HOME BUSINESS TAX CONSULTANT

Prepared by Melvin D Love, CLU, CEP
Chartered Financial Consultant

Anyone can be a Millionaire…..if they use their head!

If you are not in business for yourself you cannot take advantage of the tax laws!

Everyone has a non-working silent partner - it's called the IRS. Over an average lifespan you will earn over 1 million dollars! And, according to the Tax Foundation 2005 numbers the government will take nearly 30% of those life earnings…(that's $300,000!) and return almost ZERO! Put another way, you will have to work until April 17 just to pay your taxes for the year. Becoming financially secure by giving away 30% of your income is simply impossible.

If you think people who become financially successful put up with a 30% loss of their income, I have to tell you that the statistics say that you are very wrong! If you think the people who wrote the laws pay 30% of their income in taxes...you guessed it, wrong again!

There are two sets of rules: one set where you lose 30% of all your money (I call them the short formers) following the majority of Americans into financial suicide and the other set where you play smart and get to keep most of your money (I call them business owners). You see, one of the big secrets in amassing money is that you have to be in business to take advantage of the tax laws! If you aren't you can't, and with very few and usually expensive exceptions that's just the way it is. That being said, you must know "the rest of the story"; that is, it is very easy to have a small business and take advantage of the same loopholes that the big boys do.

One of the best-kept secrets in this country is the network marketing industry. Everyone should be involved in a network or MLM Company. If nothing else, they open up huge tax deductions for you! You can literally make thousands - if not tens of thousands of dollars every year in returned tax dollars even if you never turn a dollar profit! And you can have fun doing it! How would you like to take your favorite hobby and turn it into a tax deduction - legally! Who wouldn't? Imagine having your husband or wife actually wanting you to go play golf because it was tax deductible! …Or fishing, or traveling, or whatever - you fill in the blanks.

Do you want to become a millionaire? Guaranteed? You can if you are willing to think like the house instead of the "marks" as they are called in Las Vagas. I'll give you a hint; all it takes is being able to keep a few extra dollars every month instead of sending them off to Washington (to be spent by someone who thinks they can do it better than you).

HOW TO START THINKING LIKE THE HOUSE

You can't take advantage of the tax laws unless you own a business; so start a business. Another reason…You'll never get paid what you are worth by working for someone else, so start your own business!!!!!

OK! OK! So what business should I start?

Here are the 3 business types to consider.

Option A. Start a business from scratch. The benefits of a scratch business are that you have the highest profit margin and complete control of every aspect of the business. The shortcomings are that you must be capable of managing all the different areas of the business including personnel, payroll, travel, accounting, research and development etc. The downfall of many small business owners is that we do only the parts of the business we like and tend to ignore the boring stuff. In addition, we are financially responsible for everything. You can find more information at "http://www.be-your-own-boss.com"

Option B. Buy a franchise. The benefits are that we can pick something we like and just "plug into" a working system. The success rate is high, and we don't have to be too creative. All of the systems are in place, and the company usually supports the owner with lots of training. The downside is that they are restrictive in what they let you do, and they usually require a large expenditure of time and money. Check out this site for more info: "http://www.franchise.net.au”

Option C. Find a "Network Marketing" company. The benefits of a Network or MLM Company are that it costs almost nothing to start the business. They have already put the products together and do most of the paperwork for you. They are a true lifestyle business, which allows you to deduct almost anything you do. You control your time and location. You work out of the house so you get to avoid rush-hour traffic. The income levels can be outrageous with the added benefit of residual income (that's like a pension plan - the income continues even though you have stopped working). The downfalls are that there is not much structure to the work environment so you will need to be a self-starter. Many people see the huge incomes and mistake the business for a lottery or get-rich-quick scheme. Most Network marketing people who are successful devote as much time in their network as they would any other business. *Note* Questionable companies encourage or require new distributors to invest large amounts of money into inventory. Most legitimate companies frown upon this practice.

Getting started in your "HOME BASED BUSINESS"

Step 1: **Set some goals.** Before you start any trip you need to know your destination. Spend a few minutes answering these few questions first:

How much do I want to make in my new business?

How much do I absolutely have to make?

How much time can I spend at my business?

What hours of the day will I be "At work"?

What do I need to learn in my new business?

Why do I want to work from home?

What marketing strategies will I use to get customers to come to me?

Note: These items are more than good business planning; they show the IRS that you intend to make money and that you are acting as a business, not just a hobby.

Step 2: **Financial Considerations** - How much will it cost to set myself up in this business? Most businesses fail because they are under-capitalized before they even start. Let's see what kind of money you need to have available to "do it right".

Pencil in how much money you need for each of these categories:

-Inventory
-Phone line installation / monthly charge / 800 services
-Answering machine or service
-Utilities
-Car
-Fuel
-Office equipment
-Computer
-Advertising budget
-Postage
-License fees
-Rent

Step 3: **Setting up** - Considerations for your new business.

Should you set up a separate checking account and credit card?

Yes, no question about it. A separate account tells the IRS that you are serious about the new business and prevents you from co-mingling personal and business funds (the first step in bullet-proofing your return)

Should you incorporate?

Corporations, Trusts and Partnerships open up whole new strategies for reducing taxes. They provide you with a legal entity that is separate from you personally. That means that if your company/entity gets sued they could not take your personal assets. It also allows you to take some deductions that you could not take individually. Bottom line is that they are tools that everyone should look into if they are going to seriously pursue a home based business.

Other considerations:

Where should you office?

What permits might you need?

Is there a license requirement in your city?

Will you need a sales tax permit?

In general, if you are going to personally sell a product within your state, you will need a sales tax number. The secretary of state will provide you with the necessary forms to fill out and instructions for their use. In a network marketing/MLM company this will not apply if you enroll your customers and have them order directly from the Network/MLM Company.

Check zoning. If you will be having a dozen cars at a time parking in your driveway and on your street you should check your local zoning laws to prevent potential problems with the neighbors.

How about customer parking & access?

Mailing permits can save big bucks if you are going to do any mass mailings. Check with your local postmaster; a bulk mailing permit will cost you $160 but can save thousands of dollars in postage if you are willing to spend a little time to follow the bulk mail guidelines.

Home business Tax benefits

Rule number 1 - Always play by the rules!
Rule number 2 - Never forget rule #1

Business Losses

The basic rule in deducting expenses is that if it is a cost of doing business or creating a profit it will be deductible. Losses have a 2-year look back provision and 20-year carry forward. What that means is that if you have more losses this year than profits you can go back 2 years and apply them to those profits! Or if you still have too many deductions you can then carry them forward to apply to the next 20 years future profits(if need be).

As a small business you need to be aware of the "Hobby" rules. In order to take business deductions you must be in a business and not simply performing a hobby to make a few dollars. The general rule of thumb the IRS follows is that if you make a profit in 2 of 5 years that proves it is a business. In the event you do not make money you will then need to show that you were in fact working and acting in a business manner. How do you do that? Hold yourself out as a business in your banking, maintain a schedule of working hours, expect to make a profit and document everything you do for your business. 1 hour a day or 10 won't matter as long as you do these things.

Remember, losses are real - never, ever, trade a real dollar for a tax return dollar of deductions if you can avoid it! If you are in a 25% bracket and you spend 1 dollar on a deduction that means that only 25% of the spent dollar is tax money (or 25 cents).

Rule number 3 - Know how much you are paying in taxes

How much are you paying in real dollars when you work for someone else?

An average employee will pay from 10 to 33% of their income in Federal taxes, 0% to 9% in state tax and 7.65% in FICA (a reality check note of interest -your employer also pays 7.65% FICA in your behalf. If your employer did not have to spend that money in taxes, where would it go? In your pocket! So the moral of the story is that you are really spending 15.3 in FICA but half of it is hidden tax. There are also other state and federal taxes paid by the employer, like FUTA.)

How much are you paying in real dollars when you are self-employed?

Your federal and state tax bracket will remain the same but you will have to pay your full FICA tax of 15.3% (on the first dollar up to $94,200 in '06). However, if you are self-employed you can deduct 50% of that FICA by filing your schedule C.
Also note that all deductions are good for full or part-timers!

On top of income tax you also will pay sales tax, excise tax, road use tax, value-added tax through product purchases, luxury tax, etc. etc. etc! There are over 40,000 pages in the tax code! Nobody actually knows for sure just how many taxes are in there.
Rule 4 - know what is deductible.

Tax deductions are ordinary and necessary costs of doing business. Put simply, anything and everything is deductible if it has a legitimate purpose in your business! Actual strategies will follow.

The basic rule in taking deductions is to keep good records.

> Keep a file for cancelled checks and receipts.
> Keep a log and document your daily business activities (daytimers work great), Who, What, When, Where and Why.
>
> Note: the age of computers is on us, and Orwell's book, 1984, throws a chilling light on the activities of our day. So know that if it has a paper trail the IRS probably had it before you! When you take interest deduction or report interest earning make sure they are right and complete or you will surely get a love letter from Uncle Sam!
>
> A good idea is to take pictures and videotape as much of your home based business as possible.
>
> The time frame for keeping records is 3 years after you file. BUT there is no time limit on fraud! The moral of this story is to be aggressive in your deductions but don't cheat! Take every deduction possible - that is your right plus your duty to yourself and your family - but don't make stuff up! Enough said.

Tax Strategy #1

Giving Gifts

You can give gifts to customers, clients, employees and associates. The annual limit is $25, and couples count as one person.

Gifting to your children

You can gift $12,000 per year (each husband and wife) to each child!

If you are funding a college fund, why keep that money/interest in your tax bracket when you can shift it down to the child's lower bracket?

Tax Strategy #2

The Entertainment Deduction

Entertainment of customers or potential customers/business associates is 50% deductible.

Entertainment can come in many forms: lunch, coffee, golf, etc. If you take a client to the theater or a football game you can deduct 50% of the cost - as long as you talk business. Make sure you put the occasion in your calendar and document the nature of the meeting. Remember: with tax matters the burden of proof is on you, so don't spare the ink! And, no, you can't deduct the extra cost of scalped tickets.

When you entertain at home you can also deduct at the 50% level. The way you take this deduction and have it stick is to make sure you establish a business intent, document and keep notes. An easy method to accomplish this is to set up a product display at your party/meeting and then take pictures. Put the names and dates on the back of the pictures and put a brief description on the parties' intent. You get the full 50% deduction even if you don't transact any business at the party. Also part-timers can deduct entertainment the same as full-timers.

Note: when you entertain employees you deduct the expenses at 100%. An example of employee entertainment could be a Christmas Party.

Tax Strategy #3

Taking Meal Deductions

Meals are a tax deduction the same as entertainment. You can deduct 50% of your business breakfasts, lunches and dinners as long as you talk business and have specific business intent. You can also deduct your personal meals at 50% when you are away from home (overnight) on business. When away from home you do not have to be entertaining anyone to take the meal deduction.

One thing the IRS looks at is over-entertaining. Just because you like a particular client, you can't take him or her to lunch every day! Remember: have a legitimate business intent and document. To take a meal deduction you must be there personally. No deduction is allowed for absentee meals.

Employee meals are 100% deductible if you have a business purpose such as giving it as an award. Special note: it is 100% deductible for you and ordinary income for them. (that means they have to report it as income)

Dinner with your spouse is deductible if there is a business reason for him or her to be there or it is required for protocol. Just taking your spouse to dinner for entertainment is not deductible.

Tax Strategy #4

Deducting Dues and Education

All business association dues are deductible at 100%. Books and magazines required to stay up on your business are deductible.

Social clubs and lobbying are not deductible.

Any education required in your business or to remain in business is 100% deductible. Realtors and Insurance agents have annual education requirements that must be fulfilled if they want to stay in that business; those classes are 100% deductible.

Tax Strategy #5

Travel Expenses

While away on business your travel, lodging and car expenses are 100% deductible.

There are no limits as to where you go as long as you are licensed in those states (if a license is required). Your personal meals are 50% deductible but you must sleep away from home to qualify. Keep good records and log everything in your day timer.

Spouse travel is deductible if (and you need both) they can make money for you and are in business with you/are an employee of your company.

What if you take your family with you on your trip? You can deduct everything you would have paid for by yourself. In the hotel you take a deduction of the single room rate only. Take a copy of the rate card on the door for documentation. Note: there is nothing to say you can't stop by and see your family if they are on the way to your business destination. But be reasonable - you can't take 2 weeks to go 10 miles and you can't go from Denver to L.A. by way of Boston.

When you are traveling, what qualifies the day as a deduction is that it has business intent. This means that it is planned out in advance and you put your appointments in your planner for documentation. Once that is done there is no requirement for the appointment to be any set length of time; if your appointment only takes an hour you can then spend the day sightseeing and still be on a business trip. The exception to this is that if you are going for seminars or to a convention 4 hours of the day must be spent in those activities.

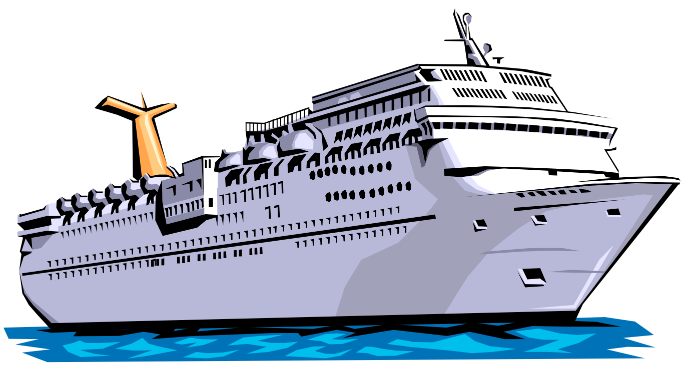
Foreign travel is fully deductible if it is under 1 week. Foreign travel over 1 week is deductible as a percentage of time spent doing business. Travel days are considered business days; so if you spent 20 days total (4 being spent on travel and 6 on business) then 50 % of your travel costs would be deductible. Your meals are deductible when you are out of town on travel or local with clients.

Bonus Strategy 1

The Tax Deductible Weekend!

Why travel to nice places and never see the sights?

When you are traveling on business and you find yourself with appointments on Friday and Monday, you can stay the weekend and write it off as a deduction. The key to taking the weekend is that it must be cheaper to stay than to commute! When taking this deduction have your travel agent give you a copy of the commuting fares you would have had to pay if you flew home Friday then back again on Monday. Compare that to the cost of lodging for an extra 2 nights. As long as the airfares are more costly, enjoy yourself and place the documentation in your file.



Bonus Strategy 2

Cruising on Down!

Did you know that, according to IRS pub 1542, you can spend $2,000 per year on Cruise Ship travel? You can if you have a business class or seminar on board! Just remember to do what? That's right, document!!! The qualifications are that there are no ports outside of the USA and the ship is of U.S. registry. Make sure you have a corporate officer explain the provided education in writing and mark your day timer with the times of the classes taken …voila!

How about those people who hate or are afraid to fly? Travel by water is a deduction at a maximum per diem rate of $688 for luxury travel. Remember: travel days are business days and meals still qualify at the 50% rate. (You will have to get the ship to break out the amount attributed to food from your overall bill for the cruise)

Tax Strategy #6

The 5-minute Business Trip

There is no time standard on business meetings unless it's a seminar (4hrs). That means that if you travel to see a business associate and conduct business (or train an employee) the trip will be fully deductible no matter how long it takes! Once your business is done you are free to see the sights, play a round of golf or go fishing on that trophy trout stream.

Deduct your travel to see customers? Sure
…An associate? Of course
…To train a representative? No problem!
As Nike says - "Just do it"

Travel for job hunting is deductible if you are interviewing for the same career as you are already in. Remember to document!

Tax Strategy #7

The Home Office Deduction

Deduct a portion of your home! To qualify within the home office deduction rules the space must be used exclusively and regularly as your principal place of business. If you go there once a month it will not qualify. If you let your kids play video games on your computer it will not qualify. It must be regular and exclusively used for the business. How you do that is simply to take your desk and move it up against the wall. Get a second phone line and place the phone on the desk; you are now in business. Tell the kids that this is your office and off limits to them. Voila! You have a legitimate home office deduction as long as you sit there and do business on a regular basis.

If you can put up dividers or place the desk in a separate room that will be even better! Make sure that you take a picture or video of your new office to support your deduction. Then take the width (in feet) and multiply by the length of the space you are using for your office to find the percentage of your house that you are now using as an office. That percentage is now the percent deduction that you take for all home expenses.

Example: you are using a 10 foot by 10 foot area for your office (100 sq ft). Your house is 1000 square feet total. The office is 10% of the total house so you use 10% as your deduction percentage. Everything you spend on the house is now multiplied by 10% and used as a deduction on your taxes.

The deductions include mortgage payments, tax, utilities, repairs, cleaning, depreciation, and remember office supplies are 100% deductable. You can also sell your personal furniture and equipment to the new business. The deduction for home office equipment transferred like this is calculated by taking the actual cost or the market value of the equipment, whichever is lower. The maximum deduction is $105,000.

Computers and peripherals such as calculators and typewriters etc. are depreciated over 5 years. Furniture is 7-year depreciation.

If you sell the house, the depreciated amount deducted for the home office will be taxable unless you disqualify the house as a home office prior to the sale. How that is done is by simply taking your desk out of the house, putting the TV back in and not using the room as a home office deduction the year before you sell. Then, when you get into your new house, roll the desk back, tell the kids to stay out, and you're back in business again. And, as always…document.

Note: most home office deductions come under sec 280 which allows us to deduct no more (home office expenses) than we have income from that business.

Tax Strategy #8

Taking Medical Deductions

You can deduct all medical expenses that are over 7.5% of your adjusted gross income. Or you can create what is called a section 125 plan and if your spouse is a legitimate employee they can deduct up to 100% of the families out of pocket medical costs up to 100% of their earned income. (Tax consultant highly recommended for this strategy)

Bonus Tax Strategy - Deduct 100% of your health insurance.

When you are in business you can deduct employee benefits at 100%. Your business can provide all employees with family health insurance coverage. What if you and your spouse and perhaps your children are the only employees ?? You can deduct 100% of the health insurance premiums.

Tax Strategy #9

Deducting Your Automobile

There are two ways to deduct auto expenses:

(1) Keep track of your business miles and take the standard deduction of 48.5 cents per mile (2006). You may not include the miles to your principle place of work, and you will

need to use this method the first year you put the car in service if you are going to use it at all. For newer cars this may not be the larger deduction, but it is the easier of the two. The documentation needed to audit-proof the deduction is to record your business miles in a day timer and to write down the purpose of the trip. It's a little extra work in taking this deduction, but it is well worth it.

(2) Take the actual expenses - fuel, repairs, interest, depreciation etc. this will usually produce the higher deduction and require you to use a percentage table you create by figuring out your business miles compared to your personal miles.

The IRS has also put a luxury limit on cars. If you think you are getting into that area read IRS pub 917.

Commuting to your principal place of business is not deductible; however, if you have an appointment with a client (temporary business stop) near work you can deduct the trip to the client and claim the trip from client to work as your commuting miles (work smarter not harder).

When selling your car, find the basis (after depreciation value) and report the difference. If you are in a profit situation consider trading the car to avoid additional tax on the profit.

When you work from a home office all trips are deductible. If not, use the temporary business stop whenever possible and always keep a mileage log.

Tax Strategy #10

Adding $4,000 Per Year Tax-Free to your household

Since you are a small business owner who needs some help in managing your business, consider hiring your spouse! You can pay him/her $4,000(or $4,500 if over 50) per year and fully deduct it by placing that money into an IRA!

Hey - he's going to paint that room anyway, right?

Tax Strategy #11

Hire Your Kids For A Quick $5,000 Tax-Free!!

How much money does it cost to raise a child? Lots, right? Well, consider hiring your kids to help out with your business and let them fund their own college fund - or buy their own clothes etc. The IRS has allowed family members to be hired by their parents down to an age of 7 years old. The child can then make up to the standard deduction of $5,000 per year and never pay a cent in tax. Some things to do to make this deduction work for you are to document (like a time card) the work done by the children and always figure their pay by a comparable wage. As you pay the children use a check for documentation and open a separate account for the child. Always deposit the check into their account to demonstrate the proper transfer of money.

Reporting: The child must fill out a W-4 for each year stating that his or her wages are exempt from tax, if they are under the threshold. You the employer – must provide the kid's year end W-2's indicating how much they earned. Some state governments require you to file additional forms, so check with your state's tax authority. One last thing – if your child has any investment income they may have to file their own tax return.

Is this a little work on your part? Sure it is, but remember - with 2 kids maxing out at $9,000 each ($18,000 total) you can be saving up to $8,700 in taxes!!!!!
So have them clean the car, stuff the envelopes and do all the other simple jobs that young people can safely do and know that Uncle Sam is paying the lion's share of their salary.

* maxing out these deductions includes adding in the $4,000 IRA for each child.
* This is for couples who are acting as a sole proprietorship or who are the only partners in a partnership. If you are a corporation or larger partnership, the wages are subject to Social Security and Medicare Taxes. The income tax benefits remain the same.

Tax Strategy #12

Income Shifting

Whenever possible, you should consider shifting income from the higher tax bracket people in the family to the lower tax bracket members. Paying your spouse and hiring children are both good examples, but other techniques can be used as well.

$10,000 gifts - Instead of giving your children cash consider transferring appreciated assets to them. You give at your original cost, and they sell the appreciated asset and report the sale profits in their lower tax bracket. For example: you would be taxed for selling an appreciated stock in the 33% tax bracket; but if you gave it to your child they will most likely be taxed at 10%. Remember that the kids take the same basis as you had before the transfer.

Consider buying your parents' house and leasing it back to them. They can take the $250,000($500,000 for joint filers) lifetime exemption, you transfer the house out of probate plus depreciate the property as a rental. If you don't have the cash to buy the house outright then pay $1,000 down and have your parents give you a mortgage, which you will then pay out of the rent they will pay you.

Be creative - think like the house! Get a good tax consultant !

Lessons you'll never learn in school:

1. Your home is not an asset until you rent it out or sell it. Pay your liabilities off in 7-10 years.

Set up a Bi-Saver payment program (pay ½ the payment twice a month). In addition, get an amortization schedule from your lender and make 5 additional principle payments per month. This will cut many, many years off your mortgage and save tens - if not hundreds - of thousands of dollars. Be careful this will also reduce your mortgage interest deduction more quickly.

Never refinance to pay off short-term debt. Even though your home is not an asset, it is nonetheless the largest source of cash for most people in their later years. Likewise, their second greatest source of cash may be their life insurance policy! I know we all think that we are the exception to the rule and don't have to worry about using such low return and boring vehicles, but, trust me, buy one of each and don't borrow against them.

2. No One can predict the Stock Market

Only 5% (or less) of the people who invest in the Stock Market make money. If you invest, use only money that you can afford to let stay in play for 8-10 years. The market is cyclical; if you are forced to sell at a certain time, expect disaster! My philosophy is to buy Mutual funds unless you are prepared to invest some time in learning the market or hire an investment advisor.

If you do trade in individual stocks put most of your money in value stocks (stocks with PE ratios of around 10) which are under-valued at the present time. Every few years the market will drop and provide good opportunities to buy in. If the market has been riding high just keep saving dollars and put your money in safe investments until the time is right.

3. Real Estate can make you or break you.

Real Estate allows a person to leverage their money. What that means is that you can put $10,000 down and buy a $100,000 house. If that house goes up 10% next year you have doubled your money (assuming the mortgage is cover by the rents). Since Real Estate is a low-risk investment (if done correctly) it can create great wealth for investors. Always make your money when you buy - not when you sell! Don't buy until all your requirements are met. (There is always another house or a seller willing to meet your terms.)

4. Learn How to perceive an opportunity

Most people miss the great opportunities in life because

1. They listen to the opinions of their peers!!!!!
2. They bet on luck instead of hard work and persistence!
3. They aren't willing to take a calculated risk.

Most successful people you meet are not the smartest you will ever see. They are typically not the most talented or the strongest. In fact they are usually quite average. What separates them from the rest of the world is that they are not satisfied with just getting by. They actively look for opportunities, and when they see something that looks good to them they consult with qualified professionals. They ask people who have been successful - not those who have never stepped out into the arena. After they research the opportunity with qualified persons they then calculate what it will take to be successful in that endeavor. If it is an acceptable risk they are not afraid to jump in and do the work. Finally, they persist! In every opportunity there will be obstacles; successful people "Will" themselves thru the obstacles. For them there is no possibility of failure because they simply won't quit!

The bottom line is to keep your eyes open and use knowledgeable people to help you research the possibilities. Don't worry about spending a few dollars to get professional help; it will be money well spent whether you go forward or not.

5. Pay yourself first.

This is the principle of saving a set amount of your pay every month BEFORE you pay anything else. This is the only way to successfully create money long term. The average person gets their pay check, pays their bills, runs their household and finally at the end of the month puts anything left over into the bank. Well, guess what?
THERE WILL NEVER BE ANYTHING LEFT OVER TO SAVE!
You must pay yourself first; it is the only thing you will have to show for your months' efforts. Remember that every dollar you save becomes an income-producing asset for you. When you have enough dollars working for you they will pay you a monthly income that will allow you to retire or change professions. If you will save 20% and put that money into a mutual fund at historic rates of return you will replace your working income with investment income in 16 years!!!!!

6. Cut up your Credit Cards

Credit cards are the single biggest reason people get into financial trouble. If you can't **COMPLETELY** pay off your balances at the end of the month then cut them up and get rid of them! They are the siren song of financial destruction because it is all unsecured debt. This means that there is nothing to back it up. If you have a car (which is secured debt) and find yourself in a financial bind you sell the car and ease your burden. With Credit cards there is nothing to sell or get rid of - you are simply "Up the Creek without a Paddle".

7. Income is not Wealth

Many people confuse earning a good living with being wealthy; they are very wrong! Income can be taken away at a moments' notice. The fancy cars and big house that are bought with "INCOME" dollars are at best fragile luxuries and many times end up being temporary tributes to the neighbors. When you convert your "Income" into investments that can maintain your lifestyle regardless of your employment status then you are wealthy.

8. 14 Years to Wealth

I consider 1 Million Dollars in assets to represent wealth. At 8% interest that would yield $80,000 per year which, while not giving you the lifestyle of Bill Gates, would still allow the average person to live very comfortably. The following strategy will get you to that point in 14 years if you do your homework properly.

A. Buy a house that is under your "Means" and put it on a "Bi-Saver" Payment plan, then create the room within your budget to pay a few extra hundred dollars on the principle each and every month. The exact number will vary according to the price of your house; but, as of this time, a $200,000 - $300,000 house would require an extra $200-$300 per month. Remember that you can't have everything to start with, and a trade has to be made. It's your choice, but if you tighten your belt for the first year, the 2nd thru 7th will take care of themselves and at the end of 7 years your house will be paid off.
   Note: If you honestly can't spare the extra couple hundred dollars, go back every month to the front of this lecture and start identifying a business that can make you the extra money.

B. At the end of 7 years you are going to refinance your house and use the equity you've built up to buy 3 rental houses which you will pay down at the same rate as you did with your first house. Now here is the hard part: you must obtain a very good Realtor or be willing to hunt

out houses for you because you need to be sure that each house can rent for enough money to pay the mortgage plus have extra to pay the $200 - $300 more each month. Remember that you are putting approximately 30% down; this should not be a Herculean effort, but it will take study. Now that you have a total of 4 houses averaging $250,000 each and all prepaying rapidly – you will have them all paid off in the second 7 years and be worth 1 MILLION DOLLARS by year 14!!!!
Note: make sure you retain enough money when you refinance to carry the houses for 3-6 months in case of unexpected repairs and/or vacancies.

9. The Final Word on Investments…the crowd is always wrong!

The best time to invest in any investment is when everyone knows it's the wrong time. After every "Crash" huge sums of money are made by those few people who can buy when everyone else is selling. Conversely they keep their money by selling when everyone else is buying! These are the two hardest things to do that you will ever be required to do-guaranteed!

How much can these strategies mean to you? Plenty!

Words of wisdom - Start early!

A person starting an IRA at age 20 and funding it for 5 years at $2,000 per year without paying another dime will have a half million dollars to retire on assuming 10% growth.

A person starting an IRA at age 40 and paying $2,000 per year for the next 25 years will retire with $196,694 assuming the same 10% interest. Ah! The wonders of compound interest!

Taxed Vs tax-free investing.

That same 20-year-old would have only $217,556 if he/she were using taxed dollars And the 40-year-old would have only $54,864

Work hard or work smart. The choice is yours!

Words of caution

Most self-employed people get in trouble with the IRS because they do not save part of their earnings each month for taxes. When you are self-employed remember to put 33% of each paycheck into the bank and file quarterly estimated tax reports.

Audit-proof your return

Use daily record sheets.

Car

Trip 1 Miles Purpose

Trip 2 Miles Purpose etc.

Meals

Breakfast Lunch Dinner

Purpose

People Involved
(attach receipts)

Misc. expenses

Keeping a daily record like this takes discipline but pays big rewards when the lRS calls !

Disclaimer This report is for informational purposes only, it is believed to be accurate based upon current tax law. It is not intended to be used as tax advice. See your tax advisor before implementing any of these strategies.