

**Ep #210: Bernard Reisz - Building Wealth Through
Self-Directed Alternative Investments**



Full Episode Transcript

With Your Host

Dr. David Phelps

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

You are listening to The Freedom Blueprint Podcast with your host, Dr. David Phelps. You'll get straightforward advice to transform your practice into a self-sufficient cash machine, compound your net worth, and multiply your cash flow stream with hassle-free real estate. More at freedomfounders.com.

David Phelps: Good day, everyone. This is Dr. David Phelps of the Freedom Founders Mastermind community and dentist, Freedom Blueprint Podcast. Today, we're going to be doing a fun and really I think going to be intriguing segment with somebody I've met in the recent year. Someone who I think will give some real context to the whole idea of taking some control of your future finances. Orchestrating your wealth building and not abdicating or subordinating your wealth plan to other people, which is usually default mode. Before I get too deep in this because I start to get excited about this stuff, I got to introduce who I've got today. Mr. Bernard Reisz of ReSure LLC Financial Professionals. Bernard, how are you today, sir?

Bernard Reisz: I'm doing great and I am so excited to be here. A lot of enthusiasm and really excited about the topic and teaching people about taking control.

David Phelps: That's excellent. You and I had the chance to get to know each other better. It's been a few months ago, but I remember I enjoyed that conversation we had because I told you, I said, "I'm a person. I like to ..." With the mastermind that I do for Freedom Founders is we all have a bias about what we believe in life. It comes from our

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

experiences. It can be self-limiting beliefs. We all have that. My job is not to project who I am on everybody else. I will tell people what I believe and what I like or don't like, but there's a world out there beyond each of our own comfort zone. It doesn't mean it's right, wrong, good, bad, or indifferent.

It's just I like to expose people to what's there so that they can make intelligent informed decisions. I know that's what you do as well. You've got some unique expertise in a lot of areas. So the people know who I'm talking to today, Bernard Reisz is a CPA. He empowers individuals to optimize their finances using proactive and innovative strategies. He provides an integrated approach to tax and financial planning for real estate pros focusing on unique profiles and opportunities. Bernard is the founder of 401kcheckbook.com, which gives investors direct control of their tax-sheltered funds for real estate equity and then opportunities using checkbook control IRAs, Solo 401(k)s, and checkbook life insurance.

He's also the founder of agentfinancial.com, which provides tax and financial services to real estate pros, including real estate agents, mortgage brokers and professionals that invest in real estate. Bernard, you're a CPA by training. How did you move into more of the alternative investments and what you're doing today, which is obviously under the umbrella of numbers and finance? You've got really a tight niche. How did you get involved in that?

Bernard Reisz: By nature, I'm really deeply analytical and perhaps a little altruistic. As a CPA, you get exposure to lots of different folks in the financial industry and what people are doing. I

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

noticed there's really a huge omission. There's the whole world of financial strategy, financial planning, financial tools that do not get adequately represented to people that are looking out there trying to get control of their finances. There's so much that's not presented to them. Of the tools that are presented to them, never in a totally transparent manner.

That's unfortunate because there's a lot of misalignment of interests and so many different perspectives depending on what that particular financial professional has got to sell you. People are getting something from their life insurance agent, something from the stockbroker, and nobody's giving them the comprehensive picture and there are certain things that nobody is going to tell them. That's what led me down this path.

David Phelps: It seems like out there in the world today that for any of us no matter what our business, profession, career maybe, we have only so much time in a day, right? We try to balance life and families and trying to stay with our own platforms of technology and automation and everything that's happening, and yet we have this whole side that we know we've got to be working on, which is our wealth, our wealth planning, because we know someday we'd like to have "passive income" kind of replace the active income. That's the whole goal here, right? But it's hard to be experts in everything. We can't. We will try to find advisors who supposedly will help us with those constructs. You just mentioned some of the limitations there.

It's a fragmented or very disjointed type of an approach, right, because you may have a CPA, which you are one.

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

With all respect, you take a slice of that. In that particular world is your ... The typical CPA I should say. Not you necessarily. Typical work with P&Ls and balance sheets and tax reporting. Kind of more historical. That's the typical. Then you might have a financial advisor. You might find somebody at a local bank or whoever you might go through. You may actually have set up a plan through your work. If you're self-employed, you might have a plan. You've got these different constructs. You might have an attorney who helps you with estate planning and legal constructs.

Everybody's got their own opinion, right? But as you said, where's the orchestration? Well, there isn't any because everybody's got their swim lane that they should be really good at, but then there's this big and over encompassing thing about, well, who's putting this whole thing together?

Bernard Reisz: Yes. That's awesome. Just to digress for a moment, I am a CPA, but I also have an insurance license. I also have a securities license. If you've ever heard of captive insurance, I'm an approved captive insurance manager by state insurance regulators. I don't necessarily promote all these things, but I try to do my utmost to really know everything at a very, very comprehensive way. To your point, you're completely correct. My business let's me see the various constructs that people have. I'm the first one that's going to be critical of certain CPAs and certain tax preparers that only see things from their perspective and oftentimes they conflict with the other piece of the puzzle are.

When I do that, when I set up retirement plans for people daily, I get to see how the strategies that their CPAs are

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

implementing for them to mitigate certain components of their tax liability is directly inhibiting their ability to take advantage of other income tax and investment strategies. You really have to either work with somebody that is ... Well, you certainly have to work with a professional that's knowledgeable about all the areas of finance and taxation because they really do all come together. But more than anything, I tell people you've got to be the board of directors. Similar in a corporation, yes, you've got the C-suite. You've got the executive officers.

You've got the employees, the rank and file, and then there's a board of directors. Their role is to oversee, to question, to bring in the professionals, the outside professionals, to ensure that the company employees, including the CEO, are focusing on delivering the greatest shareholder value. Well, no matter who you engage, you've got to remain the board of directors. You're your own board of directors, and you are your ultimate financial steward. You've got to do your research, you've got to be educated, and you've got to know to ask the right questions and bring everybody into the picture because it's the only way you're going to get the optimal outcome.

David Phelps: Well said. Well said. What's the issue that we find today that most of the retirement planning, the wealth building happens through Wall Street, the typical traditional financial planning? Is it because it's easy to sell? Because that's the default today pretty much across the board.

Bernard Reisz: Yes. There are I'd say several issues there. One is that it's easily scalable and easily to develop a distribution channel. Without offending the financial advisors out there, there are some excellent ones, but the

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

overwhelming majority are strictly salespeople. There's a product behind them and there's a company behind them that develops financial products and then they throw up offices throughout the country, which you can sell them. They sell those products. They're not actually true financial professionals that are developing and taking the initiative and doing things. They're clicking the mouse and delivering products. The Wall Street model has lent itself to a very broad and deep distribution channel.

Alternative investments are not that easily distributed. You can't manufacture them and then click on a mouse. It's completely automated. Wall Street is automated. Alternative investments are not automated. That's one thing worth saying. But at the very nature, being that they are not automated, that is what leads to the far more attractive risk adjusted returns that are available in that space. If it's automated and people throughout the world can just access it on their computer screen and click on the mouse, well, there's not going to be any opportunity there. It's only where everything is not so automated where you can kind of find those opportunities for higher profits or lower risk.

I mean that's why I think it's really important to focus on the risk adjusted return. In the alternative space, generally the returns can be higher. But ironically enough, the risk can be lower. That old maxim that somehow there's a direct correlation between risk and return, that may hold true on the stock market, if at all, but certainly not in the alternative space. In alternative space, you can have ... I love private lending, hard money loans. It's secured by real estate. You can be getting between 10 to 20% annual returns. That beats anything you'll ever get in the stock

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

market and it's secured by a real estate. If you structure it correctly, you're going to have your loan being some sort of LTV.

It's going to be 80% of the asset value, so you're totally secure. If they default on you, I mean you can celebrate because you're going to get a real estate at a great deal. The alternative space lends itself to greater returns because it is less efficient. It's precisely the efficiency that allows the broad distribution of Wall Street products that takes away from the opportunity. That's quite a mouthful and I think that's only one component of it.

David Phelps: Yeah, that's a big one. With the inefficiency, which leads to the opportunity as you said, Bernard, then the problem for people that are busy in their careers, professions, businesses is how does one go about finding the right opportunities? Now, I know how I do it and I will just say in general, it's through connections and network, which doesn't happen by accident. There's a sacrifice that you have to make if you're going to get anywhere in life. That's how I look at it. It's like who do I know, right, because the inefficiency of the marketplace allow us to really have access to what you can't on Wall Street. That is insider information, right? You have a lot of clients who come to you for this very thing.

How can I orchestrate my wealth through alternative investments and we'll talk a little bit about the tax advantages in some other constructs in just a moment, but they come to you and they want to do, how do you advice them to get started? You mentioned private lending, which I agree. That's one of the first places I have our members at Freedom Founders get started

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

because it's safe. You're one step removed from ownership liabilities and responsibilities. You get to learn the documentation. You get to learn how to do some due diligence on a level that again is relatively easy. How do you help people connect the dots and find these opportunities?

Bernard Reisz: Yeah, that's a great question. I do say private lending, I've actually got some material that I've put out how private lending is a really great way to ease into real estate and learn the ins and outs. Because if you can be a capital provider to a deal sponsor, you're entitled to know everything about that deal because you're putting funds at risk. But at the same time, you don't have to do the deal. It will vary. Frankly, we work with people that are high net worth individuals and people that are not in that position and they want to get into alternative space. We say you've got to share, you've got to contribute something.

When you add something, when you add value to the people that are doing the deals that have come before you, you'll be welcomed into the inner circle. You'll be able to learn it and see if you're comfortable with it. Then you can choose, do you want to be an active investor, do you want to be a passive investor. But by contributing something, some sort of equity, be it contributing your money or contributing your time to further somebody else's investment, somebody that's there and everybody knows what they're doing, you can get in.

David Phelps: You talk about getting into the inner circle. Where do I find the circle?

Bernard Reisz: Yes. I think it's really important to know that you've got to choose wisely and do due diligence in everything that you

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

do. Then again, Wall Street has been in a sense effective in the sense that if you put your money to the stock market, it is what it is. There's nothing you can do to improve the outcome. It's a spectator sport. But if you put in a diversified mutual fund, may not be anything outstanding, but you can kind of feel more safe about your money. In the alternative space, due diligence is incredibly important, but it's important to get in touch with people ideally in your network that you trust. Keep networking until you see the deals, see the people, see the documentation.

I think it's important to note, yes, you can use the internet to do due diligence. There are lots of people raising funds on the internet, but the internet does not count as due diligence. You want to look for people that have a track record. Talk to people that have actually been there, done that. Just do that extensive due diligence and network, but I think the best place to start is locally because then you can so much more easily develop a comfort level. If you've got somebody in your immediate network, a local real estate investment association, those are good places to start and get comfortable.

David Phelps: You mentioned the opportunity to get returns very consistently with private lending in regards to collateral being the real estate and returns of 10, 12, 14, 15% plus depending upon the deal and what you're getting involved in. People would also come back and say, "Well, you know, on Wall Street, the S&P 500 for say the last 30 years has delivered an average return of let's just say 8%." I don't know exactly what it is. We'll say like 8%. That's really, really good. You've helped me differentiate a little bit between arithmetic and geometric returns. Could

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

you give us a little bit more on that, Bernard, so people can really see the truth in what their returns are compounded over many years?

Bernard Reisz: Certainly. There are a lot of things that are misleading about those numbers that are tossed about and one of them is that distinction between geometric returns and average returns. When they say average returns, too often what they're referring to is just take in the returns that the stock market delivered each year on a year by year basis, adding them up and dividing by the number of periods, by the number of years. That's the arithmetic average that they teach in grade school. However, that result is very misleading because what you're really looking to determine is what kind of return, what kind of percentage return did the market deliver?

If I started off with \$100,000 and today I have X amount of dollars, what's the rate of return that's required to get me from that point A where I started to the amount of money that I have now? That will not be the average return. It's usually going to be a far lower number and that's very easy to illustrate why that is. Today, somebody starts with \$100,000 they put in the market, but then their portfolio increases by say 50%. Now they've got \$150,000 in the market, \$150,000 of assets. Then the market the next year went by 50 and then it drops by 50. Well, their average return we'd say at that point is zero, right? It went up by 50%, went down by 50%, so they broke even.

But they didn't break even. If you run the numbers, you'll see right now they're \$25,000 in the hole, but Wall Street can still tell you that you broke even. Of course, those numbers can be changed. If we just tweak them a bit, you

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

can see how you can get an average 50% return and still be losing money. In fact, you don't lose money overtime generally in the stock market. Generally you do go up with lots of volatility, but those average return numbers are very, very misleading.

David Phelps: Very good. Very good. I know people will appreciate understanding that. Let's talk a little bit about self-direction now. We talked about alternative investments, self-direction. Let's talk about how we can do that in a tax advantage way because that's a big deal today, right, if we can use a tax-deferred compounding or even tax-free, deferred and tax-free on the distribution side, that's a huge, huge bonus to our wealth building. Let's get to some frameworks there. How do you help your clients in that regard?

Bernard Reisz: Yes. It's good to talk about it just by introduce a bit the concept of the tax-free compounding. While it seems readily apparent to me and you, I've got to say I do oftentimes encounter people that don't really fully comprehend the awesome power of that and how over 20 to 30 years the difference between tax-deferred or tax-free compounding versus the tax compounding can result in millions of dollars in differences in wealth. The impact of that is just incredible. What we like to say is, particularly for the high net worth or high earners, that tax-sheltered investing is all the more valuable. Naturally, somebody's in the 20% tax bracket and somebody's in the 50% combined state and federal tax bracket.

Well, if you're that high earner, you've got that 50% combined state and federal tax bracket, you've got to get all the tax protection that you can possibly get because

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

that's really going to be worth millions and millions of dollars to you. There's nothing more legal, more compliant and more tax-sheltered than retirement accounts, which come in very different flavors. There are qualified retirement plans, which include defined benefit, defined contribution, 401(k)s and profit sharing. Then you've got the IRA base plans, which include your traditional ROTH, SEP, SIMPLE. Lots of different flavors, but they all benefit from that tax shield that is worth an awful lot of money.

David Phelps: Bernard, you're a numbers guy. Totally understand the tax deferral. Tax deferral versus tax-free. I mean there's still a significant difference there. What I'm getting to is that right now I'm guessing ... I would state that we probably have the lowest federal income tax rates that we'll probably see in our lifetime. That's just where I come from. Other people may think differently, but I think we're probably at the bottom of that. If I'm tax mitigating or tax deferring by wealth building down the road, is it still worth it if I think that I maybe at a higher marginal tax bracket when I'm taking distributions out and whether that's five years, 10 years, 15 or 20?

How do you balance that if it's coming out tax-deferred where we have to actually pay the taxes on those distributions?

Bernard Reisz: Yeah. That's a great point. To a certain extent, nobody's got the crystal ball and you kind of run the numbers a bit. Yes. If you anticipate being on a higher income tax bracket, you will still in most scenarios come out ahead using tax deferral. However, yes, you want to be looking at strategies, how to coordinate your distribution strategies. You don't have to remove your funds from

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

these accounts all at once. You're only required to take your RMDs and at age 70 and then on thin little slivers. You're able to manage your distribution from these accounts even when it's tax-deferred, but that's definitely a great question and that is definitely what enhances the appeal of ROTH accounts, be it ROTH 401(k) or ROTH IRA.

If you think you're going to be in a higher tax bracket, then it maybe worthwhile pursuing the ROTH strategy. Where ROTH really becomes the no brainer, the clear choice is the alternative space. In the stock market where returns are kind of mediocre, I don't mean to say that they're bad, but we're looking at a certain range in between. As you get older, you've got to cycle into bonds and lower income producing assets. You're getting kind of these lower returns and you've got to wonder is it worthwhile doing ROTH where you have less principle to invest technically, right? Because when you do ROTH, you pay tax upfront.

In the alternative space where you have the opportunity income that's so much higher than your average stock market returns, that's where ROTH becomes really valuable. For the listeners, I'm sure most of them are familiar with what ROTH is about. But just to digress for a moment and make sure we're all clear on that, a ROTH retirement account is after tax money that will never be taxed again. The earnings remain tax-free forever. Completely tax-free. When do you want to do that? It's good to take an illustration. Let's talk about some well-known names, Peter Thiel, Max Levchin and Mitt Romney. They've made investments in self-directed IRAs in private equity.

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

Those IRAs are reportedly worth hundreds of millions of dollars today, and that began with a measly investment of tens of thousands of dollars. That account, where would you want to do that investment? Do you want to do that in a ROTH or do that in the traditional? That's really obvious. In that space, you want to be in ROTH because otherwise of that \$200 million, \$100 million is eventually going to go to the IRS if you do it in traditional. In the alternative space, ROTH becomes a clearer choice. Interesting anecdotally, Mitt Romney did it inside of a SEP IRA, which does not have a ROTH option. He's going to be paying lots of taxes on that one day.

David Phelps: I realize that and that came out during that campaign and people were like kind of throwing stones at him and that kind of thing, but your example is really, really good. Again, I know it's going to be different for everybody, but in general as you said, if you're good at working your money in the alternative space, then it might make sense ... For example, someone might have a traditional IRA. They maybe ... Let's just make up an age. Maybe they're 50 or 55. It might make sense if they're very good about working their money in the alternative space to convert back some of that into a ROTH IRA.

Pay the tax today and then get to work on that money if they want to get a little bit more capital to roll wherever they think they need. As you said, you can start with tens of thousands of dollars. If you've got enough time, you can amass quite a bit. Maybe you want to move that timeline up a little bit, so you convert, let's just make up a number, a couple hundred thousand, quarter of a million dollars, into a ROTH. Pay the darn tax today, but then get

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

after it on the ROTH IRA so that that money comes out tax-free down the road when you want to.

Bernard Reisz: Yeah, that's a great strategy and that's really ... The term that I like to use in the alternative space, you have opportunities for asymmetric returns where they're just this upside. is just completely disproportionate to the downside and that's where ROTH is the way to go.

David Phelps: Now, with ROTH IRAs, also from a generational wealth transfer standpoint, much better than a traditional IRA as well if we're thinking about the next generation, right?

Bernard Reisz: It certainly is because the income tax ... The next generation is not going to get hit with an income tax and as well as they have the ability to keep it growing. There are no RMDs for ROTH IRAs. You can keep that tax-shelter growth, that tax-free growth going for so many more years.

David Phelps: All right. We've talked about some of the basics of self-directing and alternative investments. One thing that we probably assume a lot of people know, but I want to make sure they understand that to truly self-direct in alternative investments for IRAs. We'll talk about QRPs in our next segment, but IRAs, you've got to have your account setup with a custodian that allows for true self-direction, correct, versus Vanguard or Fidelity or Schwab, which may let you ... Certainly it lets you open up IRAs, but you get to only choose from a certain menu of typically Wall Street constructs.

They're not going to let you go out and get involved in alternative investments like real estate or precious metals or cryptocurrency, whatever suits your desire, right?

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

Bernard Reisz: Absolutely. It's not fair to expect them to allow you to do that. They have no way to profit off that. They run a great job of putting together a system that's automated. You click in the button. You buy the mutual fund. They collect the fee and everybody's happy. If you want to get into alternative assets, you've got find an alternative custodian that has the tools, the administrative and operational ability to direct assets and custody assets that are hard assets that are not automated, that are not publicly traded securities. Your traditional brokers just don't have those capabilities. What they write in their plans, the IRS allows that.

If you create a retirement account there, in the fine print it says you can only invest in investments XYZ because they're not going to ready to let you feel that. If they let you take the money off the platform, well, they're giving you a service and not earn any money for it.

David Phelps: That's right. That's right. All right. Let's give a little teaser to our audience because our next week segment is going to be about QRPs or qualified retirement plans. I alluded to earlier when I did your introduction about checkbook control. Give us a little teaser. What are some of the advantages? What more can we do now that we've exposed the opportunity to invest in tax advantaged alternative investments, Bernard?

Bernard Reisz: Yeah. There are lots of advantages to checkbook control. They both allow you to pursue investments that you could not pursue even with an alternative custodian. They allow investment speed. Because what checkbook control is about is giving you the money in a bank account, but nevertheless maintaining the tax-sheltered status. It

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

remains under the rubric of an IRA or 401(k), but instead of sitting at a custodian, it sits in a bank account that you control. This way you have no additional transactional paperwork. The deal just looks the way it would otherwise. The way every normal deal would. You don't have to involve the custodian. You don't have to pay transaction fees.

Transaction speed is just so much faster. For some investments, it's absolutely necessary. If they're going to be a passive investor, less so. But if you're actually going to be buying real estate, lending money yourself, being involved in these deals, then having direct access to the money is invaluable. Interestingly enough, you can get more control, more access, more speed and lower fees with the checkbook control structures.

David Phelps: All right. That's what we'll go into for next week, so come back and join us then. Bernard, it's been great as always for our discussion today. Thank you so much.

Bernard Reisz: David, it's great to be here. As always, I enjoy this discussion. Hard-hitting lots of facts, lots of great info and looking forward to the next talk.

David Phelps: Bernard, I don't want to leave this one episode without letting people know how they can find you because I mentioned your name, but I want to give the spelling. Bernard Reisz, R-E-I-S-Z. People can find you at ReSure, R-E-S-U-R-E, financial.com. That's resurefinancial.com, 401kcheckbook.com, or agentfinancial.com. We'll put these links in the show for people that are driving. I don't want you to write them down while you're driving. I want to make sure people can find you. All right. Catch everybody next week. Thanks, Bernard.

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #210: Bernard Reisz - Building Wealth Through Self-Directed Alternative Investments

Bernard Reisz: Thank you. All the best.

Take the next step at freedomfounders.com. You've been listening to another episode of the Freedom Blueprint Podcast with Dr. David Phelps. The place to be to create your freedom lifestyle with more time off, security, and peace of mind. More at [Freedomfounders.com](https://freedomfounders.com).