and he either they would have to work longer or settle for retiring with less money. When I sat down with them they told me what they needed and the time frame, they needed to retire I explained to them what you are looking for to my knowledge has never been done successfully before but I needed some to come up with a solution, honestly I didn't think there was a viable solution but I approached my trainer Brian and we came up with a viable solution using Whole Life Insurance. The plan was to have each of the four partners receive a $70,000 dollar bonus from the practice annually to purchase a whole life policy using the 162 Executive bonus rule and have then the practice would loan them the money to pay the tax on the bonus annually at 3% interest using another IRS tax code to make it all legal and the strategy protected the practice by suing a collateral assignment agreement to protect the practice by restricting access to the cash value for the term of

at least 7 years. The policies were a 7 year pay, and it allowed them to accumulate enough money to exit the practice in the time frame they had given me with a very substantial amount of tax-free money that would grow with uninterrupted compounded growth even after the policy was paid off in 7 years. I explained it would lower the practices taxable income by $280,000 annually and would allow the physicians to have a very flexible and lucrative exit strategy with no money out of their pockets. This is how it works when they decided to retire, they would pay back the loan they received from the firm to pay the annual taxes and to make it more attractive I explained the loan would not come from the cash value but in the form of forgivable loan against the death benefit and the cash value would be intact and continue to grow with uninterrupted compounded growth. They were very happy with this solution but I remembered learning something about loans to individuals who were owners of a company on Wall Street earlier in my career and applied in to this scenario basically the company would forgive the loan to the physician and the loan amount would become income to him and the company would get a write off for the amount of $140,000 even though they only let him $210,000 in actuality ($21,000 x 7 years= $210,000) they get to write off $30,000 more then they laid out for the loan. The physician would have to pay the taxes so let's use a 30% tax bracket, so the loan with interest had grown to $140,000 dollars and then he would only have to pay $42,000 in taxes ($140,000 x .30% tax bracket =$42,000 tax) and the policy had almost $800,000 in tax free cash value so he would take out a forgivable loan of $42,000 from the policy and now he owned the policy outright with $800,000 in cash and he only paid $42,000 in taxes and there was no longer a collateral assignment and he could retire or remain in the practice it was his decision alone. After using this strategy and finding out not only was it viable but it made

the entire exit strategy even more attractive, and I have been using it successfully ever since that fateful day and that is just the tip of the iceberg, I have created almost a dozen different exit strategies for multiple types of businesses and corporations all with their own unique problems that I have created solutions for. At the end of the chapter there will be a link to a video that will explain the entire strategy.

The next strategy I am going to talk about is Golden Handcuffs.

Golden Handcuffs:

This strategy is used to retain and keep a valued employee. A lot of companies don't understand that good retention cuts the cost of hiring and training individuals, this could get very costly and decrease productivity and morale more so if one of your employees is critically vital to your company. I want to give you an example I was working with a local chemical company in the greater Savannah area, this company was considered small compared to its competitors but had a very good market share of the product they were selling and the owners asked me to come and visit with him, he was a friend of one of the four doctors that I recently structured the exit strategy for their practice. He was a southern gentleman, very cordial and very pleasant. He explained to me he had an indispensable employee that by himself was responsible for 60% of the entire sales of the company and it would be catastrophic if he ever left. He also told me he was aware that a much larger company was trying to recruit him and offering more money and stock options and even though the employee was loyal I started to feel for the first time he could lose this valuable employee. I said to him to please relax I believe I have a solution to your problem but quite honestly it would cost a

fair amount to make this solution work, he looked at me and immediately asked how much I told him I would need some information and I could be back to you with one or two options within 48 hours. I returned to his office a couple of days later and presented him with two solutions before I discuss them, I want to give you some of the particulars on this case. The salesmen in question was responsible for over $10,000,000 dollars of recurring sales and increasing every year in fact in just the last 12 months he increased his production by 10%. The salesmen had been with the company for 15 years and his father has been with the company going on 30 years. The salesman's salary was a very respectable $250,000 dollars, and this was in the early 2000's. I showed two options to the CEO, one for $75,000 per year and one for $50,000 per year. I explained they were both 10 years paid-up policies and with the first option of $75,000 a year for 10 years, the cost would be $750,000 in premium, but there was an additional cost that was involved, and he looked very nervous. I explained this using this strategy the company would get to write off the entire bonus every year lowering he taxable income by $75,000 a year now I said here is the other caveat the company would loan the employee the money to pay the annual taxes on the bonus at 3% interest and after 10 years they would write off the loan plus interest which would be a good amount higher than the money the loaned out and if you look at it from a different perspective not just the payee but from a business man's perspective this is what the advantages are: you get to keep your most valuable employee locking him into the company for at least 10 more years, giving him a 1,300,000 cash value after 15 years of holding the policy and making the employee feel like family and very much appreciated and his morale would be through the roof and keep increasing his annual sales and after this he would probably never leave knowing no one will ever treat him like

this and not match this strategy for the simple reason there was only a few people across the whole country with the knowledge to create this type of strategy and present it properly. We also discussed the second option, but he was already sold on the first option and gave me the go ahead to proceed. Not only has the company opened up two more off site facilities but has increased its revenue over 350% in just 11 years and that particular salesman in now a vice-president and has trained a small army of salesmen including his son how is that for irony. I am now using this strategy in probably 15 different vocations alone this year and I am in the process of going on tour to promote the Golden Parachute and Golden Handcuff's strategy. This is a culmination of my 25 years of combined experience in two very distinctive financial philosophies in which I have had the honor to serve my clients.

Chapter 5

Corporate structure and advanced tax planning.

If you ask twenty of my clients what I do for a living, you will get 20 different answers some may be similar, but they will all be different which is a complete failure on my part. You see, I am well versed in my profession, but I lack the skills to communicate what I do in entirety to the public it has been the albatross around my neck for 20 years. I do not understand marketing even though I have spent more money than I care to discuss to solve that problem and I am convinced that I will never truly reach the entire audience that I desire. Some of the things I do and create have a lot of moving parts and are used in connection with some tax laws that are hard for most to decipher, and it is very hard for someone to market my skills because what I do is unique, but I am a jack of all trades and that makes it even harder to explain nevertheless market. My biggest problem is I am very analytical and when I try to explain the mechanics of what I do, I always over explain and yes, even though I am aware of this flaw, it is very hard for me to overcome. The reason people do business with me is because I do I have one good attribute after people get to know a bit, they trust me because I don't make outrageous promises if fact, I am very conservative when I present something to a new prospect or client. I also try to speak with sincerity and open up to them so they can see inside of me. I almost always do everything in person either at a business or someone's house I am one of the last investment professionals that makes house calls. I have written a number of articles and wrote a book prior to this and I have a good

back story and don't pretend to be something I am not. I come from very humble beginnings, and I still say yes sir or no ma'am and say please and thank you and wipe my feet when I go into anyone's home. They like that I was a Free Mason and Knight of Columbus and served on the local board of the Salvation army and served in the United States Army for 17 years with an honorable discharge. They also like that I have a very strong contrast, I did work on Wall Street in New York City, and I was a stockbroker and investment banker and write all my own strategies and excelled in the Insurance business for some almost 20 years. I think my unique background and lack of formal education forced me to try harder and to evaluate things in my own unique perspective, which gave me the ability to communicate with different kinds of people from the very wealthy to the guy down the street and in my humble opinion that cannot be taught only by the good Lord himself.

Let's talk about corporate structure, most companies have very humble beginnings and when they create their company, they almost start with an L.L.C. which as everyone knows is a Limited Liability Company enthesis on "company" you see an L.L.C. is not a corporation it is a company and is taxed as either an S corporation or a C corporation. I will from here on refer to L.L.C.'s as just plain L.L.C.'s before I go into proper corporate structure, I need to explain what the true purpose of an L.L.C. is for and why 50% of the L.L.C.'s are not structured properly. The main reason that new companies and startups use an L.L.C. instead of S corporation or C corporation is that L.L.C.'s are very easy to create, they don't need articles of incorporation and they don't require corporate minutes and in the case of c corporation they don't get taxes at 39.6 corporate tax rate all you need are articles of organization which are much simpler and most times when the L.L.C.'s are created they almost never include the articles

of organization. To have articles of incorporation, you will almost need a competent attorney, or some people use an online company, which I do not recommend. You have 75 days to inform the IRS of your preferred tax status of your L.L.C. or they will assign one to you this is where a lot of new companies make a mistake. Now let's talk about corporations there are only two kinds of corporations the first is an S corporation which is a pass through which in layman's terms means both your personal and business taxes go on one form and you have the ability to write off all business and personal tax deductions according to IRS guidelines and rules, if someone leaves their L.L.C. technically the L.L.C. should be restructured and refiled and submit changes to the governing state. An S Corp cannot keep money in the company at year's end you must use all the funds or distribute them in the form of payroll or a bonus or just spend them down.

The next and only other type of corporation is a C corporation which is usually larger companies or companies that have been around for a while, they are taxed at a corporate tax rate of 39.6 as of 2022 and are their own living breathing entities meaning if every owner passed away the company remains the same the only refiling is the officers of the companies. Any company that has the word Corp at the end is a C corporation, most publicly traded companies are C corporations. Almost all international companies are C corporations and almost all large privately owned companies are C corporations. The good things about C corporations are they have a very have many more write off's, and they can have and maintain operation expenses on their books meaning they can keep large amount of monies in different parts of the company that are not taxable for research and development or future projects of to purchase needed materials or even to expand or purchase new sites or businesses or a number of other instances. So now you have the basic understanding of

corporate structure we now know L.L.C. is a company not a corporation, and either gets taxed as an S corporation or a C corporation. The last thing you must know a S corporation can change later and become a C corporation, but not the other way around.

Now I want to explain the origins of L.L.C.'s and what they were originally intended for. When you have a business partnership, not all ownership is equal sometimes you a majority owner or multiple majority owners and then you have minority owners sometimes referred to as subordinate owners. In the early days of business owners shared unequal profits the lion share going to the majority owners but the liabilities were split equally meaning in a company got sued or had tax problems or went bankrupt all the liabilities were split evenly really not fair, so the Limited Liability Company was formed because majority owners were having a hard time getting minority ownerships in companies because of the unfair liability treatment. In 1977, the Limited liability company was formed and went from being the smallest form of corporate startups to the largest by far today. Now, if a company has any liabilities in any form, the liability exposure is equal to the amount of ownership which protects the minority owners, and it really cuts down on corporate shenanigans and theft. In the early 80's investment companies using L.L.C.'s became very popular and where used for many types of business dealings including real estate ventures or other business dealings that needed large amounts of capital to facilitate their business objectives and they would capture a large portion of individual investors and sweetened the pot by making them understand they had very little liability in worst-case scenarios now that does not include your investment dollars that has 100% liability just liability in lawsuits or bankruptcy.

About the same time, some very creative attorneys figured out they can create LLCs for a number, another reason that takes a large amount of liability away from the parent companies. Their first ventures using this strategy were mergers and acquisitions, which were absolutely brilliant. They could form the L.L.C. and have all the corporate protections but keep the liabilities away from the parent company and they also figured out they could do some borderline shady deals which kept legal responsibilities at an arm's length away. When you have a publicly traded company, you cannot have any unnecessary exposure to any kind of liabilities because it will affect the stock price and market capitalization. Like I mentioned earlier, it started with mergers and acquisitions which allowed the newly formed and very well-funded LLCs to purchase other entities and, if needed, apply some very aggressive tactics. They also started using separate LLCs for international business deals that could incur higher risk and have more exposure to liabilities. From then on, the L.L.C.'s strategies were only limited by the imagination of the creator or the people who structured the companies and their business plans.

All that being said, now I am going to tell you how and why I use LLCs for my clients. I learned a lot working on Wall Street as an investment banker mostly what not to do!! I learned that proper planning helped increase the success of newly formed companies. I learned that having the right corporate structure and the right type of tax planning will really help your bottom line. If you remember earlier, I mentioned a young man who had 51 properties and how I was able to save him a substantial amount of money on taxes but also was able to create large sums of money with some creative corporate structure. I have clients who own trucking companies, and before I met them, they had one company and quite a lot of liability due to the industry and the way the

trucking industry is regulated. Some of these companies not only haul freight but also provide containers for other companies, they do both local and over the road hauling of freight and they paid a ridiculous Amount of money on liability insurance even if their claim rate was relatively low. So I changed the entire corporate structure of their company and when I was finished in looked something like this: There was a holding company that owned most of the assets I then created a company for local deliveries of containers, the holding company would lease the trucks to the company that hauled locally they would charge a set fee and also would pool the insurance coverage with all of the other companies I will describe in the next couple of paragraphs. Then I created a third company that would lease the trucks for the over the road deliveries of containers they would also pool the insurance cost with the other subsidiaries of that the holding company used. I created a fourth company that would do both preventive and regular local maintenance on the fleet of trucks that included providing tires, and any other needed materials and this company would pool their liability insurance with the other subsidiaries of the company. The fifth company was the company that owned and leased the containers to the subsidiary companies and outside companies, and they would also pool their insurance with the other subsidiaries. And last but not least I created with the help of a very skillful attorney a captive insurance company, this company pooled all the insurance liabilities together and would absorb the first 10% of any insurance claims and that would significantly lower the cost of insurance when we went to a reinsurance company to provide the rest of the insurance coverage on A rated paper. We also made sure that we kept our claims low by proper training, maintaining all the equipment properly and had the low-risk certification helped him cut insurance cost by 20% but we did not lower the premiums we kept them the same

and the company kept that 20% and created a large pool of money that could be distributed to the owners at a later date. We also created a second captive insurance company for small trucking outfits and saved them money on coverage but gave them a minority ownership and they would bet some of their own premium money back at the end of the year and created their own pool of money to distribute to the owners or grow their business larger. With all of these companies I created both golden parachutes and golden handcuffs for the owners and prized employees.

I will give you one more example: I am currently working with new clients from the Marijuana industry, and they also had a single company structure, I will give you the particulars on this company. They were licensed to grow and distribute their product; they owned four separate distribution centers, some with partners and some that were solely owned. I immediately created a holding company that owned the land and product I also created golden parachutes for each of the owners. I created two separate companies that grew the product. There were two different grow sites that were leased by the holding company to the two grow companies. These grow companies employed four biologist that created the strains of product, two at each grow site. They were all very talented, and the owners wanted to keep them happy and retain their employment with the companies, so they had me create 10 years golden handcuff programs for each grower. I then created a fourth company to take some of the product and create edibles that they would sell to the distribution stores. I then made each individual store or distribution center a separate company and the owners and partners would also receive golden parachutes programs. I created another company for oversight and compliance this would keep the product legal and always kept detailed records of all transactions. I created a security armored car company

to deliver product and make regular money pickups. Then I created a captive insurance company for all the liability insurance on the holding company and all the subsidiaries. I created on last company for the outside salesman that would sell product to other distributors. I have to explain why some many companies. You see, the marijuana industry has some very unique challenges they for one cannot not use banks to do their banking they use credit unions that have some very strict guidelines on the amount of money you can deposit. The other major challenge is you cannot not write off their business expenses on their federal tax returns because marijuana is illegal federally for that reason, they cannot use banks in the federal banking system. So, by creating the golden parachutes and golden handcuffs and multiple companies, I decreased the overall amount of taxable income by 25% and decreased their overall tax liability by 40%. You would think their accounting firms would do this for them, but they don't.

That brings up a very misunderstood role of your tax professionals, an accountant or CPA's job is to write of as much money as possible, so you pay the least amount of money in taxes for that year. My job is as a Financial Planner is to use your write offs to create as much wealth in the future as possible using different tax strategies that rely heavily on fixed insurance products like large indexed universal life insurance products that can grow a substantial cash value that grows tax deferred but has tax-free distributions and also take forgivable tax-free loans or use them as collateral and be fully protected from all creditors and create a tax free retirement program. Fixed indexed annuities that can provide you with guaranteed income for life and have all the protections I just mentioned. Then using the captive insurance companies to create another substantial cash value that does not get taxed until distributions are taken. When people ask me and they

always do why have I not heard of these strategies before and I just smile the Joe Pesci smirk smile and say it's simple because you were working with the wrong people? ***Professional tip: you must keep an accurate and up to date corporate book. If you go to court and are being sued or creditors, come a knocking any decent lawyer for the other side will ask you for your corporate book and if you cannot produce it or it is not up to date, you will lose your corporate protection by default.*** This is something everyone of your advisors should tell you, including CPA's, accountants or tax attorneys and yes, your financial advisor should at some point in time told you about this very important rule. I bet you have not even heard of this before reading this book.

Indexed Universal Life tax strategy: Almost everyone you know today has some form of government retirement plan in the form of a 401K, IRA, 403B, profit sharing, SEP or Simple plan, all the afore mentioned retirement plans have one thing in common they are tax deferred, and you pay taxes on the distribution. They are also very limited in the amount of money you can contribute annually, thus making them very inefficient and you have multiple liabilities working against you, market fluctuation, unknown future tax rates and fees. I have explained earlier in the book why these plans are the least efficient way to grow wealth or just to have enough to retire comfortably or at the very least, keep you from having to lower your standard of living. One of the biggest drawbacks in these plans are when you take distributions you are decreasing your account value thus earning less money in the market and this compounds the longer you take distributions not to mention this problem becomes exponentially worst when you lose principal in a down market, then you have to

take out more principal to maintain your lifestyle and also have the problem of the time value of money meaning how long will it take to recoup your losses and even if that will happen. So, to summarize, you have loss exposure to market conditions, tax exposure if taxes increase later and the ever hunting time value of money problem not to mention the problem of provisional income meaning if you go over the threshold of allowable money earned your social security may be taxed as high as 85% of your social security distributions.

My solution to this problem is an Indexed Universal Life Policy using the SLIRP (Supplemental Life Insurance Retirement Program) strategy. We discussed earlier the advantages of using IULs to supplement your retirement planning and all of its tax advantages like tax-free distributions or taking forgivable loans so your cash value continues to grow with uninterrupted compounded growth and the ability to use the policy as collateral, no distributions or gains get reported to the IRS because they are not taxable and your distributions don't count towards provisional income (your social security being taxed). All of the above mentioned are very advantageous traits but know look at some other advantages, if you have an emergency and have to access your retirement money before 59 ½ in a traditional retirement program, this is what happens; you get a 10% penalty for withdrawing your own retirement money out before 59 ½ than you get hit with federal, state and local taxes that can be as high as 45%-50% combined. Just so you understand if you have an emergency and need to access your own money let's just say $30,000 dollars you would have to take out $45,000 to cover the penalty fee and taxes and remember this is your money, that is just absurd and so unfair. Let's look at the second advantage of using the SLIRP strategy you have built in future tax planning. In the future if taxes are low you use your qualified government retirement

plans to take distributions and let your IUL keep growing, if taxes are moderate you can use a combination of the two and take some out from both plans or use the distributions from the government tax plan and put as much as legally possible into the IUL without making it a MEC (Modified Endowment Contract) meaning making your IUL distributions taxable. You can use this strategy in a high tax atmosphere also. Using this strategy, you have flexibility and choices with literally no downside. This is how wealthy people use large IULs they take loans which are not taxable and yet their cash value still grows with uninterrupted compounded growth. All of the advantages, and like I said, no disadvantages, then why doesn't everybody use this strategy? There are a number of reasons, lack of knowledge, can't get past the strategy being life insurance, working with the wrong advisors and tax specialist or thinking because they are not insurable they can get the policy on someone with insurable interest they have complete control of the policy and no one but the owner has access to the cash value not even the person who is the insured or simply lack of insight or just plain being afraid of new or different things.

Now I am going to discuss with a tax strategy that I was introduced to when I went to seminar with a major insurance company and the gentlemen presenting it was very competent but he tried to trademark the process which truth be told he was very successful at and taught it too many other agents but I know for a fact he did not create the strategy it is basically an IRS tax rule that he uses to the maximum advantage again to be fair he did perfect it just not create it.

This strategy is used to make your future growth earnings be tax free. The reason some people use this strategy is twofold, the first being we don't know what the tax rate will be in the future and the second is accumulate cash value that

grows tax deferred and tax free. The strategy is different for each individual and can be tailored to the clients' individual needs. This is how it works generally, at age 59 ½ you are allowed to take distributions from your qualified government retirement program a 401K. IRA, SEP, 403B and a few others the premise is you know what your tax rate is now and if you think you taxes will be higher in the future, you take the distributions now and at least you are certain you will not pay more in the future. The second strategy is taking your distributions now at your current tax rate and reinvesting them in products that will allow for tax free growth and distributions you can accomplish this in only two ways, the first is take your distributions from your qualified retirement account pay the taxes and reinvest them in a Roth IRA that will grow tax deferred and have tax-free distributions the problem with this strategy is you are limited to how much you can put in to your Roth IRA and there are income limits meaning if you make too much the limit in 2022 is $144,000 if you file as an individual or $208,000 if you file jointly. You have another factor you must take into account and that is potential market losses which brings up the problem of time value of money, if a client insists on using this strategy, I propose they do it using my corporate bond strategy I discussed earlier. The second strategy is the one I am partial too, after you take your distributions from your qualified retirement account you reinvest it in a Indexed Universal Life policy the SLIRP strategy I discussed earlier, with this strategy we can create a 5 or 7 year pay policy and put all the money in upfront now I have to explain how you do this without making I a MEC (Modified Endowment Contract) meaning all the future proceeds would be taxable. We can do this by making using a SPIA (Single Premium Annuity) the name is a bit deceiving yes we are going to put it into a short term, annuity but it is used to pay the annual premium for a large life

insurance policy. The reason we use this product and strategy is two-fold as previously mentioned it will prevent the policy from becoming a MEC and the other reason is its set and forget meaning the SPIA annuity will make all the annual payments for the next 5, 7 or 10 years whatever the case may be and the money is protected. We have discussed in detail the reason for using life insurance for its tax advantages combined with strategy of taking your money a 59 ½ or a little after and paying taxes now allows for tax deferred growth and tax free distributions but it also gives the policy time to grow and increase in value, for example let's say you did this as early as possible at 59 ½ and you didn't start take distributions to age 67 you have 8 years of uninterrupted compounded growth and remember if you take the distributions as a forgivable loan the cash value is not effected by the taking out of distributions because it is a loan against the death benefit and your entire cash value is untouched and growing with uninterrupted compounded growth.

The next tax strategy is a Roth Conversion strategy, that is where you pay to convert your traditional IRA to a Roth IRA. This strategy depends on the client's current tax rate, being able to fully comprehend the strategy and its advantages and possible disadvantages and what the clients' goals are for the money and if it fits into his time frame. I believe this strategy to be a good alternative if they do not want to use the SLIRP strategy or they are not insurable. It is in my opinion better to pay your taxes now and know what the tax rate and not gamble betting on the tax rate remaining the same or in my humble opinion has to increase I say that because in the last four years the national debt has exploded and the current administration keeps spending money they don't have and with the significant decrease in oil production and the cost of Medicare and Social Security programs sky rocketing there is no way mathematically we cannot raise taxes. We must all

understand that a major portion of our GDP (Gross National Product) is getting eaten up because we have to serve our 35 Trillion dollar debt service and we are still spending more than we bring in which just compounds the problem. I usually combine this strategy with my corporate bond strategy and blue-chip stocks and precious metals.

The last strategy is using multiple companies or LLCs to write off more expenses, with this strategy, we can do multiple strategies at once or just one it all depends on the individual what their goals are and the size of the companies. Like I discussed earlier creating a holding company and then three or four subsidiaries and having that holding company lease or sell the needed products or services to the subordinate company and each company writing of the expenses can dramatically lower your taxable income and your over tax expenses all of this is legal, and I don't understand why more companies don't use this strategy. You can also create an SLIRP program with each individual company and build a very impressive non-qualified retirement program for yourself or your family or partners again if you are not using this strategy you are working with the wrong people. Hey just my humble opinion.

You now have a basic understanding of what I do, if you are interested in having your own custom exit strategy or tax advantageous plan, contact me for a free one-on-one consultation by phone, webinar or in person. The process is simple and straightforward, we will have a casual conversation that will include a question-and-answer period and any other discussions that you are comfortable with. It is imperative that you understand at no time during our conversation will you be asked to invest, buy or commit to any or my numerous processes. So you know I have not disclosed

all of my strategies or investment opportunities in this book to not educate my competitors. In the last year we have embarked on a futuristic investment strategy that includes artificial intelligence and a crack team of CPA's and Tax Attorneys who are on the forefront of their perspective vocations that are at my disposal. The last thing I want to mention is you get all of my twenty-five years of experience is given to my clients free of charge, that includes building custom exit strategies or advanced tax planning.

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