7 Investments the Government Will Pay You to Make (Part 1) - Tom Wheelwright: Ep #417

Full Episode Transcript

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Dr. David Phelps

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Welcome to the Dentist Freedom Blueprint, a podcast about freedom—freedom from expectations of society and the traditional path to success that has been ingrained in us from our early years, I'm joined by mavericks, renegades, and non-conformers to discuss an anti-traditional path to financial freedom, freedom of time, relationships, health, and ultimately freedom of purpose. My name is Dr. David Phelps. Let's get started.

David Phelps: Good day everyone. This is Dr. David Phelps of the Freedom Founders Mastermind community and the Dentist Freedom Blueprint Podcast. Today, I'm looking forward to a conversation with somebody I've had the privilege to get to know. I've actually known of him for quite some time, and I think when you hear his name, you will too.

But to have a direct conversation and get some insights about an area of life that most of us have to deal with. We don't necessarily like to deal with it, but we know it's an advantage, and that is tax strategies.

So, with me today, I'm pleased to have Mr. Tom Wheelwright. Tom, how are you doing, sir?

Tom Wheelwright: Great, David. It's always good to be with you.

David Phelps: Tom, we're going to talk about strategies. I just want to let people know and those who are watching us today from video, I'm holding up Tom's newest book, *The Win-Win Wealth Strategy: 7 Investments the Government Will Pay You to Make.*

A little bit more about Tom, again, as I said, a lot of people have heard your name, Tom (if they haven't read one of your books, they should), but some background is Tom Wheelwright is a

CPA. He's the CEO of Wealth Ability, Rich Dad Advisor, entrepreneur, international speaker, the bestselling author of *The Tax-Free Wealth: How to Build Massive Wealth by Permanently Reducing Your Taxes.*

And his new book I just talked about that he's released this past summer titled Win-Win Wealth Strategy: 7 Investments the Government Will Pay You to Make. Wheelwright is the CPA for Mr. Robert Kiyosaki and many of you have probably picked up the book.

It's the book that most people that start out with when they first started to realize that being the boss, being self-employed, isn't always cut out to be. And so, Robert Kiyosaki with *Rich Dad Poor Dad*.

Thomas has spoken on stages in every continent over a hundred thousand entrepreneurs, small business owners, and investors. He's also the host of two popular podcasts. The first is The WealthAbility Show with Tom Wheelwright, CPA and the WealthAbility for CPA's show.

Tom's goal is to help people achieve their financial dreams faster by permanently and legally reducing their taxes.

Wheelwright is a contributor to Entrepreneur Magazine, and his work has been seen in Forbes, the Wall Street Journal, the Washington Post, on Fox & Friends, Marketplace, NPR, ABC News, radio, and hundreds of other media outlet. Again, Tom, pleasure to have you here, sir.

And your focus on helping business owners, professionals, your background as a CPA, what brought you … and of course, your connection with Robert Kiyosaki. Maybe we ought to talk about that first.

Because I'm interested, I don't know if I got that from you. Let's go there. Maybe we talked about it and I just forgot. So, bring me up. Where did that connection come from?

Tom Wheelwright: Actually, the two questions go together. So, when I decided to start my own firm, I had two goals, and this was about 30 years ago. I'd been in Fortune 1000 Company, In-house tax advisor. I'd been with Ernst & Young, one of the big four accounting firms.

When I started my own firm, I decided there were two things I wanted do. First was I wanted to make sure I had a place where people loved coming to work, which I never, always loved coming to work.

And second of all, to really deliver the highest quality tax and other advice to entrepreneurs. I'm the son of an entrepreneur, grandson of an entrepreneur, and great-grandson of an entrepreneur. So, it kind of runs in our blood.

So, I started my firm about 30 years ago and about five years in I'd had a partner, we broke up, and I asked my senior manager to be a partner with me in basically what at that point, was a new firm. Since the old partner had taken some of the clients, we pretty much had a new opportunity.

We had a lot of staff that were well-trained, and so we lost clients, but we didn't lose staff. So, the staff all stayed with us. So, our choice was do we eliminate staff or do we find new business. And so, we went out, I talked to Anne, my partner, we're still business partners after 20 plus years.

And I asked her, I said, “What do you want to do?” She says, “Well, it's too hard to train staff, let's go find business”. And so, I actually started looking for a CPA firm to acquire.

And the one that I found that fit best, happened to have as a client, Robert Kiyosaki. I had no idea who he was. I'd never read Rich Dad Poor Dad. First thing I had to do was go out and read Rich Dad Poor Dad, of course. And that's how I got to know Robert, is he was actually a client in a firm that I acquired.

So, you never know who you're going to meet and where you're going to meet them.

David Phelps: That’s a noble way to, as you said, you didn't really know who he was, you hadn't read his book, but that'd be a noble way to try to get an entree to somebody who's like, well, figure out who they do business with and go buy the company.

Tom Wheelwright: Exactly.

David Phelps: There's always a way. There's always a way to do it. That's good. Didn't actually know that's how you two met. That's really good.

Something you mentioned in giving that story was you come from a family, a lineage of entrepreneurs, and I'm curious of that lineage, how many went down the path that you did? I did.

A lot of listeners on this podcast, and I'm sure your podcast went down the road of some level of higher education, certainly probably college and maybe beyond to get certificates and professions.

The reason I'm asking that is we believe, and I think most of us went into our respective businesses because we wanted to be entrepreneurs, which meant, had control over your life. Now, we know that a lot of times that's not so true. We're trying to help people get beyond that.

But in your family, how many had the higher education and how many, if any, escaped that path and just went right into entrepreneurship, whatever that might be? Just curious.

Tom Wheelwright: So, they had higher education. My dad had an undergraduate degree and he eventually got a master's degree, but he went into business, he loved art and he loved printing.

And he and his brother went into business into a printing company. And so, my dad had a few jobs but really, he was pretty young when he started out with the printing business. I mean, his brother was a little older, their father was in construction.

So, not professionals. Not like you and I, not down a professional lane. Actually, none of my siblings have gone down the professional lane either. I've got siblings. I have a brother who built or rebuilt the first drug manufacturing facility in China that is FDA approved.

David Phelps: Interesting.

Tom And to this day, I think it's the only one that's FDA approved in China. So, it's just kind of an entrepreneurial thing rather than … we didn't go down that professional path. Interestingly enough, I was the only one who did that.

David Phelps: And again, I'm not here to say that it's good or bad, it's neither. I think it's just interesting that when I look back at my life and saw the signs that I had that entrepreneurial bent, and I didn't come from a family that were entrepreneurs per se — hard workers, yes, but not entrepreneurs.

And I look back and I thought why did I go down that path? Well, again, I think I'm modeled a little bit, with my family and I thought, this is a path to be a professional and have respect and provide for a good living, which I would equate to wanting freedom.

And I found out quickly that this way wasn't the path, at least the way it was set out before us. Now, we're here to talk about how do you take whatever path you've gone down, whatever business you have, your profession, and how can you now take that asset, that business in this case, and how can you move that to, well, you said earlier, say you want to be a place that you love going to work.

Well, why can't we all have that. Let's dig into the book a little bit. The Win-Win Wealth Strategy.

Why did you choose the seven strategies that you chose? And you talk about kind of partnering with the government and that sounds a little scary, but I know where you're coming from on that.

Tom Wheelwright: I don't think we had a choice in that one, David

David Phelps: No, not anymore. Do we?

Tom Wheelwright: Last I checked, we're all partners with the government. Anybody who's ever gotten a paycheck and looked at it and said, “Who's withholding? Who's FICA? Who are these people taking money out of my paycheck?”

I think you quickly realize that you're a partner with the government. You don't get to choose that part. What we do get to choose is what type of partner we are with the government.

So, we can be a silent partner, which is what most people choose to do. They're just silent partners with the government.

They pay their taxes and go on their way. Or you can be an active partner with the government.

And I didn't actually choose the seven investments, actually the government did. I'm just the one who put them into a book. So, really, there are seven key areas. And interestingly enough, not just in the U.S., we looked at 15 different countries. We had charts and tables in there and notes for 15 different countries.

And most countries, developed countries have similar incentives. They have similar tax incentives that say, look, if you want to do the things, we want you to do as the government, we'll incentivize you. In other words, we'll contribute to your investment.

So, in some cases, they'll pay the entire investment, like starting a new business out of your home. I give an example in the book, chapter two that you literally, the government will pay a hundred percent of the cost of that new business via lower taxes.

Solar energy right now, I just went through this with a buddy of mine who has a podcast, and he just bought $185,000 solar facility, and we showed how he actually made money day one from the government. I’m not being facetious when I say the government will pay you to make these investments.

The government literally will pay for the investment in many cases, and in other cases, will pay at least a part of the investment. Think about this: you're in business, you're a dentist for example, and you buy something in your dental practice, and let's say you're in a 30% tax bracket. Well, that's basically like the government's going to give you a 30% discount.

I mean, the government's paying 30% of the cost because you get a deduction for that. If you bought toothbrushes to give to your patients, that's deductible. You buy toothbrushes to give to your kids, that's not deductible.

So, basically, the government's saying if you do it for other people, if you do it for people other than your own family, your own personal, then we'll give you a tax benefit. If you, do it for yourself, we'll either give you a really small tax benefit, like buying a home for yourself, or we'll give you no tax benefit at all.

It's really the way the government has learned over the last 60 years to encourage people to do things that they would like done, but they don't want to do themselves.

David Phelps: Yeah, that's a good way to put it. The whole thought process that we as business owners need to have or shift to about taxes.

So, let's talk about that a little bit. The thought process or the mindset about taxes; nobody likes to pay taxes, so everybody hates it and hates getting the bill or estimated taxes they have to pay from their account and their CPA.

But again, from a high-level picture, you laid out in the book, but give us a little more insights into how we need to change that mindset about taxes are bad or how do we, again, to your book’s point, well, how do we use taxes as the benefit?

Tom Wheelwright: And I explained even more of this in Tax-Free Wealth, this particular point. So, the tax law’s about 6,000 pages, give or take, just the law itself, not counting regulations, rulings, et cetera.

And there's one line that says all income's taxable unless we say it isn't. And there's another line that says nothing's deductible, no expense is deductible unless we say it is. And there's about 25 to 28 pages of charts and tables tell us how much tax to pay.

But really, the rest of that 5,970 some odd pages is just really an instruction guide on how to reduce taxes. Because basically, what we need to recognize is that most of the tax law is a series of incentives.

And then we just have to look at, okay, they're government incentives. Who are they incentives for? For example, one of the last chapters in my book, I talk about retirement plans.

Well, the government incentivizes retirement plans. I think everybody understands that. 401(k), you get a deduction going in, you pay tax coming out, you get to defer that income for as long as you have that 401(k). Okay, well, that's clearly an incentive. That's not a way for the government to go tax you more. That's actually an incentive.

That's an incentive because they want you to have money when you retire so that you're not entirely dependent on the government. Well, that's one incentive. The bigger incentives, all revolve around some type of a business activity because the government's number one goal is to create jobs.

That's the number one goal. Number two goal is housing. Number three goal is food. And number four goals is energy. But if you look at what does the government really want to have done within the economy, within whatever country you're in, then you just have to look at those things they want done.

And there's likely a tax incentive to go along with it, because like you say, people hate paying tax. So, all we have to do is shift our mindset from the government's out to get me. Which now, the IRIS is out to get you, but the Congress is not out to get you. These are two different parts of the government.

The administrative government is definitely out to get you. Certainly, that's the way it's been the last few years. Congress though, they're the ones who set up these incentives, and so they're there and they're saying, "Look, you want to be an active partner with us, we're happy to do that, and we'll provide the incentives."

And once we change our mindset that way, like you say, it's a completely different game because now, there are things they want me to do, these aren't just loopholes.

David Phelps: Yeah, pretty good, Tom. So, as dentists and other health professionals, many of us, probably the majority today, are business owners. And so, what kind of incentives should we be looking for as business owners?

Or maybe another way to ask the question would be, as you review for clients or maybe new clients who are onboarding with you, what kind of incentives are typically being missed because of that lack of awareness or mindset? Maybe that's a good way to put it to you.

Tom Wheelwright: Well, let me give you an example. So, the incentive that most people are familiar with are business deductions. Everybody knows that they're business deductions. What most people don't understand is that practically, anything could be deductible given the right set of circumstances, the right set of facts.

One of the things we like to say in my company, WealthAbility, is if you want to change your tax, you have to change your facts. And the reason for that is, anything is deductible. As long as it has a business purpose, it's ordinary, it's necessary, and you document it, everything can be deductible.

Now, there are some things that are specifically not deductible, but even that, I've learned, there are still ways to get that to be deductible. If it's enough money, it's worth doing. So, really, the first question is, instead of asking is something deductible, the better question is how do I make it deductible?

So again, it's changing mindset instead of it being … for example, years and years ago, I was talking to a group of pharmacy owners, independent pharmacy owners, and the first question they asked was tell us the deductions for a pharmacist.

I'm going, okay, so they're the same as everybody else. You can't say that because people go “Wait a minute, I know that we have special deductions.” Well, a few, but for the most part, dentists, accountants, lawyers, contractors, retailers, everybody gets the same deductions.

It's just that you have to understand that if you've got an expense that you are spending the money in order to make more money, the government's likely to allow that as a deduction. But the reality is, if you've got an expense in your business that is not making you money, why are you spending that money?

David Phelps: Right. Sure.

Tom Wheelwright: One of the things that I've noticed is that if you follow the tax law the way it's intended, you'll actually make more money because you'll only spend money on things that make you money, because those are the things that are deductible. Or you'll invest in things that will make you more money because those things have deductions along with them.

And so, it's actually a very good investment tool to look at the tax law. It goes hand in hand. It's not one without the other. Wealth building and tax reduction go hand in hand.

David Phelps: Let's get into a little bit of real estate. And again, as business owners, there's the opportunity to lease space or maybe perhaps, purchase the commercial space building that one might house their business.

How does one start to compare apples and apples and look at the math behind that, or some of the tax differences? Tom, from a big picture, how would people start determining what might be the best?

Tom Wheelwright: So, I always look at what's the cost after tax, you've got a cost there. What is that after tax?

So, if you have a lease, and again, let's say you're in a 40% bracket. Okay, let's put you in the highest tax bracket. You have a lease and you're in the 40% bracket and that lease is $10,000 a month, then the government's going to pay 4,000 a month and you're going to pay 6,000 a month, because you're in a 40% tax bracket and you get to deduct the lease.

So, I’m like after tax cost of that lease is $6,000 a month. Let's say I buy the building instead. Well, I have a mortgage, right? The interest is deductible. So, I do get that same 40% off on the interest, but I also get what's called a depreciation deduction, which is typically more than the principle I'm paying.

And so, what I get is a mismatch. So, while the principle is not deductible, the depreciation is, and the depreciation is more than the principle earlier on. So, in other words, I can deduct a lot more in the early years, and then in the later years, I won't be deducting as much. Well, why would I want to do that?

Because if I have more money, because I didn't spend it on taxes, I can invest that money back into my business. I can expand into other businesses, I can invest it in real estate, energy, agriculture, wherever the government wants me to spend it — invest it, and then I continue to build wealth faster because I have more liquidity in order to do that.

David Phelps: Exactly. Now, good point. Alright, David, back here. That concludes the first segment of my discussion, interview with Mr. Tom Wheelwright.

Next week, come back because we're going to talk about whether or not you should diversify your investments or specialize or focus.

Using time plus capital to your advantage, financial advocacy in building a team of advisors, really the way that Robert Kiyosaki did it so well; what about the 87,000 new IRS auditors that are going to be put out into place in this next year? What do we have to do to prepare for that?

And finally, I ask a question about the new $600 limit on having to report transactions using Venmo or Zelle or other means of applications, and how the IRS is going to be looking at those. So, tune in next week and I'll see you there.

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