Dan Breslin: All right. Carl Worden, welcome to the REI Diamond Show. How are you doing today?

Carl Worden: I am doing fantastic. Thank you for having me.

Dan: Nice. So, I appreciate you coming on. First of all, it is always a hot topic among Real Estate Investors, sure real estate agents. I am sure everybody in the country hates paying taxes, but I know for sure that the real estate community has an aversion to it and does a lot of their business structuring feels, etcetera for that. So, I am sure our topic is going to be like a hot button, hot topic for the listeners, for our audience too. But why do not you give a little bit of background, kind of what you do and what led up to doing what you do, and why that would be important to like Real Estate Investors who might be listening right now?

Carl: Sure, yes. So, Boy, I have been in the financial services industry for quite some time. I actually got my insurance license in 1989 to give you an idea, so I have been around for a while. I have been a real estate investor for almost thirty years. I actually started by reading a book called Nothing Down for the 90's. Excellent book. Got me started in my career there, and what ended up happening was that as a young kid, believe it or not kind of a weirdo when it comes to real estate, whose actually look in the newspaper at eleven years old at houses for sale.

Dan: I keep seeing things.

Carl: So, real estate is kind of in my blood. Yes, did you?

Dan: Oh, yes.

Carl: So, but one of the things I was always interested in from a young man to today is how does the rich avoid paying taxes? How is it that they do end up keeping all of their money? And so that has always intrigued me. I never thought about pursuing it as a career actually. What ended up happening was I worked with a financial services firm and it was a buy firm and invest the difference firm, you might know who I am talking about, and I did that for about nine years and the concept was that you would sit down with families and you would review their financial situations. You look for ways to show them how to do things better and I felt at about thirty years old when I got involved with that company that I was a good mentor or could be a good mentor because by the time I was thirty I own three houses. Nobody gave me money, I work my butt off for it. I started saving twenty-five dollars a week. So, I felt like I was a good mentor. I mean, if you are going to go to the gym, you do not want the three hundred pound trainer, right? You want the fit trainer, the one you want to look like. So I felt like I did a good mentor.

Carl: So I started this process of helping people to their financial situation and it actually became rather discouraging because we were helping people, middle-income America save money. We are trying to find ways to help them save money and what we found is that most of them even though we had great ideas, they were not taking the money savings and actually saving it. But many of the homes that we sat in were actually owned by the people that we were sitting with and so I ended up resigning from this company about 2007. I got my Series 7 license and became more of a full-blown financial advisor, IAR, investment advisory representative. Did not work with a couple of broker-dealers. And then in 2009, I was made aware of a strategy called the deferred sales trust, and many Real Estate Investors are probably all too aware of the 1031 exchange, which is primarily applicable to investment property. This particular strategy was applicable to any kind of property.

Carl: Primary residence, second home, investment property, business assets, and I got to tell you, Dan, when I found out about this strategy, it was like my head exploded on like, "oh my God, this is what the baby boomer generation needs" because that is who I was sitting down with for the most part. And you know, later on in life, more recently I have added a plethora of other strategies and really decided to kind of re-characterize myself as a tax referral consultant. And to be clear, I am not a CPA, I am not a tax attorney, I am not a trust attorney, however, I have been able to amass some of the best tax attorneys trust, attorneys CPA's as part of our team. And so essentially what we do is we show people how they can sell these assets and keep most, if not all of the money working for them. So to answer part of your question is, what would be the possible benefit or what would be the interest for real estate agents? I would have to say this. I would have to say that if you are going to be in the real estate industry, you should probably know your client.

Carl: And so, Dan, I have a couple of questions for you to see if you kind of know the answer to these, but you can Google this information. I strongly encourage you to do it, okay? Baby boomer generation born 1946 to 1964, ten thousand people per day on average were born during that period of time, okay? We have heard that ad nauseam, right? But do you know much about them financially? So I have a question for you. If you were to look out your window right now and look at every single asset that you see, every house, every business, every investment property, okay? What percentage or every stock for that matter, what percentage of every asset that you see and that you know about is owned by that generation? Do you have an idea?

Dan: I do not, probably fifty, sixty percent maybe more?

Carl: Very good. It is actually in the neighborhood of fifty to fifty-five percent. I see varying numbers on that. But it is about fifty to fifty-five percent. Now, of everything you see out your window in the United States America is owned by that generation, okay? Now, the United States, if you were to put a big for sale sign right in the middle of it, okay? How much do you think we could sell it? Lock Stock and Barrel, how much you think we could sell it for? How much is it worth? Let me put it that way. Do you have an idea?

Dan: I do not even know on that one.

Carl: Somewhere between a hundred and fifty and a hundred and seventy, a hundred and fifty hundred and sixty trillion with the T, okay? So again, let's go back to the Baby Boomers. They own fifty to fifty-five percent of a hundred and fifty to a hundred and sixty trillion dollars worth of assets in this country, okay? Now, let me give you the other stat eighty percent of everything they own, their net worth, is in real estate. It is not an IRA's, 401K's, and cash. It is in real estate either their primary residence, second home, or investment property. Many of them bought assets smartly years ago. They have been indoctrinated because they have been working for forty to fifty years of their lives, right? And they have gone to this in their self indoctrination process of asset preservation. So much so that many of them had dreams when they are in their twenties of retiring at some point in their life and enjoying the fruits of their labor and are willing to completely and totally forgo those dreams because the last thing they want to do is sell any of those assets and give twenty to fifty percent of their money to Uncle Sam, twenty to fifty percent of everything they worked for, for the last forty years or fifty years, okay?

Carl: So, in 2009, I find out about a strategy that enables them to be able to liquidate these assets and legally keep most if not all of the money working for them, my head exploded. I said this is the way this generation is going to be able to retire. And since then I have added additional strategies, we have got quite a few that we offer now and effectively what we do is we strategize using the various different options for showing people how they can legally sell their assets and keep most if not all of the money working for them, and that is it in a nutshell.

Dan: Cool. So let us talk about the deferred sales trust. How does it work and can you provide an easy to understand example of like really what happened? I mean, you have to name client's names, but just so anyone listening would kind of get the nuts and bolts example of it.

Carl: Yeah, so, to give you a little bit of additional information. I mean the nuts and bolts are fairly simple when you think of the tax code, okay? And I find it ironic by the way that the tax code is called the tax code, right? Or perhaps coincidental is a better word because it is like you need an Enigma machine to decipher it, right? I mean most people can't read that thing, right? And it is almost like it is by design, okay? The very wealthy people do not necessarily read it, but what they do is they find somebody like defertax.com and they have us help them decipher it and help them put things in place and that is really what we do. But the strategy is pretty simple and I want to be clear, we developed a website called defertax.com, and let me give you a little background on why I developed it. I have been teaching the subject since 2009, okay? When I found out about the strategy, I immediately took this and the 1031 exchange, I called up a 1031 exchange to come in and said, "hey, you can defer tax on prime fund investment property. I can divert tax on any property. Why do not we figure out a way to work together?" Three days later, I became a representative of that 1031 exchange accommodator.

Carl: And I have been representing them ever since company called exchange solutions out of San Jose. They are a fantastic company but one of the things I discovered in my tenure as a teacher is that most people learn in one of three ways. Reading, being taught in a classroom setting or audio-visual, okay? And just like I alluded to a minute ago, if I handed you four or five sections of the tax code, Dan, and say, "here this is what I am doing," you probably glaze over, okay? Then you might understand it better than most, right? But the bottom line is people need a much more simplified explanation of these options. So what I have discovered is that if I can teach you this concept, verbally and then I have an audio-visual that will actually kind of walk you through it again, like even in a cartoon format that you would probably pick up about at least eighty percent of what I am saying, okay? So, I would encourage you, if you are interested, definitely go to defertax.com, and you can click the join button, does not cost anything.

Carl: You can either type in an access code of defertax [inaudible] website or you can just click the button that says, "I do not have an access code." Either way you can get in and you can watch the video on this particular strategy. I will give it a run through though, okay? So essentially, the deferred sales trust uses two basic ideas. Number one, tax law, obviously, and number two, trust law. Now, trust law is an interesting thing because it actually predates tax law and takes precedence. A lot of people are largely unaware of that. From a trust law perspective, we use what is called a third-party irrevocable business trust. In essentially this particular document or entity has the same capacity or same ability to act in the financial capacity exactly the same way as you and I do, Dan. So it can run a business. It has profits, losses, expenses, it files its own tax return because it has its own Tax ID number, and it can also buy things on an installment sale basis and sell things on an installment sale basis. And that is kind of the segway into the tax law side of things. From a tax law perspective, it uses something called IRC 453 and if you do not know what that is, it is actually one of the oldest tax deferral strategies in the IRS tax code. The tax code dates back to 1913. This thing goes all the way back to 1917.

Carl: And essentially what it gives you the ability to do, Dan, is sell your, let just say two million dollar asset that you paid maybe $50,000 for. And you can legally sell it to me under terms, okay? The terms could be five percent interest only. No payments for two years and nothing down, okay? If we both agree to that, arguably you probably would not do that with one of your assets, but that is beside the point. But, you could legally do that and if I sign on the dotted line those are the terms and that is what I am obligated to pay you. Now, here Is the thing. I hope I own your asset now and I effectively have all of your cash to, do not I?

Dan: You are hanging onto it.

Carl: Yes. That is right. So the second part of the tax code that this deferred sales trust abides by is called the constructive receipt rule. And basically what it states is once you take either possession or control of income from a job. Profits from a business or capital gains from the sale of an asset like this. It is a taxable event. So one thing that the rich know, that many listeners here do not know is that if you can find ways to still own the asset, right? But without taking possession or control of it, then you will not pay the tax. I have taught this by the way in CPA offices before and I am not gotten really too much kickback, CPA's do not focus and tax deferral anyway but, that is beside the point. But anyway, so what we have done here is we have created a situation where you, Dan, you sold me this two million dollar asset. Whatever the heck it is. You have a basis of 50,000, you made 1.95 million dollars on the sale to me, okay? But you did not pay any taxes because you are going to file your tax return in '21, you are going to file form I believe it is 6252 indicating that you sold on an installment sale this 2 million dollar asset to me and you are going to indicate on there, no money received, no payments, no down payment. And how much in taxes will you pay?

Dan: Not that year, you will not.

Carl: That is right. That is right. So, what the deferred sales trust to us, is it abides by that basic concept. We structure a trust in place of you as the seller of the property. What is going to happen, Dan, is you are going to actually sell the property to the trust for the $2,000. The trust with the trustee is going to purchase on a paper sale transaction that asset for 2 million dollars. Two minutes later, in a simultaneous transaction, that asset is sold to the end user, okay? Whoever that is, they take the property, they take the asset, they are gone, they are out of the picture. The two million dollars came to Escrow. The escrow officer paid off, sales charges closing costs commissions etcetera, whatever, and ship the remainder of the proceeds to the seller of the property which in this case is the trust. You do not pay any taxes because you never took possession of the money yet. The trust does not pay any taxes because you purchased it for 2 million and sold it for 2 million, no profit, okay? So, the beauty of this, there are multiple benefits to this concept. Number one, tax deferral, you did not take possession of the money, you will not pay the tax. Number two, you can invest the money inside the trust much the same as you could inside of an IRA or 401K.

Carl: Benefit number three, you can take distributions of this trust and whatever dollar amount of frequency you choose. Incidentally, when you do pick the investment portfolio, the overall returns of that portfolio dictate the no grade that is owed back to you, okay? So if we run a risk profile questionnaire on you, Dan, and we come to the conclusion that a series of Investments would, your conservative investor would only achieve six percent that becomes the note rate of the trust, okay? Benefit number three, you can take the distributions from the trust whatever dollar amount of frequently you choose. Benefit number four, it is inheritable intact. So your beneficiaries can inherit it. There is other benefits and stuff like that. But I would rather table those for perhaps one-on-one conversations with anybody who is interested in finding out more but there are multiple ways you can use this individually or in combination with other strategies. So that is the deferred sales trust in a nutshell. The three-minute video is on defertax.com. You can watch that after listening to this and they should pretty much lock it in for you. You will get a permit and about an eighty percent understanding of this thing, and then ultimately through further conversation, consultation, we can make a determination if it is right for you.

Dan: Yes, so, I mean this is very detailed and in-depth and you know your stuff, the form numbers and it shows that you have a very strong depth of it. I think basically you are selling the highly appreciated asset and you have this middleman trust that then becomes the trust is that your asset because the trust is not quite an entity right? It's not like an LLC or Corporation, but it is something sort of in the middle?

Carl: It is basically is an entity. Yes. So, it has got its own tax ID number and this trust actually purchases the asset from you. Yeah. So, again, it does not pay the taxes because he buys it for 2 million, sells it for 2 million in our example.

Dan: Do you happen to know if a trust could take someone to court? So let us say that the two million dollar asset somehow has some issue with another loan, could that trust initiate a lawsuit against another person or entity?

Carl: You know, I am going to be frank with you I have never been asked that question.

Dan: Yes indeed.

Carl: I could give the answer, but I have never been asked that question before. Yeah, you stumped the [inaudible] and some of my real estate agents like to play that game to see if they can stump me, well, you got me.

Dan: Yeah.

Carl: Yeah that is a good one.

Dan: I cannot really think of a reason where, I mean, if I think of the trust like a 401K, it makes sense, right? And that is a trust account I believe, right, Carl? 401K, IRA, that is all trust accounts, right? I mean, It is a retirement account.

Carl: Yes, it is a retirement account held by a custodian. I do not know that it is a trust account. I would not necessarily call it that.

Dan: Okay, so it is like because like on one hand I could see that a trust where it was mostly cash or a bunch of stocks. I do not know that it would ever be in a position to initiate a lawsuit, but let us take the example of the trust.

Carl: Yeah, to be frank with you. I think you are spot on Dan. I do not think there would be any reason or whatsoever for this trust to take a, because the trust is the creditor right? The trust is the one that owes the money. So why would it take a lean holder to court, there would be no reason for that.

Dan: Yes, so the trust by real estate, and then the trust is now on a dispute with the previous owner of the said Real Estate over the condition of the roof being misrepresented that is why I was asking a question if there is this additional layer of kind of risk that was taken on by the trust and by using this strategy versus a little bit of a cleaner higher pressure more familiar 1031 where my new LLC would have the legal recourse to seek relief in the court, but the trust, I do not know that it would have that. I do not know honestly the answer but it might be something.

Carl: [inaudible]

Dan: I will be concerned about it if I was putting my big nest egg and that 2 million was let us say all the money I had in the world. I would kind of want to know, are there any other layers of additional risk that I am maybe not aware of, or maybe there are some other risks that you would mention not necessarily the taking to court case, but maybe are there any other risks that someone would probably want to be aware of what their eyes open going into this with their highly appreciated asset?

Carl: So, I average about one or two of these a month, at least, at a minimum, and I will have to tell you that in every case where a buyer of an asset had an issue with a seller, they just dealt separately with seller. They did not deal with the trust that captured the proceeds. So you asked me a question I have never heard before probably because that has never come up before, but that does not mean it is not valid. It is definitely very valid in the beauty that I have is that I have tax attorneys on my team who can answer it, so, I can certainly get you that answer, Dan.

Dan: Yeah. I know. I went off on a big limb there.

Carl: Yeah, that was a tangent. That was a tangent.

Dan: I had a trust. I have used trust for real estate in a bunch of different reasons before and we had a situation where we were trying to enforce the contract that was written with our trust as the buyer and we ran into a wall where we were unable to pursue it in court. Now, I do not know if it was just that our attorneys or the judge kind of ruled against it, or if they were not familiar with it and kind of dismiss this, or whether there were actual case law that precluded us from pursuing it. But, all that aside, I have heard of a deferred sales trust in the past it makes sense. Unfortunately, I am not a great client because most of my assets are kind of these much much smaller gains but it kind of brings to light a question. What size gain, Carl, would be on the minimum side, right? Hundred million dollar game we all get it. We want to avoid having to pay three hundred and seventy million dollars, but like what would be this smaller gains, right? If I got a house, I am selling and it is a $40,000 gain, I mean, is it really worth going through all of the added paperwork layers and things of that nature is like maybe five hundred thousand like what size gain makes it worth the additional effort to put this together?

Carl: Yeah, It is funny. It is relative to the client, right? I mean, the smallest one I did was $60,000. Now, that is not a lot of money, but it was a lot of money for this client. So they did not want to pay the tax on the 60's so we ended up doing it. I will tell you that was a one-off. I have not done cases that small sense. Most of the time what you will find is if the clients going to have to pay a hundred thousand dollars or more in taxes that is kind of the threshold, when you get into this scenario, like what you are talking about is a 40,000 dollar gain on something. I might be more inclined to say "hey, let us do something simple called the 1031 exchange." Or if you are not interested in repurchasing real estate that you have to manage and I say deal with the 70's which is the tenants plus trash taxes termites turnover and teenagers, tight?

Dan: Yeah.

Carl: Then not necessarily in that order, but you ultimately could go for something like even a Delaware statutory trust depending on your net worth. You could also go with an opportunity fund. That is an interesting tax deferral idea with some tremendous tax benefits and growth benefits and then there is also the conservation easement would perhaps possibly be another option.

Dan: So, what is that the conservation easement? Can you describe that? I have heard the term. I do not know what exactly that entails.

Carl: Yeah. No, it is a great question and I would have to say that the greatest example probably of that. Everybody is all up in arms about Trump not paying any taxes. Well Trump's just simply smart. It is funny. I get this all the time. California taught a lot in California and in California, a lot of them, they are all about paying taxes, usually, somebody else, they are always all about people paying taxes, right? And somebody piped up during a class, I was doing for the Silicon Valley Association of Realtors with about seventy-five people in there, and somebody inevitably pipes up. There is nothing wrong with paying taxes. And, I respond to the question by simply saying this, you know what there is absolutely nothing wrong with paying taxes. It is a sign of success. We should pay taxes because it covers the road from the fire departments, police department, stuff like that, whatever. That is great. And it is really it is great to pay taxes. Unless, there was a legal way to avoid paying taxes, then it is pretty stupid, okay? because a lot of people, they really do not understand the tax law.

Carl: The tax law is really designed for you to do several things. Get married. Have babies. Run a business by real estate, period, okay? And truthfully it is transaction-oriented. So the concept behind tax deferral is to continue transactions. Transactions in this country generate taxes. If somebody has a piece of real estate, they died owning it. There is a step-up in basis given to their heirs and no taxes are paid. Worse yet, if somebody did not find out about us, defertax.com, right? And they die owning it, they get the step-up in basis. Now, here is what happened when somebody finds defertax.com. Find them. We educate the client. We inform the client. The client comes up with solutions. The client says, "Okay, I am ready to list. I have an exit." The real estate agent get paid. The broker gets paid. The appraiser gets paid. The lender gets paid. The staging company gets paid. I mean, I could go on and on. Furniture companies get paid. You see what I am saying? So, tax deferral there is nothing wrong with it. It just has to be done correctly and appropriately, okay? So getting back to your question, that was a tangent, sorry. So getting back to your question conservation easement.

Carl: One of the biggest examples or perhaps better examples is Trump, right? He did not pay hardly any taxes. Well, I will give you one of the reasons why, conservation easement, okay? As we all know Trump has golf courses and he has got land around his golf courses, okay? And so what he did was he took advantage of the conservation easement concept, I believe it is IRC 178, look it up if you need to. Long story short, Trump ran plans, did plans designs, development of plans for the land around his golf courses, and he actually did mock-up drawings, actual architectural drawings, spent hundreds of thousands of dollars putting all this together as though he was going to develop the land around his golf courses, okay? Now, the land around his golf courses was worth about a hundred and twenty-five million, okay? Instead what he does is he gets an appraisal on what if he did this development around these golf courses, several appraisals, typically, you do three, and you pick the middle one. I do not know if he did three, but conservation easement companies typically do three and I will do the middle one. Come on, we will pick the lower one, but long story short the appraisal came in at 500 million dollars, okay?

Carl: So hundred and twenty-five million dollar piece of land. He says, "you know what? There is a yellow-bellied red-spotted lizard or something like that there, I am going to donate this thing to a conservation easement, it qualifies. President Trump gets a 500 million dollar right off, okay? So essentially he donated a hundred and twenty-five million to get 500 million right off, okay? Now, how can we as little investors get in on that? Well, this is an accredited investor product, okay? Cannot do it unless you are accredited investor, million of net worth exclusive of your primary residence, okay? But the bottom line is you could actually, there are companies and only really this frankly only two that I would even work with. But there are companies that actually what they will do is build by either a piece of land or they will buy a building, historical building and they will do the exact same thing, they will run plans and some of them are even oil, there is oil or there is mineral rights underneath the land, and in the process of structuring these deals, they buy the land, they run the plans, they determined that let us just say it is a-- they bought for 10 million, they determined that the future value after improvements is 50 million instead they go with a conservation easement and they put it into a fund, okay?

Carl: So what that does is that allows investors like you and me to come in with like a hundred thousand dollars for example and buy a piece of that ten million dollar portion. But in the process of buying the hundred thousand dollar, donating this hundred thousand dollars to this land purchase, I am getting a five hundred thousand dollar right off. Because it is a five to one right off if you follow the map, okay?

Dan: Yeah.

Carl: The advantage of that is if you are a high income earner, where you make a million bucks a year, right? Even five hundred thousand year worth, but I like a million let us just use that. You make a million dollars a year and of course, Uncle Sam, wants half of it, hypothetically, right? Well, one option you have is to just donate half of it, right? I am screw that I am going to donate half of it. Well, guess what? You still have five hundred thousand dollars left, you are still gonna have to pay taxes on the five hundred thousand. You might have lowered your tax bill, but probably not. Let us just say your tax bill on that is fifty percent still, hypothetically. Well, that means you are going to pay two hundred fifty thousand dollars in tax. Obviously, it is not going to be that high, but let us just say that, okay? Now, if you did a conservation easement investment, instead of just giving a donation, right? And by the way, I did not finish my numbers there. You donate half a million, half a million is gone, then you stopped to pay taxes on the five hundred your left with two hundred and fifty thousand, are you with me?

Dan: Yeah.

Carl: Make sense? Okay, good. Now conservation easement option. I am going to donate $100,000 to a conservation easement. I am going to get the $500,000 right off, okay? I still have to pay taxes on the remainder $500,000, it is still 250,000. My total outlay is 350,000, right? And I am left with 650,000 right? In my pocket. So, at the end of the day, if I made a million dollars, I have a choice. I can be left with paying the taxes and having 500,000 left. I can donate half of it and have 250,000 left or I can take advantage of a conservation easement and have $650,000 left. I do not think if I threw those three numbers together in a white sheet of paper you have an argument as to which one you would want, right?

Dan: Yeah, so essentially you are paying that tax money out anyway. So instead of just paying it directly to the IRS that year, you invested into the conservation easement project, I guess you would call it. Except you are probably have to put 50, 60, 70 cents on the dollar of the actual tax bill into the conservation easement to get the right off back to kind of cover the taxes. Do I have that right?

Carl: Yeah, I believe so.

Dan: Okay interesting.

Carl: Certainly, a good option for high-income earners. And by the way, selling a highly appreciated asset like real estate or stock or something like that can automatically throw you into the higher income tax brackets. So, the companies that I work with, we have a computer program where we kind of plug in your state, your tax rates and plug in the dollar amounts, plug in your income, plug-in what if we invested in this conservation easement. What would be your overall tax savings? And it really kind of is a no-brainer.

Dan: Yeah, and back to one of the little additional things that you mention that jumped to mind here. You would talked about the real estate agent raising her hand and say, "well paying taxes is good." And yeah, but what else is good is money that remains invested in assets. So if you think of the different type of asset levels that exist in our country, we have cash, right? That is usually the most obvious an early introduction that we have to money in our life. And then we have things like credit, credit cards, and getting notes and mortgages and things of that nature and that is like this next level of cash. I mean, if you know about the secondary real estate mortgage market, debt market, I mean, that stuff is traded around the same way that stocks and bonds are traded around on Wall Street, TD, Ameritrade, Fidelity, etcetera and stocks and bonds would be like another level of money. And real estate is this like less liquid but still important. In fact, one of the foundations of why our country is here and why it was so exciting as to private property rights that we have here in America and have enjoyed for so long.

Dan: And the tax code is set up to kind of benefit the value in any one of these different assets. And like the example that pops to mind for me it is very recent for everybody if you had money in the market on February 1st, and then looked at the money you had in the market on April fourth, fifth or tenth, right? You see what happens when everybody decides to convert those assets to cash. And so the tax code is structured with the allowance of the deferred sales trust. The things that maybe the conservation easements and maybe the 1031 exchanges and things of this nature. They are there to help incentivize everyone in the economy at large to keep a lot if not all of or much of the money invested over the long term because it is good for the overall country. It is good for the world for that money to remain not in cash for, right?

Carl: Hundred percent. Oh, yeah, that is exactly right. I mean a great example of that is the recapture tax like look we are going to give you a benefit for investing in real estate. We are going to allow you to depreciate the structure value of the real estate and apply that annual depreciation amount against and the incomes. Therefore reducing your overall tax liability on the income that is coming in substantially, okay? That is going to be your incentive for investing, one of them, okay? But hey, if you want to sell. We want our 25%, right? Plus the state, right? Whatever state you are in, right? If you got state tax. So yeah, no they do not want you to sell in cash out. What they want you to do is they want you to sell and reinvest into a bigger better property. That is really the tax code is really written to incentivize you to do that. And frankly, to your point, I think we all know real estate is probably one of the greatest wealth building tools there is. I mean, I am a registered investment advisor, and I have conversations with clients all the time and I had this young lady who sat with me, I have known her parents have been clients of mine for a while and the young girl, 29 years old, she got a hundred and forty thousand dollars saved up.

Carl: And she is having a conversation with me and she says, "Carl, I am thinking about investing this money. It is sitting in my bank accounts to her dresser." I said, "what are you thinking?" She said "Well, my mom has been investing with you for a while. She is happy with you. I kind of want some ideas there." And she said, "well the other the other ideas I actually thought about maybe buying some real estate." And I said "really?" And I said, "tell me about that." So she does and I said, "well listen." One of the greatest lessons I ever learned was the concept of leverage, okay? And you already know where I am going with this. If you take $100,000 and you invest it with me as an investment advisor. If I am doing a really good job. I am averaging you about 10% per year. That is if I am doing a really good job, let us be real, okay? However, if you take that same hundred thousand dollars and put it as a 20% down payment on a $500,000 investment property, okay? And then investment property only goes up in appreciation by 4%, okay? That is a $20,000 gain on the $500,000. So, your hundred thousand dollars grew by 20 thousand or twenty percent. I said, "I cannot beat that." I said, "there might be some years where I could, but there is no better investment option than that. So my suggestion is that be smart and look for real estate opportunities."

Carl: And so I had discussions with her about that and how I got started and what to look for blah blah blah, but the bottom line is that is the way to go. And it was the right decision and the right information for her, right? By the way, just as an aside, one of the things that we do when we do talk with clients, we are fiduciaries, okay? From a tax deferral perspective, the very first thing that we do, we actually look for a reason why the client does not need us, which is really counter-intuitive, but what it has allowed us to be able to do is establish upfront some form of credibility and trust in an industry where there is no credibility and trust are very little, okay? So we come across clients with large capital gain for example. The very first thing we do is we asked them several questions. We actually give them a questionnaire to take to their CPA. And questionnaires really designed to trigger the CPA to look at the things they might otherwise not have looked at. And the concept is we want to try to find ways where we can lower your tax bill enough that you can move forward with your transaction. So now, this kind of a dovetails into. Why should real estate professionals consider us as a an ally? And frankly, what we try to do is we try to go in partnership with real estate agents.

Carl: Because real estate agents cannot give tax advice, right? So they send them to the CPA who does not know anything about tax deferral options and hope that the CPA then turns around and give the client back. That is not going to work. The CPA does not work for the real estate agents. CPA works for the client. So we on the other hand we work for the client. So our objective is to educate the client form the client and hopefully educate the client that they do not even have a tax bill which enables the real estate agent to get the listing and help the client move forward on with their lives. So that is a little bit of additional input on what we do and how we do it.

Dan: Nice. And as we get kind of to our wrap-up here in a moment. Would you mind just touching on your fee structure? Like how do you get paid when a client reaches out just to kind of give people the background on what the business looks like as they approach you?

Carl: Yeah, so one of the more well-known symbols in the world of financial services is the traveler's umbrella, and the concept is you have somebody holding the umbrella and above them is all of these products and services, okay? That is the way you would look at me. I have tax attorneys, cost attorneys, CPA's as part of my team. I have companies that provide Delaware statutory trust, deferred sales trust, conservation easement, cost segregation study, opportunity funds, all right and among others, okay? I do get paid from these individuals from these other companies. For example, if you did an opportunity fund with me, I would get paid. As an IRA there is a way for me to get paid. The same thing with a conservation easement, he did a product, if you did that product, I get paid. The deferred sales trust is a asset under management opportunity for me. So if I show the client how they can avoid paying taxes on that two million dollars and we captured the two million dollars in the trust instead of having them to captured and pay an enormous amount in taxes, then I manage the two million dollars inside the trust. So, I get paid like any other financial advisor. As an investment adviser, I am a fee-based financial advisor. So I do not take commission. I get paid fees. So anything under a million. I am going to get paid like most other financial advisors where I get paid one percent of assets under management.

Carl: We start getting over a million 75 basis points. I think you get the idea. We have break points above that as well. But that is essentially how we get paid. I have a 1031 exchange accommodator that pays me for bringing them deals and I would like to point out too that I do not have an extra grind. I do not favor any one of these particular strategies. My objective is to listen to the client, listen to their needs, and then ultimately make an assessment of which one is best for them. And frankly, if it is a $700 1031 exchange done with the company I represent, then that is exactly what should be in place for the client. So we put the client first and always, and that is how we work.

Dan: Yeah. I really appreciate you going into the granular detail of the variety of places that you might get paid. I think that transparency goes a long way when people understand, "okay, there is commission for this, commission for that." But you offer this big variety of services not necessarily in a menu fashion, but it was best for the exact situation fashion, and I have seen honestly, those people who are the 1031 exchange company, it is the 1031 is the solution for everything and if you are just doing the deferred sales trust that is the solution for everything, right? So it is kind of a kind of a refreshing.

Carl: You nailed it, Dan. And that is the big differentiator with us is we are not a one-trick pony. So we are not trying to shove a 1031 down your throat or a deferred sales cost or Delaware statutory trust down to your throat. Rather we are tax deferral consultants. So we educate, we inform, we allow the client to make a decision as to which option would be best for them. And then we address products.

Dan: Nice. So Carl, is there a book or two that you would recommend to our real estate investor audience?

Carl: The tax code. That is where I got a lot of my information, but I do not really have a whole lot of books, I learned a lot of what I know from opportunity fund providers, Delaware statutory trust providers. I mean, just googling information. I have made a study of mine to learn all of these different strategies and to be able to disseminate that information in a very simple fashion to clients. I told you earlier I read a book Nothing Down for the 90's. I would say if there is any new investors that are listening to your show that is a must-read book. You will not necessarily be able to buy one for nothing down. I am not saying you cannot. This guy is phenomenal at doing it. And he can prove to you that he has done it. But what you get out of that book more than anything is a way to learn how to strategize transactions and frankly, that book is probably a big reason why I am able to take a look at tax deferral options and strategize where we are able to use one or more for any given application. So, it was one that really helped me in and it is still helping me, so there you go.

Dan: So if you could go back with your younger self, I do not know 25, 30 years old and share the crown jewel of wisdom, what would that be?

Carl: Honestly, that the leverage lesson that I gave you. That by far, if you can understand that, then you can become wealthy. I will give you another one, Find a way to work a hundred hours a day, okay? You are never going to get financially independent and wealthy working for somebody else because, why? Because they are trying to get rich, they are not trying to get you rich. So they are going to pay you as little as they have to. Okay, your job, is to find a way to work a hundred hours a day. How do you do that? Well, there is several different ways. One, is you invest money in the stock market where you are investing money in businesses where you have people working to increase the value of those businesses, that is one way. You are getting a very small piece of each worker tiny in fact, but you are at least, growing your network based on the efforts of others. Another way, buy real estate, you have your home, you are going to work every day, your are bringing home a payment, right? And you are making that payment. How nice would it be to have one rental where you have two people in that house, going to work every single day to give you part of their money, okay? If you had ten homes, right? That is quite a few people working for you on a daily basis to give you money every day, okay? When you can find a way to work a hundred hours in a day, where the 8 hours per person, you find 12 people that are willing to work for you somehow either they are renting your house or they are working in your business that is how you can become financially independent in this country. Hard to do it on your own. You are not leveraging your time. That is what you need to do within in this country to make it wealthy.

Dan: I like it an interesting take on Leverage their. So how can listeners get more information about you or on how to defer tax Carl?

Carl: Well get the website defertax D-E-F-E-R-T-A-X dot com. I also would love for you to be a member on there, does not cost you anything. The videos might seem silly, but the reality of it is they will teach you at a basic level how these different things work. And then Carl Worden dot com. I have that site also up and running that is W-O-R-D-E-N and Carl is with the C, C-A-R-L, sometimes Starbucks spells it Carol. I think we all get our names messed up at Starbucks, but anyway, that would be the two sites you can find me on, and then you can also call us at 877 tax strategy.

Dan: All right. Well, hey, I had a blast. I got pages of notes here, ton of great ideas. Thank you for coming on the show Carl.

Carl: Your quite welcome, Dan. Thank you very much for having me. It's been an honor and a pleasure. Thank you.

[END]