

7 Investments the Government Will Pay You to Make
(Part 2) - Tom Wheelwright: Ep #418



Full Episode Transcript

With Your Host

Dr. David Phelps

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

7 Investments the Government Will Pay You to Make **(Part 2) - Tom Wheelwright: Ep #418**

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: Hi all, this is David, welcome back to the second segment of my interview with Mr. Tom Wheelwright, CPA, the CPA to Mr. Robert Kiyosaki.

If you missed last week's session, you'll want to go back and catch it. This week we'll be talking about whether or not you should diversify your investments or specialize or focus as Warren Buffet does.

Talking about financial advocacy and how you build a team around you to take care of the areas that you don't have time to become an expert in.

Also, what do we do about the 87,000 new IRS auditors that are being unleashed upon us with the new Inflation Reduction Act? There's more to that coming up in the segment. Enjoy it and I'll see you on the backside.

So, in terms of those additional investments and assets, you make a point that having investments in multiple different asset classes is not necessarily a good idea, which sounds like that word diversification. So, do you want to compare and contrast what your focus is there, Tom?

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

Tom Wheelwright: Yeah, I'm just not a big fan of diversifying when you're building wealth. The whole point of diversification is to not lose money. The point of diversification isn't to make money, it's to not lose money by definition. And so, if you really want to make money, you have to get specialized.

You know, if you look at the dentistry profession, the more specialized you are as a dentist, the more money you make. I mean, you get into orthodontics and then you go to endodontics, and you go on and on, you make more money the more specialized you get. Well, the same is true I think, in investing, because you get really good at it.

So, if somebody comes to me and says, well, I'd like to do some real estate and like to do some energy, I'd like to do private equity, I'm going ... you're just chasing returns at that point.

I don't know about you, I think chasing returns is this huge mistake. And if you look at very wealthy people, none of them chase returns. They're always very focused.

I mean, whether it's Elon Musk, Jeff Bezos, whoever it is, even Warren Buffet, they're never diversifying, they're always focused on one thing and doing it one way, and doing the same over and over again.

David Phelps: Yeah, I was going to say Warren Buffet is a huge proponent of not diversifying. He's very much focused in one lane.

And too often, and I know we've all been here, in this place before, but yeah, chasing yield, chasing the returns. It's what everybody wants to do, because they think if you're not getting

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

X percent return on your money, then you're not getting anywhere and it's the wrong thing to do.

There's so many other dynamics involved, and we don't have time to getting those today, but I'm on the same page with you in terms of what really grows wealth over the long run and it's not chasing those returns.

So, what are some of the things that clients (like you and I both have, dentist professionals), what should they be learning, reading, doing to use tax incentives to accumulate wealth? Where can they go to learn more? I mean your books are always a complete place to go.

Tom Wheelwright: No, they're a good start. I mean, that is the place to start.

So, you kind of have to take the previous question and match it with this question. If you're going to specialize, okay, what are you going to specialize in?

Let's say from an investing standpoint, let's say you say, "I'm going to specialize in real estate." Okay, what type of real estate? Okay, now we get into that real estate specialty.

What are the tax benefits from doing that, and how do I get the most tax benefits? Because the more tax benefits I can get from that real estate, the more money I have to invest in more real estate.

So, for example, right now, we have this bonus depreciation on real estate, which we never had prior to 2017, and probably won't have after 2026, frankly. This is a unique tenure period where we basically can deduct up to 20 to 30% of the cost of a project the day we buy it, the day it's placed in service.

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

7 Investments the Government Will Pay You to Make **(Part 2) - Tom Wheelwright: Ep #418**

And that means that we've got a whole lot of money that we would've given to Uncle Sam, that instead, we can reinvest. By the way, when we reinvest it, we also get tax benefits. We can reinvest that money. So, it actually is the positive side of doing something over and over and over again, almost becomes an addiction. You have to keep investing in order to keep your taxes down. And when you keep investing, you keep building wealth.

So, I think they go very much hand in hand. The getting very narrow in your investing, getting very specialized and at the same time, then now, you can get really good at what are the tax incentives there.

And of course, you're going to need a good tax advisor because while the concept are simply enough to explain in the book, the details require professionals. I mean I can learn the concepts of dentistry in a book, but I'm not about to do my own dentistry and make my own fillings.

David Phelps: Right, Tom, do you have some examples of some dentists that you've helped do this actual thing with tax mitigation and-

Tom Wheelwright: Yeah, dentists are actually some of my favorite clients for two reasons, and I'm not being facetious at all. This is really an advantage that dentists have over other healthcare professionals especially, is that they have time.

Most healthcare professionals, you look at a surgeon — I mean, I've had cardiologists who worked 80 to 90 hours a week. I've never had a dentist who worked 80 to 90 hours a week as a client.

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

7 Investments the Government Will Pay You to Make **(Part 2) - Tom Wheelwright: Ep #418**

And so, you have time, which it takes some time to A, learn how to invest like you're teaching, and also, learn how to reduce your taxes and work with your tax advisors.

So, you've got some time. Time's a huge asset that a lot of people don't have. So that's one of the reasons that I love dentists as clients. And dentists can have so much success reducing their taxes.

The other is, I mean, you do have money. And people say, well, it doesn't take money to make money. Yeah, it does. It doesn't have to be your money. But it's sure easier if it's your money. It requires a lot less work if you don't have to go raise money from other people.

And so, I think that having that combination of time and capital are huge advantage. We have a network of 60 CPA firms around the country, and I would say that dentists are probably number one or number two. Probably behind real estate, dentists would be our number two clientele.

And you know what, you guys have learned some things — I'm sorry, dentists have learned some things that the rest of the medical profession is not: don't rely on insurance, don't get sucked into Medicare, don't be regulated like the other healthcare providers have gotten regulated.

And I think that is why you can have a good income from your dental practice, and then you can still have time to work on your investing and reducing taxes.

But the other opportunity is of course, once you decide which place you're going ... so for me, my investment strategy is business. I do some real estate because I have more money

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

from my business than I can put back into my business. But my first choice is my business.

And that's always by the way, as you know, your best investment. Your best investment's always going to be putting it back into your own business. And if you're a dentist that wants to learn how to expand into multiple offices, we have several clients who have multiple offices and then you go and buy your own real estate.

So, you put your offices in real estate that you own, there are some advantages there from a tax standpoint that if you invest outside of your business in real estate, you don't get the same tax advantages because if you invest outside of your business, that real estate is now passive and you have this whole passive loss challenge. But if it's the business in which your practice is located, you don't have a passive loss issue.

So, the government is really saying, look, invest in your business, buy real estate, and by the way, once you buy that real estate for your business, now put solar.

If you're in a place where solar makes sense and a lot of parts of the country — I mean, I'm in Phoenix, so it probably makes more sense here than anywhere in the world.

But put solar on there and now you've got the business tax benefits, you've got real estate tax benefits, and you've got the energy tax benefits, just all as part of your primary business activity and you don't have to diversify. I think it's pretty awesome.

David Phelps: Yeah, I agree. People come to me because they know at Freedom Founders, we do a lot with real estate helping professionals invest and implement real estate strategies to

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

their wealth building if that's what they want to do. But I always tell them, if you haven't optimized your business opportunities, then you have no business going outside.

Again, to your point, don't put the cart before the horse. I mean, focus on what your greatest advent to get to where you want to go, then go outside and go to some other channels. So, I'm with you right there all the way.

Tom, what about working with people's financial advisors? There's got to be some cooperation there, but do you find that it's very disparate in terms of what kind of advice people are getting? Or what sort of things should people expect from their financial advisors to help them with a congruent pathway to creating wealth and freedom?

Tom Wheelwright: For sure. Well, first of all, as my friend Robert Kiyosaki likes to say, "Investing is a team sport." So, it never should be something you do on your own, never something you should just turn it over somebody. The big lie on Wall Street is, is you're not smart enough to handle your own money, so you should turn it over to them.

Well, they want you to turn it over them because they want your money. They're looking at your pocket and they're going, "Is that my money that's in your pocket? Turn it over to me." And they love healthcare professionals especially. They go, "Ah, healthcare professionals, give me your money." Whereas, you have the opportunity to learn how to do this. You've got to be the one in charge, I really believe that.

So, while you want advisors around you to help you, you're still the one making the decision, you're still the one who's actually deciding what type of investing I'm doing, how am I going to

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

reduce my taxes. It's just you have advisors working with you and with each other, which I think is critical.

So, your accountant needs to be talking to your lawyer, and your accountant needs to be talking to your financial planner, your accountant needs to be talking to your bookkeeper and supervising your bookkeeper.

I mean, there's a lot of things that your CPA can do to really take some of the burden off of you. You don't have to spend a lot of time at it, but you've got to be the one that says, "I'm responsible for my money, I'm responsible for my investing, and I'm going to build this team of advisors around me."

One of the things that Robert Kiyosaki has done really, really well, is he surrounded himself with great advisors, and I look at him as probably the best example of how to be a good client, and how to be a good investor.

Robert, I will tell you is my best client period. And not only because yes, he pays my bills, which is very important. I mean, as a dentist, you don't let people walk out the door without paying your bill.

But also, because he takes my advice. He knows that he's good at what he's good at, and he's not good at what I'm good at. And so, he'll ask me questions he wants to know, but then he goes, "Okay, so what do you suggest?" And I'll always tell them.

And that's one of the things by the way, if you have advisors that give you options without giving you a recommendation, you need new advisors. I think that's a huge problem. You get that with attorneys all the time, you get that with accountants, you get the financial planners.

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

“Well, here are some options, choose.” I’m going “Wait a minute, I want to know the options, but I’d also like a recommendation.”

So, with our CPAs, I’m teaching them all the time, you got to give recommendations: “Okay, well here’s the options, what do you think makes sense?” And every client’s going to ask, “Well, what do you recommend?”

I’m going to say, “Well, given your situation, here’s what the numbers show.” You know, because numbers are factual, they’re not emotional. And so, here’s where you get the best result from a tax standpoint and you deserve that kind of advice.

David Phelps: I’ve got a couple of granular questions for you, Tom, that I just got top of mind. Okay. Alright, here we go. Part of the (I love the term) the Inflation Reduction Act.

Tom Wheelwright: I call it the Inflation Enhancement Act myself.

David Phelps: Part of that act was to be funding for 87,000 new IRS agents, we talked about that earlier, the administrative arm.

Now, whether that gets funded or not at this point, I don’t know. But let’s just hypothetically say it does. What does that mean for us on the ground, entrepreneurs, capitalists, business owners, investors?

Do we need to up the game in terms of documentation? Do we need to be afraid of something? Our audits? Are we going to be passed upon? What’s your general advice, if this, again, is rolled out?

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

7 Investments the Government Will Pay You to Make **(Part 2) - Tom Wheelwright: Ep #418**

Tom Wheelwright: You are much more likely to get audited on your 2022 and 2023 tax returns than you were on your 2019 and 2020 tax returns. That's what it means.

I think it will get funded, and I think they will put most of the funding towards IRS auditors, not agents. Agents are the ones who carry guns, and there's only a couple of thousands of those.

But for IRS auditors, they will, and they're going to be new IRS auditors, they're not going to know much, and they're going to come in with a checklist. And if you don't meet that checklist, they're going to disallow your tax benefits.

And so, here's what it means: you do need to up your game. That is the right way to put it. You do need better documentation, you need a better tax preparer than you've got now probably, because you want your taxes prepared as if they were going to be audited, and in such a way that they're less likely to be audited.

And then third, you want a tax advisor who should be the one also preparing your tax returns. By the way, don't mix and match. Your tax advisor and your tax preparer should be the same company.

But you want a tax advisor who is not afraid of the IRS, because here's the rule, if you're one of our clients, you will never speak to the IRS, ever. You don't have to worry about it. In fact, we actually make our clients take a pledge that they will never speak to the IRS.

And the reason is because you're an amateur when it comes to working with the IRS, and I'm a professional when it comes to

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

7 Investments the Government Will Pay You to Make **(Part 2) - Tom Wheelwright: Ep #418**

working with the IRS. I know more about the tax law than any IRS auditor I've ever worked with.

Okay, and it's not because they're dumb, it's just because I've got more experience. I've spent more time learning the tax law. They get a few hours of education and then they get a checklist, and that's basically what they get.

Whereas, a good CPA is learning the law and learning how to work with an auditor. I mean, for example, you have to manage the audit, but you also have to manage the auditor. And I think a lot of CPAs make a lot of mistakes that way.

But remember also, there are a lot of CPAs that have never handled an audit right now because not very many people have been audited in the last 10 years. So, this is another time when you might want somebody a little more experienced or that's part of a network that has that kind of experience available to them.

So, yeah, maybe they can't do it, but they've got somebody in their network that can and somebody to help them out with it. But I think you're absolutely right, David. I think you need to step up your game because I think we're going to see a lot of audits in two or three years from now.

David Phelps: Yeah, that's what I've been telling people. Again, I don't have a professional background, you do.

Just nuanced information and stories. But I agree that with whenever the budget goes up for auditing, in this case, that you don't want to run from it. In other words, don't stop being aggressive from the standpoint that you are working with your CPA or tax advisor, but just be prepared to back it up.

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

And I'm sure, again, with your experience, when they have their checklist and you, in this case, your firm goes in front, and they ask for certain documents, and you've got those because you've got a client that's worked well with you and you lay those out, they're pretty much going to move on to the next, because they're in the game of putting their time where the money is.

And if they see that someone comes prepared, they're going to back off and go "Well this is fruitless, let's not dig ourselves in a hole." On the other side, if they see gaps in missing information, they think, "Well, here's the mother lode, let's go do it. Right?"

Tom Wheelwright: Absolutely. You don't want them fishing around in your pond.

David Phelps: One more. There's also been, I think maybe it's part of the same bill that reporting income of a cumulative amount from any payor of \$600 or more, like whether it's Venmo or eBay — sell something on eBay or Zelle.

How are you preparing clients for that? That's my question too, so I don't have the answer. Like I'm here to glean something from you. How do we deal with that?

Tom Wheelwright: It's really interesting. So, it used to be \$20,000. I mean, you had to have more than \$20,000 before you got a 1099 from Amazon. I mean, for example, that you were selling stuff on Amazon, you had to have \$20,000 of transactions or from your credit card or Venmo or whatever. Now, it's \$600.

And here's the thing, a lot of people transfer money on Venmo and Zelle, et cetera that's not income. It's a gift or it's payment for some kind of an exchange that's not a taxable situation.

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

7 Investments the Government Will Pay You to Make **(Part 2) - Tom Wheelwright: Ep #418**

So, I understand that these apps, you can mark that it's not taxable, that this is a personal transaction. You need to mark that because if you don't mark it, what are they going to do? I mean, they're on the hook. Zelle, Venmo, et cetera, they're on the hook.

So, they're going to take the conservative approach from their point of view, which is to give you a 1099. Then what you have to do, here's the thing with 1099s — so the IRS doesn't match up every document that you receive that has income on it.

For example, they do a very poor job with K1s from partnerships like syndications, et cetera. They do a great job with W-2s as you know. They also do a pretty decent job with 1099s.

So, if you get a 1099 and it has, I don't know, \$900 of income on it, and you don't report that \$900, you will absolutely get a notice from the IRS saying you owe tax on that \$900. Now, what do you do?

Well, now, you have to spend time. You either have to call the IRS and hope you can get ahold of somebody, which most of the time you can't. Or you send them a letter hoping that they actually open their mail, which most of the time, they don't. Or you get a CPA involved. But here's the problem.

For \$900, it's probably not worth getting the CPA involved. So, here's what's going to happen. You're going to just pay the tax. It is going to be cheaper than taking care of it unless you're willing to spend hours and hours trying to get it handled. But that's probably what's going to happen.

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

7 Investments the Government Will Pay You to Make (Part 2) - Tom Wheelwright: Ep #418

So, I would suggest be very careful using those services to make sure that you mark the box, this is a personal transaction, not a taxable transaction.

David Phelps: Oh, good advice. Thank you for that. Very helpful.

Alright, well, this has been a conversation with Mr. Tom Wheelwright today, the author of several books, but the most recent one, *The Win-Win Wealth Strategy: 7 Investments the Government will Pay You to Make*.

Tom, great time talking to you today. We'll have to do this again as the environment, the landscape is always changing, and the opportunities are always there for people to take advantage to partner the right way with the government. Thank you so much for your time today.

Tom Wheelwright: Always. Thank you very much.

You've been listening to the Dentist Freedom Blueprint Podcast. If you're tired of trading time for dollars and you want to create more freedom in your life, I encourage you to visit my week blog, freedomfounders.com/blog. I post weekly hard-hitting videos about creating more freedom in your life. Check out my latest book on Amazon, *What's Your Next?: The Blueprint for Creating Your Freedom Lifestyle*, or visit freedomfounders.com to learn more about how we help high income earners create the freedom to buy back their time and create more impact.