YOUR DREAMS ARE IN DANGER!

Byron McBroom, CPA
Melanie Sikma

Why you should read this book.

Why you should read this book:

We cheer for you when you succeed, and your failures break our hearts. It kills us to watch you labor for years to have something come along and take everything, especially when it could have been avoided.

This book's purpose is to ensure that this will never happen to you.

Our goal is for you to be wealthy and achieve your dreams.

Byron has been a practicing Certified Public Accountant for 41 years. He has seen businesses grow and thrive and fail miserably. He has seen the crushing reality of a failed business and the damage it does to you and your families. He has had 4 separate people tell him that they would have committed suicide had he not been there to help them. Two more people, unfortunately, succeeded.

Through her experience as a financial advisor, Melanie has seen people go through tough times and the relief that comes when you are prepared. She has been shocked at the number of successful entrepreneurs that have no game plan to achieve and protect their dreams. She is here to assure this will not be you.

As you will read in the booklet, Byron has had some incredibly bad accidents during his career, that except for being exceptionally lucky, would have wiped him out. We don’t want that to happen to you.

Here is the best part...for the ‘right’ client: all our powerful knowledge, systems and advice can be absolutely free!

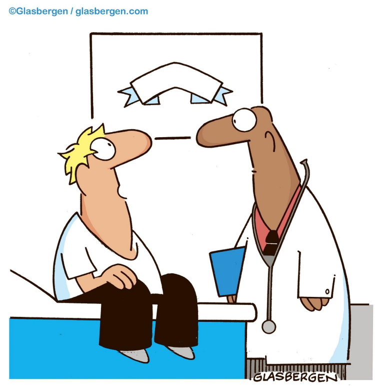
You will notice that you will see a QR code everywhere in this book. QR is short for quick response. Scan it, answer the questions, and yes, in less than 10 minutes we’ll show you how many thousands of your hard-earned dollars in taxes you may be leaving on the table, instead of using it to fund your dreams.

So don’t wait, read the book, scan the code, answer the questions, and find out how to "get your money for nothing and your dreams tax free"!

DANGER #1:

Bad Advice is Everywhere

You are in the middle of remodeling your kitchen. Throughout the process of deciding who would create the kitchen of your dreams, you get several quotes from a handful of people. This is common practice in construction and medical care, and a very prudent thing to do.



"I already diagnosed myself on the Internet. I'm only here for a second opinion."

Why, when taxes are one of the costliest expenses and such a big cash flow drain to small businesses, is it uncommon to get a second opinion regarding your income taxes or financial planning?

Pong is a client that came to us almost a year ago. He was a sole proprietor who was grossing over $5 million in sales and netting almost a million. He had repeatedly asked his accountant if he should be looking at incorporating. The accountant continually replied, *"No. It won't save you any money"*.

Savings Strategies	2021 Savings
Augusta Strategy	$5,634
Hiring Children	$13,028
College Corporation Strategy	$20,372
Converting Sole Proprietor or LLC to an S Corporation	$35,987
Total Savings	$75,020
QBI Lost from Tax Planning ideas	-$7,807
Total Savings after QBI Reduction	**$67,213**

We ran numbers for Pong and found out that incorporating his business alone would save him **$35,987** annually. In addition to lowering his taxes, he would also be protected from lawsuits and creditors, a benefit that being a sole proprietor cannot provide.

Now, we did way more for Pong than just incorporating him. We ran him through our 7-step process, (which we will elaborate more on in Danger #2) and were able to save him $67,213 (PER YEAR). We were also able to get him a tax deferral of $783,925 using our "Kick the Can" tax plan.

His permanent tax savings, over the course of 20 years, at 6.25% interest, will make him a projected $2,619,347! That is all from just using his tax savings; not increasing his business or cutting back on his lifestyle. Now that beats a poke in the eye with a sharp stick if you ask us!

THINK ABOUT IT	
CURRENT AGE	50
THE AGE YOU PLAN TO RETIRE	70
HOW MUCH YOU WILL CONTRIBUTE MONTHLY	$5,601
ASSUMED AVERAGE RATE OF RETURN ON INVESTMENT	6.25%
ESTIMATED ADDITIONAL RETIREMENT SAVINGS--JUST FROM THE TAX PLAN	$2,619,347
ESTIMATED ADDITIONAL MONTHLY RETIREMENT INCOME-JUST FROM THIS PLAN	$19,419

Pong was also in the process of entering into an Indexed Universal Life (IUL) policy (more on this vehicle later). In reviewing his documents, we found that his policy was poorly designed in a way that served only the agent, versus him, who it was supposed to benefit.

The changes we proposed for his IUL, to make it a “Slam Dunk IUL”, increased his illustrated cash value by $2.5 million over a 20-year period. His original policy was illustrating a LAPSE in the 27th year. This means he would lose his coverage AND cash value.

That is a total impact of about $5.1 MILLION on his future savings!

Now obviously Pong had neither the right agent nor the right tax professional.

We have developed a checklist for what to look out for when hiring both an accountant and an agent. Text “CHECKLIST” to 209.924.4192 to receive this checklist.

The key for you is to get a financial planner and tax professional that work together. Start with a tax plan to free up cash (this is the layup), and then use your freed up cash to make your dreams a reality (That’s the “Slam Dunk” defined!).

DANGER #2:

Your “Fair Share” Doesn’t Seem So Fair

The politician's version of "fair" is way more than your version of "fair."

Arthur Godfrey: *"I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money."*

"I'm sick and tired of the super-wealthy and giant corporations not paying their fair share in taxes. It's time for it to change." - Joe Biden

The problem with most accountants is that they just fill out the forms. This is NOT what you need. You need an accountant that will ask you questions to *minimize your taxes* and not just ask questions for information they need to *fill out the forms*.

We always say, “*You need to pay as little taxes as legally possible and stay out of trouble. With a big emphasis on staying out of trouble.”*

The key is to use a system which will legally allow you to pay your lower “fair share”.

HERE IS OUR SYSTEM:

Step 1: Don’t pick the wrong entity.

We already discussed our client, Pong.

Not only did Pong not have any liability protection. He was paying way too much tax.

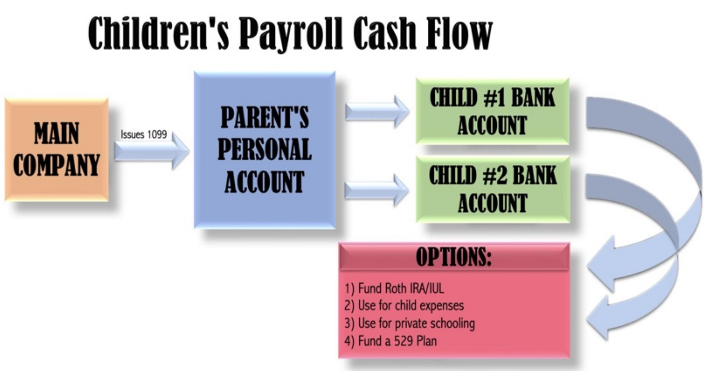
Step 2: Take Advantage of the Little-Known Augusta Rule.

The IRS allows you to rent out your home for up to 14 days a year tax free. You can rent it to your corporation for the board meetings.

Step 3: Legal Child Labor - Put your kids on the payroll

A child can make $12,950 per year tax free. We will show you how to do that legally.

I (Melanie) have two children, ages 5 & 7. I hire them as models in the advertising for my business, which gets me a $25,900 tax deduction. That is $13,028 in savings!



Step 4: An ebb tide lowers all boats

One of our main strategies for lowering your overall taxes is to structure your taxes so you are taking advantage of the lower tax brackets around you.

We have several versions of this step:

1. The Parent Plan
2. The College Plan
3. The Baby Mama or Daddy Plan
4. And the indigent Brother-in-Law Plan

The College Plan

The College Plan allows you to have up to $80,000 of income taxed to your daughter instead of you.

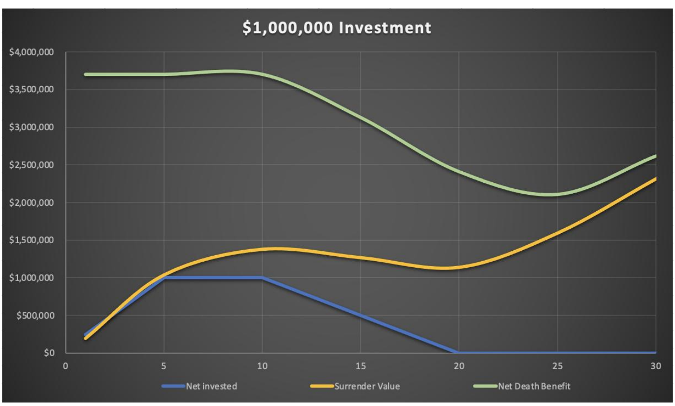
COLLEGE PLAN	
TAXABLE INCOME PUT INTO CHILD'S CORPORATION	$40,500
TAX ON CHILD'S RETURN	2,500
EDUCATION CREDIT TAKEN ON CHILD'S RETURN	(2,500)
NET TAX ON CHILD'S RETURN	0
REDUCTION IN TAXES ON TAXPAYER'S RETURN	20,372
Tax Savings per Child	20,372
Number of Children in College	1
Total Savings	**$20,372**

The other plans work very similar to the college plan.

Step 5: The Kick the Can Plan

This plan is way too complicated to explain in a booklet. What it does is generate a massive tax deferral (we have done up to $15 million) that you can use for investments and for your business.

We had one client who deferred a million in tax, used his deferral to fund a “Slam Dunk IUL, and in 10 years will start borrowing from his cash value to pay the IRS back. He will end up with $2,721,911 in life insurance with an estimated $2,491,448 in cash surrender value in 30 years when he turns 75 (illustrated with only 5% rate).



The beautiful thing about the above example is that it is **100% financed by the IRS!**

Step 6: The Hangover Pills

The Hangover pills are 4 separate strategies that are your cure to the pain of **capital gains**.

What they do is either eliminate, delay, or reduce your capital gains significantly.

We have 4 separate "pills" for you. They are:

1. The Charitable LLC.
2. The Extended Escrow Trust
3. The Charitable Lead Trust and
4. Charitable Remainder Trust

Step 7: Get your money for nothing and your dreams tax free.

The key with these tax strategies is for you to not just have a better lifestyle *now*, but to use them to fund your dreams.

What would you do with an extra $38,342 each and every year?

Imagine how $38,342 would impact your dreams and help make them a reality that much sooner?

Let's see how these steps affect you.

Scan this QR code to start your less than 10-minute self-assessment.

DANGER 3:

The Danger of Hidden Taxation.

It's Much Worse Than You Think.

We have something in the last couple of years that we haven’t seen in a long while.

Inflation.

Inflation comes along and if you’re lucky, your income has increased by 10%. This means your lifestyle and your business expenses went up by 10% also (even if your income didn’t increase).

At $170,050, a 10% increase in profits would make an additional $17,005 in taxable income. This would all be subject to the 24% but now the 10% extra would be subject to the 32% tax bracket. An extra 8% (Note: Federal tax rates are indexed for inflation, but many states aren’t).

What's happening is the government is spending in reckless disregard and that will be paid by you, with your hidden and not so hidden taxes.

In addition to hidden taxes, inflation can very easily wipe out a great retirement plan.

Now it is possible to use inflation to your advantage, but only if you are earning at the rate of inflation or higher.

An example of this would be someone who does our Kick the Can tax plan and invests the deferral and earns the same or more as inflation. What happens is the liability shrinks by the rate of inflation and your investment grows by the rate of inflation. So, a $1 million tax deferral in 10 years at 10% inflation would become:

Original Liability	$1,000,000
10-year equivalent of liability	$348,680
10-year value of asset	$2,195,510

It is critical to invest in something that will outpace inflation.

DANGER 4:
75% of business owners are skydiving without a reserve chute

(Byron speaking) I have been an avid mountain biker for years. Nine years ago, I was riding up at Bear Valley, California and I had a heart attack. I was 100% blocked in the lower right artery of my heart for 3 full hours.

I'm a pretty lucky guy and I came out of the heart attack still riding my bike and doing what I love.

At the time I had $3 million of term life insurance. I had no disability insurance or living benefits within my policy. If I had died from the heart attack, my wife would have been okay. In fact, pretty dateable.

But what if I hadn't died and had suffered some major heart or brain damage (or should I say drain blamage) as a result of the heart attack? What if I couldn't work anymore?

My wife would have been in big trouble. First, there would be no $3 million insurance pay out (my policy did not have living benefits). Then, my accounting practice, at the time, would have just withered away. The employees would have moved on to other jobs, probably after all the firm’s money was spent. My wife would have still been on the hook for all the loans and the lease on the property.

On top of all that, my wife, if I was lucky, would now have extra expenses taking care of me.

We would have been wiped out.

This major event in my life made me realize that you and every business owner need to do and have four things:

1. Life insurance to cover an early death. (Danger 6)
2. Disability insurance to cover the expenses, so that if you don't die, but get disabled, you are not wiped out. (Danger 5)
3. A practice, or business continuation agreement, so that everything you have worked for doesn't just go away
4. A separate basket. Too many business owners have their business as their sole retirement. This is not healthy. You can't have all your eggs in one basket.

"The vast majority of my wealth was in my business, and this was a mistake" ...... Byron McBroom

DANGER 5:

58% of 30-year-old business owners will incur a disability.

If you are 30 then you have a 58% chance of being disabled for **90 days or longer** prior to age 65.

A one-year disability will eat up 10 years of your savings.

46% of all foreclosures on conventional mortgages are caused by a disability.

Disability insurance is utilized more than life insurance. Unfortunately, a much higher percentage of people get turned down for disability than life insurance. I (Byron) was turned down because I had been to a chiropractor. To get around this, I ended up getting a group policy for the entire office.

We wrote earlier about how I had my heart attack. I recently just had another incident.

I was mountain biking with my friends. I and my six other friends were riding along, and out of nowhere a 100’ tall tree decided it was time to fall and came crashing down on me.

I had bleeding on the brain. My neck and back were fractured. My sternum was broken along with several of my upper ribs and two of my teeth.

So, I call myself the unluckiest lucky bastard in the world.

I have already mentioned the heart attack, but you will have to buy me a beer to find out about my being stabbed, robbed at gunpoint, drowning, and causing an avalanche. We will have the beer in the middle of a lightning storm. I know I'll be safe, but I can’t guarantee your safety.

“Being disabled is bad enough but being broke and disabled will break your heart.” -Byron McBroom

In summary, make sure you're covered with disability insurance. If you cannot afford it, or cannot qualify, make sure your life insurance policy has living benefits.

Byron (Boppy) with Naomi and Evie, our two models.

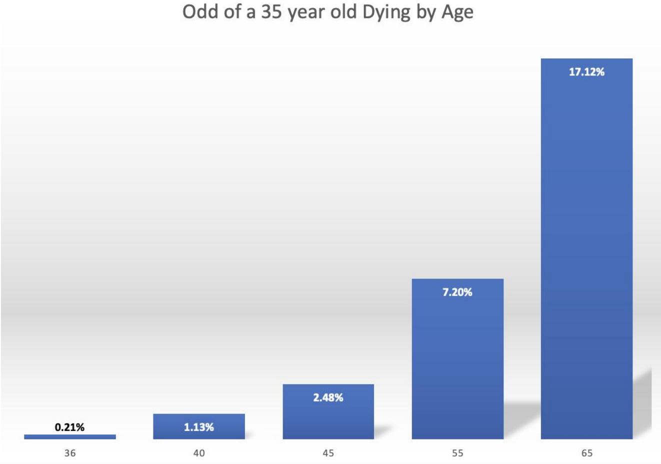
Danger 6:

A visit from the Grim Reaper.

“Death is the number one killer in the world.” Unknown.

I hope this isn’t news to you, but you will die at some time. Ben Franklin once wrote, *“Our new Constitution is now established, everything seems to promise it will be durable; but, in this world, nothing is certain except death and taxes.”*

Odd of a 35 year old Dying by Age



Death is part of life. But your early, unplanned death would be devastating. 30% of people die prior to reaching 65. In the U.S. 4.5% of women and 8% of men die before the age of 50.

Usually at age 50, and sometimes 65, you still have people that are dependent on you. Many times, at age 50, you still have college to pay for, weddings to pay for, parents to care for, and your retirement is still not fully funded. If you die, you will lose your income and your spouse's expenses won't decrease much…this leaves your loved ones with a major problem.

What would be the effect on your family if you passed away early and they lost not only you, but your income also?

Evan was 30. He was married, his wife worked part-time, and she was going to school to be an x-ray technician. His daughter was 8. He had a stroke and never came out of it. It was tragic. He had no life insurance, and like most people, they were living paycheck to paycheck before the stroke. His wife and child had a hard road.

Dying is bad enough. Dying before you are ready can be devastating. Knowing that you have taken care of your family generates a great deal of peace of mind while you are living.

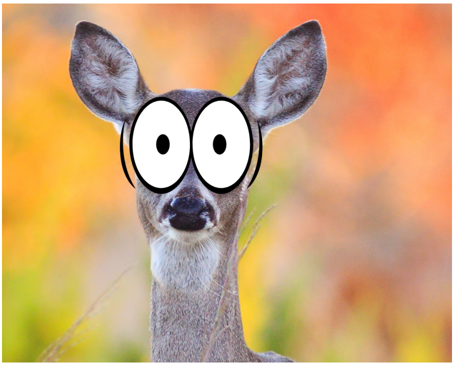
Don't let the grim reaper leave your family unprepared.

Have a life policy that covers the minimum expenses:

1. Raising your children until they are out of the home.
2. Pay off your mortgage/debts, personal and business.
3. Finish college or when they can support themselves.
4. Pay for the weddings.
5. Pay for college.

DANGER 7:

Don't be a deer frozen in the headlights. Make a move or get hit!



One of the wonderful things about the internet is that there is a vast amount of information at your fingertips. The problem, however, is that oftentimes, when people have too many options, they do nothing at all.

There is a reason In and Out Burger only has 3 hamburgers. A single, a double and a triple. I bet if you asked one of the cashiers at In and Out Burger, they would tell you that some people still have a hard time deciding.

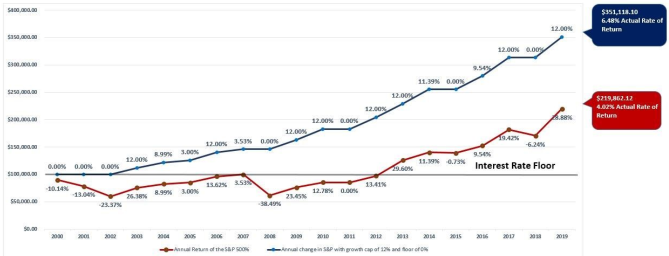
While it's okay to hold onto your money while you learn a new skill or wait to find the perfect place to invest it, the key is finding a place for it to wait that provides **safety, liquidity, and a good rate of return.**

We have found that cash value life insurance in the form of a *properly structured (BIG emphasis on this part)* and *max funded* Indexed Universal Life (IUL) policy meets each of these. We refer to this as the “Slam Dunk IUL”.

SAFETY

The Slam Dunk IUL provides a 0% floor, which means you cannot lose your money due to market volatility.

In a case study where two people started out with $100k, the results were eye opening. They compared their investments for a 19-year period (2000-2019). One in an IUL (with a 0% floor & 12% cap) to the same amount being directly invested in the S&P 500. The same $100k would have earned *$131,255.98 more* being in the IUL with a cap and floor. As you can see, over time, protecting your downside, makes a big difference in your accumulated savings.



In September 2022, as we were writing this, the S&P Index fund was down 27%. Being invested with a 0% floor was a choice most 2022 investors would have chosen with hindsight.

LIQUIDITY

In a Slam Dunk IUL, you can access up to 90% of your cash surrender value at any point via policy loans, TAX FREE. If your agent sets up your policy unselfishly, the MAJORITY of the cash that you put in (and in just a few years MORE than your principle), will be available to be leveraged.

GOOD Rate of Return (ROR)

The historical average ROR on IULs (at the time this was written) is around 9-10%, and that includes the poorly structured policies. As long as you get an agent that will set the proper amount of death benefit, and along with a few other tweaks to the structure, then this is a great place to park your cash while you figure out your other investment options. It will definitely beat the ROR in your bank account of zero.nothing%.

If the government is paying for it, (with tax planning) how can you go wrong?

Let's find out how much you are overpaying the government, and what you can instead move towards your dreams.

Want to talk to someone about how much you are leaving on the table and how you can shift to protecting your dreams?

To book an appointment email:
tiffany@onestoptaxstrategists.com
Or call 209-924-4192

“You know how you go to a seminar and you get a few tax ideas. You take them to your accountant and they say, ‘Yeah you could do that.’ Well why doesn’t your accountant tell you about them in the first place?”
Eddie Speed, Note School

Summary of Dangers

1) Bad Advice is Everywhere
2) Your “Fair Share” Doesn’t Seem So Fair
3) The Danger of Hidden Taxation.
4) 75% of business owners are skydiving without a reserve chute
5) 58% of 30 year old business owners will incur a disability.
6) A visit from the Grim Reaper.
7) Don’t be a deer frozen in the headlights.

Summary of Tax Saving Strategies

Step 1: Don’t pick the wrong entity.
Step 2: Take Advantage of the Little Known Augusta Rule.
Step 3: Legal Child Labor - Put your kids on the payroll
Step 4: An ebb tide lowers all boats
Step 5: The Kick the Can Plan
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