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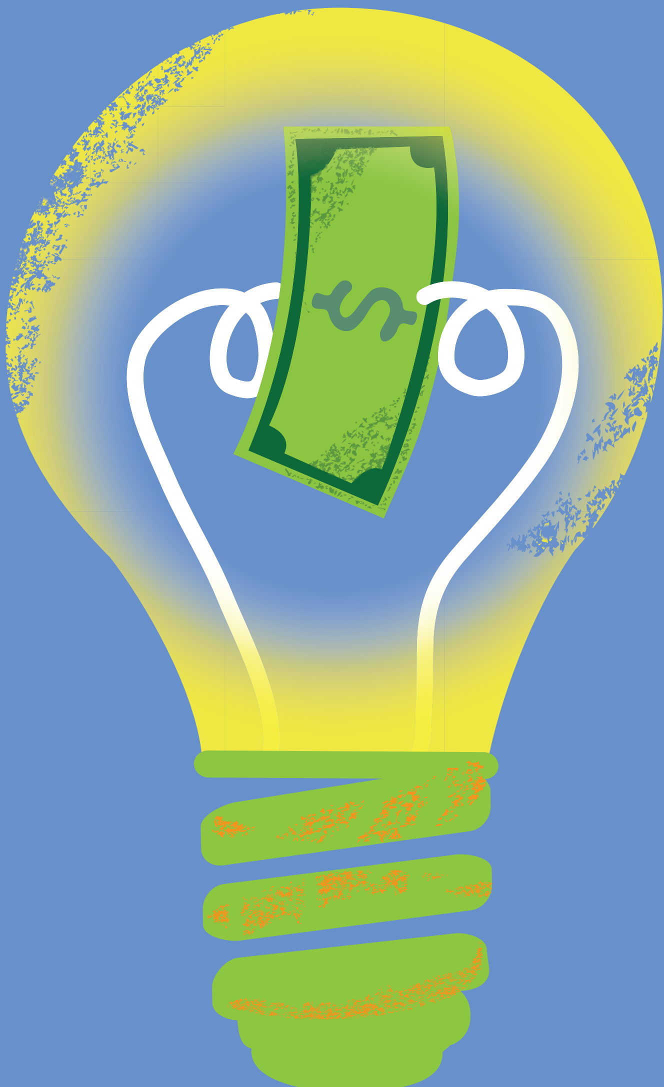

Education on TAX SECRETS

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Best-selling Books
by Robert T. Kiyosaki

Rich Dad Poor Dad
What the Rich Teach Their Kids About Money –
That the Poor and Middle Class Do Not

Rich Dad's CASHFLOW Quadrant
Guide to Financial Freedom

Rich Dad's Guide to Investing
What the Rich Invest in That the Poor and Middle Class Do Not

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Robert Kiyosaki's Conspiracy of the Rich
The 8 New Rules of Money

Unfair Advantage
The Power of Financial Education

Why "A" Students Work for "C" Students
Rich Dad's Guide to Financial Education for Parents

Freedom from Taxes

By Robert Kiyosaki

I read a quote that goes, “People who complain about taxes can be divided into two classes: men and women.“ True, but while some people complain, a smaller group of people take action.

My rich dad taught me that taxes aren’t unavoidable, and with the right mindset and financial education, they could even be used to your advantage.

Most people will find the idea of using taxes to your advantage as absurd, or impossible. Today, taxes are killing many people financially. Do you look at your paycheck every month and wonder where all your money is going? I’ll tell you. It’s going to the people who know how to use taxes to make money rather than lose money; it’s going to people like me.

As you’ll find out more in this eBook, governments write the tax codes to incentivize investors and entrepreneurs to behave how the government wants them to. So, if a government wants more affordable housing, they’ll provide some great tax incentives to motivate developers to build affordable housing.

The problem is that the governments still have to pay their bills. So whom do they tax? They tax the middle class. And they use those taxes to subsidize people like me who provide what the government wants in order to get tax breaks.

Tom Wheelwright, my Rich Dad Advisor on taxes, and I see taxes as government incentives and economic stimulus to keep the wheels of the economy greased and moving. That is how my rich dad saw taxes. He simply saw himself doing what the government wanted done, and in return, the government offered him tax breaks.

I want you to know that you can also use the tax code to your advantage to help you make money—or at the very least, greatly reduce your tax burden. All you have to know are the rules and how to play by them.

Over the years, I have lost a lot of money to taxes simply because I had high-priced, well-educated CPAs who were not the brightest matches in the box—that is until I met Tom Wheelwright. For years now, Tom has been my guiding light, allowing me to do what I do best, which is build businesses, invest, create jobs, and make money, all the while paying less and less in taxes...legally.

And that's why I'm very happy that my friend and personal tax advisor, Tom Wheelwright, wrote this eBook with me. To me, there is no better person to explain how taxes work, how the tax code can help you grow richer, and who can—I'm not kidding—make taxes fun.

I think you'll find, as I have, Tom's passion for taxes—and helping you save money in taxes—to be infectious. And I know you'll find the wealth of knowledge he brings to the table to be life changing.

He brings good news: you don't have to let taxes kill you financially. The rules in the tax code, whether you know it or not, are there to help you—not harm you. If you want to earn more and pay less in taxes by doing what the government wants and needs done, this is the book for you.

Revisiting *Rich Dad Poor Dad*'s History of Taxes

I remember in school being told the story of Robin Hood and his Merry Men. My teacher thought it was a wonderful story of a romantic hero who robbed from the rich and gave to the poor. My rich dad did not see Robin Hood as a hero. He called Robin Hood a crook.

Robin Hood may be long gone, but his followers live on. I often hear people say, "Why don't the rich pay for it?" or "The rich should pay more in taxes and give it to the poor."

It is this Robin Hood fantasy, or taking from the rich to give to the poor, that has caused the most pain for the poor and the middle class. The reason the middle class is so heavily taxed is because of the Robin Hood ideal. The reality is that the rich are not taxed as greatly. It's the middle class who pays for the poor, especially the educated upper-income middle class.

Again, to fully understand how things happen, we need to look at the history of taxes. Although my highly educated dad was an expert on the history of education, my rich dad fashioned himself as an expert on the history of taxes.

Rich dad explained to me that originally, in England and America, there were no taxes. Occasionally, there were temporary taxes levied in order to pay for wars. The king or the president would put the word out and ask everyone to "chip in." Taxes were levied in Britain for the fight against Napoleon from 1799 to 1816 and in America to pay for the Civil War from 1861 to 1865.

In 1874, England made income tax a permanent levy on its citizens. In 1913, an income tax became permanent in the United States with the adoption of the 16th Amendment to the U.S. Constitution. At one time, Americans were anti-tax. It had been the tax on tea that led to the famous Tea Party in Boston Harbor, an incident that helped ignite the Revolutionary War. It took approximately 50 years in both England and the United States to sell the idea of a regular income tax.

What these historical dates fail to reveal is that both of these taxes were initially levied against only the rich.

It was this point that rich dad wanted me to understand. He explained that the idea of taxes was made popular, and accepted by the majority, by telling the poor and the middle class that taxes were created only to punish the rich. This is how the masses voted for the law, and it became constitutionally legal. Although it was intended to punish the rich, in reality it wound up punishing the very people who voted for it, the poor and middle class.

“Once government got a taste of money, its appetite grew,” said rich dad. “Your dad and I are exactly opposite. He’s a government bureaucrat, and I am a capitalist. Our success is measured on opposite behaviors. He gets paid to spend money and hire people. The more he spends and the more people he hires, the larger his organization becomes. In the government, a large organization is a respected organization. On the other hand, within my organization, the fewer people I hire and the less money I spend, the more I am respected by my investors. That’s why I don’t like government people. They have different objectives than most business people. As the government grows, more and more tax dollars are needed to support it.”

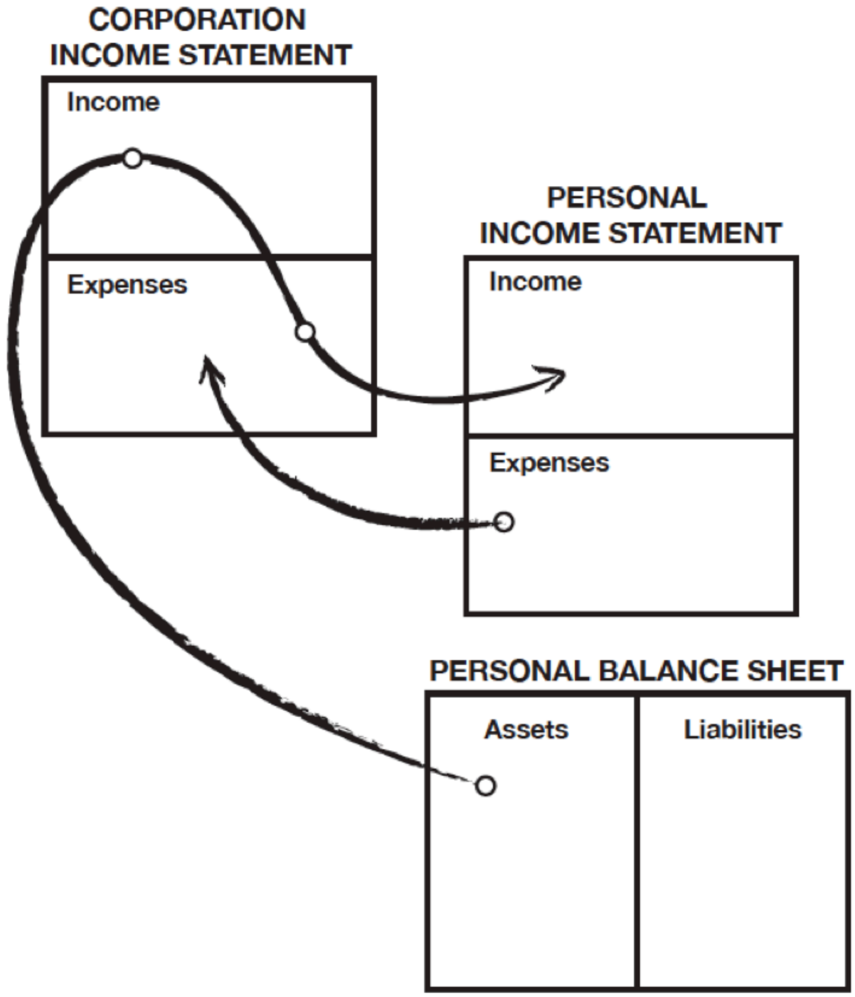
My educated dad sincerely believed that government should help people. He loved John F. Kennedy and especially the idea of the Peace Corps. He loved the idea so much that both he and my mom worked for the Peace Corps, training volunteers to go to Malaysia, Thailand, and the Philippines. He always strived for additional grants and budget increases so he could hire more people, both in his job with the Education Department and in the Peace Corps.

From the time I was about 10 years old, I would hear from my rich dad that government workers were a pack of lazy thieves, and from my poor dad I would hear how the rich were greedy crooks who should be made to pay more taxes. Both sides had valid points. It was difficult to go to work for one of the biggest capitalists in town and come home to a father who was a prominent government leader. It was not easy to know which dad to believe.

Yet when you study the history of taxes, an interesting perspective emerges. As I said, the passage of taxes was only possible because the masses believed in the Robin Hood theory of economics: Take from the rich and give to everyone else. The problem was that the government’s appetite for money was so great that taxes soon needed to be levied on the middle class, and from there it kept trickling down.

The Rich Play by a Different Set of Rules

However, the rich saw an opportunity because they don’t play by the same set of rules. The rich knew about corporations, which became popular in the days of sailing ships. The



rich created the corporation as a vehicle to limit their risk to the assets of each voyage. The rich put their money into a corporation to finance the voyage. The corporation would then hire a crew to sail to the New World to look for treasure. If the ship was lost, the crew lost their lives, but the loss to the rich would be limited only to the money they invested for that particular voyage.

The diagram above shows how the corporate structure sits outside your personal income statement and balance sheet.

It is the knowledge of the legal corporate structure that really gives the rich a vast advantage over the poor and the middle class. Having two fathers teaching me, one a socialist and the other a capitalist, I quickly began to realize that the philosophy of the capitalist made more financial sense to me. It seemed to me that the socialists ultimately penalized themselves due to their lack of financial education. No matter what the "take-from-the-rich" crowd came up with, the rich always found a way to outsmart them. That is how taxes were eventually levied on the middle class. The rich outsmarted the intellectuals solely because they understood the power of money, a subject not taught in schools.

How did the rich outsmart the intellectuals? Once the "take-from-the-rich" tax was passed, cash started flowing into government coffers. Initially, people were happy. Money was handed out to government workers and the rich. It went to government workers in the form of jobs and pensions, and it went to the rich via their factories receiving government contracts. The government received a large pool of money, but the problem was the fiscal management of that money. The government ideal is to avoid having excess money. If you fail to spend your allotted funds, you risk losing it in the next budget. You would certainly not be recognized for being efficient.

Business people, on the other hand, are rewarded for having excess money and are applauded for their efficiency. As this cycle of growing government spending continued, the demand for money increased, and the "tax-the-rich" idea was adjusted to include lower-income levels, down to the very people who voted it in, the poor and the middle class.

True capitalists used their financial knowledge to simply find an escape. They headed back to the protection of a corporation. But what many people who have never formed a corporation don't know is that a corporation is not really a thing. A corporation is merely a file folder with some legal documents in it, sitting in some attorney's office and registered with a state government agency. It's not a big building or a factory or a group of people. A corporation is merely a legal document that creates a legal body without a soul. Using it, the wealth of the rich was once again protected. It was popular because the income-tax rate of a corporation is less than the individual income-tax rates. In addition, certain expenses could be paid by a corporation with pre-tax dollars.

This war between the haves and have-nots has raged for hundreds of years. The battle is waged whenever and wherever laws are made, and it will go on forever. The problem is that the people who lose are the uninformed: the ones who get up every day and diligently go to work and pay taxes. If they only understood the way the rich play the game, they could play it too. Then they would be on their way to their own financial independence. This is why I cringe every time I hear a parent advise their children to go to school so they can find a safe, secure job. An employee with a safe, secure job, without financial aptitude, has no escape.

Average Americans today work five to six months for the government just to cover their taxes. In my opinion, that is simply too long. The harder you work, the more you pay the government. That is why I believe that the idea of "take-from-the-rich" backfired on the very people who voted it in.

Every time people try to punish the rich, the rich don't simply comply. They react. They have the money, power, and intent to change things. They don't just sit there and voluntarily pay more taxes. Instead, they hire smart attorneys and accountants and search for ways to minimize their tax burden. They use their resources to effect change.

The Tax Code of the United States also allows other ways to reduce taxes. Most of these vehicles are available to anyone, but it is the rich who find them because they are minding their own business. For example, "1031" is jargon for Section 1031 of the Internal Revenue Code which allows a seller to delay paying taxes on a piece of real estate that is sold for a capital gain through an exchange for a more expensive piece of real estate. Real estate is one investment vehicle that has a great tax advantage. As long as you keep trading up in value, you will not be taxed on the gains until you liquidate. People who don't take advantage of these legal tax savings are missing a great opportunity to build their asset columns.

The poor and middle class don't have the same resources. They sit there and let the government's needles enter their arm and allow the blood donation to begin. Today, I am constantly shocked at the number of people who pay more taxes, or take fewer deductions, simply because they are afraid of the government. I have friends who have had their businesses shut down and destroyed, only to find out it was a mistake on the part of the government. I realize all that. But the price of working from January to May is a high price to pay for that intimidation. My poor dad never fought back. My rich dad didn't either. He just played the game smarter, and he did it through corporations—the biggest secret of the rich.

Taxes are Not Fair

Taxes are not fair. Taxes do not try to be fair. Taxes favor those with financial education– not a diploma or a certificate, but education put into action. Those with financial education can earn more and pay less, even zero taxes, on millions in earnings. It's not fair, but you do not have to be rich to benefit, you have to be educated. If you are educated, you will become rich and you will be rewarded by taxes rather than burden by them.

What Do I Have to Do to Earn More Money and Pay Less in Taxes?

Many people think taxes are punitive and, for most people, they are — simply because most people have no financial education and work for money.

Taxes are also incentives, government-stimulus programs, to encourage people to do what the government wants done. If you do what the government wants, you can earn a lot of money and pay less or even zero in taxes.

The problem is that most people are trained, just as Pavlov trained his dogs, to do what they're told without thinking, *namely to go to school and get a job.* Hence, most people spend their lives working for money and paying more and more taxes.

Simply put, taxes are not fair. For those with the highest of financial education, the more they make, the less they pay in taxes, legally, but only if they do what the government wants them to do.

For most people, taxes make them poorer. Again, they are trained to *send their money to the government.* For a few, taxes make them rich, some very rich. They know how to have *the government send money to them.*

It's about *cash flow,* the most important words in the world of money.

In Summary

1. The harder *you work for money,* the more you pay in taxes.
2. The harder *your money works for you,* the less you pay in taxes.
3. The harder *other people's money works for you,* you pay even less in taxes.

You may even pay nothing, zero, zip, nada in taxes. Obviously, this takes the highest levels of financial education. This is a level of education my rich dad inspired me to attain.

What Is the Worst Tax Advice?

Book number two in the Rich Dad series is *Rich Dad's CASHFLOW Quadrant* which defines the different players in the world of money. Pictured below is the CASHFLOW Quadrant:

It takes all four quadrants to make the world of money go around.

The quadrants are not professions. For example, a medical doctor can be an E, such as a doctor who works for a B (a big business such as a hospital or drug company). A doctor can also be an S, working as a self-employed, small-business owner in private practice. A doctor can also be a B, the owner of a hospital or a drug company. And the doctor can be an I, an investor.

There is often confusion about the I quadrant. Many people invest their own money in pension or retirement plans by buying and selling stocks and/or mutual funds. That is not the same type of I referred to in the I quadrant. True I's have people *send them money.* Most small investors *send their money to true I's.* Again, the I quadrant is defined by the direction cash is flowing, and that makes a difference in who pays the most in taxes. If you send your money to others to invest for you, you pay more in taxes than the person you send your money to.

My poor dad sent his money to people he trusted to invest for him. My rich dad had people like my poor dad sending money to him.

The difference, from a tax perspective, is like night and day.

Looking at this image, can you understand that the harder *you work for money,* the more you pay in taxes (demonstrated in the E and S quadrants)? And can you see how the harder *your money works for you,* the less you pay in taxes (demonstrated in the B and I quadrants)? And finally, the harder *other people's money works for you,* you pay even less in taxes (demonstrated in the B and I quadrants)?

Summary

So what is the worst tax advice? Go to school, get a job, work hard, save money, buy a house because your house is an asset, get out of debt, and invest for the long term in a well-diversified portfolio of stocks, bonds, and mutual funds. In other words, "live your life in the E and S quadrants" is the worst tax advice.

Taxes are by Quadrant, Not by Profession

It is important to note that taxes are defined by quadrant, not by profession. Again, a doctor can be a doctor in all four quadrants.

Different quadrants follow different tax rules.

When I was in school, I asked a classmate what his father did for a living. His reply was, "My dad is a garbage man." I did not think much about it until I was invited to his home for Thanksgiving dinner. Rather than pick us up in his car, his dad flew us to their home in his private jet, two hours away from New York. Needless to say, his home was a mansion.

When I inquired about his dad's profession as a garbage man, he said, "My dad owns the largest garbage-collection company in the state. He has over two hundred trucks and over a thousand employees. He also owns the land where the garbage is disposed. His biggest customer is the state and city government."

His dad was a garbage man in the B and I quadrants. He hired garbage men in the E quadrants and uses accountants and attorneys in the S quadrant for specialized advice. If he had good tax advice, he paid a much smaller percentage in taxes than his employees.

How Does a Person Change Quadrants?

First off, understand that a person can be in more than one quadrant. Technically, I am in all four quadrants. I am an E, an employee in my own company. I am an S who writes books and develops games on my own. I am a B with licensed offices all over the world and more than 500 people working to support the business. And I am an I, raising money for my businesses.

Again, a medical doctor can be in any or all of the four quadrants. So can you.

Even though you can be in multiple quadrants, one quadrant will appeal to you the most and draw the majority of your energy. Different people seek different quadrants due to core values. I can often tell a person's core values by the words they use. If you want to change the quadrant you are in, you must first change your core values. The sections that follow illustrate how the words a person uses expose their core values.

Summary

A person begins by deciding to change core values.

The E Quadrant – Pay Higher Taxes for [a false sense of] Security

"I want a safe, secure job with benefits."

These are the words of people in the E quadrant. Regardless of whether the person is a janitor or president of the company, they say the same words. These words reflect the core value of *security.* The fear of failing, the need for a steady paycheck, and a fear of change influence their core fears.

These people tend to seek long-term careers in the military, the police force, or a big company. If they are ambitious, they may change jobs if a better opportunity to climb the corporate ladder in another company appears, but before they take that leap, they make sure their future paychecks are secure.

Most students in MBA (masters of business administration) programs have dreams of climbing the corporate ladder in the E quadrant, starting near the top. Their MBA gives them an advantage over those who did not get their MBA. A few will make it to the top, becoming president or CEO, and will earn a lot of money. But the problem is that a large percentage of their paycheck will be eaten by taxes.

The S Quadrant – Pay the Highest Taxes to Do All the Work Yourself

"If you want it done right, do it yourself."

These are the words of people in the S quadrant, regardless of whether the person is a medical doctor, an attorney, or a yardman. They say the same words. These words reflect the core values of independence and lack of trust that anyone else can do it better.

S-quadrant people generally have rigid points of view on the right way, and the wrong way, to do something. Their theme song is: *"Nobody Does It Better"* or *"I Did It My Way".*
The trouble with the S quadrant is that if they stop working, their income also stops.

People in the S quadrant do not own a business. They own a job.

Many professional people fall into the S quadrant. They could be accountants, bookkeepers, webmasters, and consultants. S also stands for specialized or smart. They value their independence and specialized skill. Most stay small because they focus on becoming more specialized, rather than becoming larger.

Shining stars in the S quadrant are often stars in real life. For example, most movie stars, rock stars, and professional athletes are in the S quadrant. In every city and town, there are stars in the S quadrant. For example, there is always the famous local doctor, real estate agent, or restaurant owner in every town.

I have a friend who owns five restaurants in town. He is famous for great Italian food. He earns a lot of money. His kids work in the business, and five restaurants is as big as he wants to get.

Another friend is a famous cancer surgeon. He has people lining up to see him. Since he can only see a few patients, he simply raises his rates. When asked if he wants to grow his business, he says, "I make a lot of money, and I am busy enough."

The B Quadrant – Pay Less in Taxes for Self-Sustaining Income-Producing Machine

"I'm looking for the best people."

These are the words of a B-quadrant person. A person in the B quadrant takes on tasks bigger than he or she can do alone. That means success in the B quadrant requires leadership skills and people skills, not just technical skills. This is why so many entrepreneurs, such as Bill Gates, founder of Microsoft; Walt Disney, founder of Disney; and Thomas Edison, founder of General Electric did not finish school.

Entrepreneurs have the power and leadership skills to take an idea and turn it into a massive business—a business that creates jobs and creates wealth. For example, Silicon Valley in California is wealthy because it is a hotbed for high-tech entrepreneurs.

Success in the B quadrant requires a team effort with an effective leader.

The I Quadrant – Pay the Least (even zero) Taxes for Assets That Last for Generations

"How do I raise the money to invest in my project?

"How do I earn more with other people's money and pay less in taxes?"

Earlier I stated that a key distinction of an I is that they use other peoples' money as much as possible.

So How Do You Pay Less in Taxes?

One thing everyone in every quadrant has in common is the desire to pay less in taxes. I've asked my CPA and Rich Dad Tax Advisor Tom Wheelwright to explain how to pay less in taxes depending which quadrant you are in.

The E Quadrant – Answer from Tom Wheelwright

There isn't much you can do to pay less taxes as long as you stay in the E quadrant. About the best you can do is to postpone taxes through an IRA or 401(k). The real key to reducing taxes is to move into the B and the I quadrants.

Summary

Move to the B and I quadrants.

The S Quadrant–Answer from Tom Wheelwright

The most important thing to do in an S-quadrant business is to begin thinking and acting like a B-quadrant business. This includes hiring employees, increasing your investment in equipment and real estate and setting up your company as a B-quadrant entity. (An entity is simply your legal form of ownership. Most S-quadrant people are sole proprietorships or partnerships and these entities pay the most tax possible. Instead, look at B-quadrant-type entities such as limited liability companies, limited partnerships, S corporations and C corporations.)

Summary

Move to the B and I quadrants.

The B Quadrant – Professional Answer from Tom Wheelwright

The opportunities to reduce taxes in the B quadrant are virtually unlimited. Almost all expenses in a B-quadrant business are deductible. B-quadrant businesses get tax credits for hiring employees, for increasing their research and development, and for investing in green technology.

B-quadrant businesses also can often pay taxes at a lower rate than S-quadrant businesses, especially since the owners pay little or no self-employment taxes.

The I Quadrant – Professional Answer from Tom Wheelwright

Using other people's money is literally the best way to reduce your taxes in the I quadrant. That's because you can take deductions for the purchases you make with other people's money. Depreciation on real estate is a particularly great way to take tax benefits on someone else's money. You get a deduction not just for the portion of the real estate you paid for with your own money, but you also get a depreciation deduction for the portion paid for with the bank's money.

Changing Quadrants

So we see that the E and S quadrant residents need to move to the B and I side of the quadrant to avoid the heavy tax burden. But before changing quadrants, a person needs to be intimately in touch with their core values, because core values define the person in each of the different quadrants. In other words, you do not change quadrants just for tax reasons.

If you want to change quadrants, take time to define your core values before changing. For example:

- How important is a steady paycheck to you?
- Are you a good leader?
- How do you handle stress?
- Do you have the skills required for the B and I quadrants?
- In which quadrants do you have the greatest chances of success?
- How important is your retirement?
- How do you handle failure?
- Do you work well on teams?
- Do you like your work?
- Is your work getting you to where you want to go in life?

These are important questions that only you can answer. These questions are far more important than taxes.

Simplifying the core values:

- **E's and S's seek security**
- **B's and I's seek freedom**

What Is the Easiest Way to Start to Change Quadrants?

There is a lot of truth to the old saying: Birds of a feather flock together. Employees tend to hang out with employees. Doctors tend to hang out with doctors. The same is true with entrepreneurs and investors.

In my experience, people in different quadrants do not like people in other quadrants. That is why labor unions tend to vilify the B and I quadrants, and vice versa. Socialists also tend to distrust people who are in the B and I quadrants, and vice versa. I know that there are some of you reading this section on taxes that vilify me because I have employees and use tax laws to grow richer.

I know this to be true because my poor dad truly thought my rich dad was a crook who exploited his employees and cheated on his taxes. My rich dad thought my poor dad was a communist because he belonged to the teachers' union. My poor dad eventually became the leader of the Hawaii State Teachers Union, a promotion that disturbed my rich dad deeply.

As you know, there are crooks and tax cheats in all quadrants. Don't be one of them. It is too easy to have great advisors and play by the rules—the rules of the rich in the B and I quadrants.

Different quadrants attract different people, generally people with the same values and attitudes. People in different quadrants also speak a different dialect, even though it is the same language. For example, employees often say, "I deserve a raise," or "I want more flexible hours." A self-employed person might say, "I can't find good help," or "I'm the best." An entrepreneur in the B quadrant might say, "I need a new president," and "How do we raise the capital to finance the new project?"

One way to meet like-minded people is to attend classes or seminars, join clubs, or simply study and learn a new vocabulary. Soon you will meet new friends.

Short Answer
Change your friends.

This does not necessarily mean you should dump your old friends. You may need to but it means you should meet new people and expand your world if you want to change your life.

What Is Wrong with a Job?
What is wrong with getting a job, working hard, saving money, buying a house, getting out of debt, and investing for the long term in a well-diversified portfolio of stocks, bonds, and mutual funds?

Here's the Answer
The harder you work, the more money you make and the higher percentage you pay in taxes. There is no tax relief for hardworking employees. The primary way to pay less in taxes is to earn less.

If you want to earn more and pay less in taxes, you need to change the type of income you work for.

There are three types of taxes for the following three types of income:

1. Ordinary income: Taxed at the highest rate
2. Portfolio income: Taxed at the second highest rate
3. Passive income: Taxed at the lowest rate, with a possibility of zero.

Ordinary Income
People who have a job or are self-employed work for *ordinary income.*

People who save money have their savings work for *ordinary income.*

People who get out of debt pay off their debt with *ordinary income.*

People who buy a house pay for that house with *ordinary income.*

People who have traditional retirement plans, such as the 401(k) in the U.S., have their retirement money work for *ordinary income.*

Get my point? People who follow Pavlov's dog's financial training—getting a job, saving money, buying a house, getting out of debt, and investing in traditional retirement plans—pay the highest taxes, even if it is their money that is working for them.

Repeating Earlier Material in This Chapter:

1. The harder *you work for money,* the more you pay in taxes.
2. The harder *your money works for you,* the less you pay in taxes.
3. The harder *other people's money works for you,* the less you pay in taxes. In fact, you may pay nothing - zero, zip, nada, in taxes.

Without financial education, most people work for ordinary income, and so does their money in savings and traditional retirement plans. They pay the highest taxes possible on their labor and their money.

With a little financial education, at least their money (savings and retirement plan) could work for portfolio or passive income, income that is taxed at lower rates.

Answer from Tom Wheelwright

There is a reason that the tax law rewards those who make their money and other people's money work for them. It's simply because these are the people who invest directly in the economy. The government wants us to invest in the economy to create jobs, housing, and opportunities for others. With a little financial education, anyone can learn how to make the tax laws work in their favor. After all, these are not inadvertent loopholes in the law we are talking about. They are intentional benefits for business owners and investors.

Portfolio Income

Portfolio income is, in most cases, known as capital gains in the investment world. Generally, *capital gains* are achieved when you *buy low* and *sell high.* In the stock market, a person can *sell high and buy low,* aka *shorting* a stock, and achieve capital gains, a profit.

Most people who invest are interested in capital gains. Investing for capital gains is not really investing. It is technically *trading,* which is why it receives a different tax status.

Trading is buying something in order to sell it. Traders do not really want what they have purchased. Traders are no different than a dress-shop owner who buys dresses at wholesale and sells the same dresses at retail. This is why most traders are in the S quadrant, and many are taxed accordingly.

During the real estate bubble, most real estate flippers imagined they were investors. But they were really real estate traders: buying low, sometimes fixing the property up, and selling to a greater fool. These flippers gave true real estate investors a bad name. All these amateurs did was ratchet up prices, muddy the waters, and make a lot of noise about how much money they were making, in the process drawing into the market greater fools than themselves.

The problem was that they were going after capital gains, aka portfolio income. As stated in chapter one, going for capital gains is no different than gambling. At the height of the market, between 2006 and 2007, meek and mild checkout clerks at supermarkets left their timid ways and began flipping properties.

Today, we have a crisis simply because people do not know the difference between *capital gains* and *cash flow* (as it is known in the investment world), or *portfolio income* and *passive income* (as it is known in the accounting world).

Fin Ed Definitions

Investment world		**Accounting world**
Capital gains	=	Portfolio income
Cash flow	=	Passive income

Kim and I invest 90 percent of the time for cash flow, aka passive income. When we do invest for capital gains, aka portfolio income, we are extremely cautious, because we know it is gambling.

If you have played our *CASHFLOW*® game, you may have noticed that the investment opportunities vary between capital-gains and cash-flow investment deals. A smart investor knows the difference, not only because of risk, but also for taxes.

Very Important Lesson: People with high financial IQ know how to convert different incomes for maximum tax efficiencies. For example, they convert ordinary income into portfolio income and/or passive income. Unfortunately, employees tend to work for ordinary income and then save for more income. They may be highly educated, but they do not know that there are differences in incomes, and they don't know how to convert incomes. Most traders, people who buy and sell stocks or real estate, tend to convert portfolio income into more portfolio income (capital gains) so they never escape the tax rules.

The conversion of income was an important lesson rich dad taught his son and me. That is why his real green houses and real red hotels were important to him. It was through his real estate investments that he converted his ordinary income into portfolio or passive income. Through his business and investments, he was converting taxable income into non-taxable income.

My poor dad, a PhD in education but without financial education, worked harder and harder for taxable income and then saved and invested for more taxable income. He also thought playing *Monopoly* was a waste of time, and that I should be doing my homework so that I could get a good high-paying job and work and save for more ordinary income.

A subtle, yet important lesson designed into the *CASHFLOW*® game is how to convert ordinary income into portfolio or passive income. The next time you play *CASHFLOW*® notice the conversions of income. Many people miss this important lesson.

Real-Life Investment

In real life, during the insanity of the real estate bubble, we made a lot of money investing for both cash flow and capital gains on one project. The project was approximately 400 units in Scottsdale, Arizona, an affluent city close to Phoenix. At the time, the units were apartments being converted to condominiums. Kim and I took a deep breath, looked at the insanity of the market, and planned our exit strategy: selling 400 condos. (We tend to dislike condos as investments, and so we definitely planned to get rid of them).

We invested with six other investors, $100,000 each, raised a lot of cash via bank loans, converted the apartments to condos with a lot of paint and landscaping, and sold the project out in a year. The real estate market was so hot that people were lining up to buy these well- priced units in a great location.

Kim and I got back our $100,000 and made a little over $1 million in a year. When the project was sold out, and with the assistance of a tax-planning expert, we placed that million into what is known as a 1031 exchange, which means we paid zero taxes and invested the $1 million in capital gains, aka portfolio income, into a 400-unit apartment house in Tucson, Arizona. The million dollars was free money, and tax-free, and today the 400 units produce cash flow, most of which is tax-free because it is passive income coming from real estate.

Technically, Kim and I have a 400-unit apartment house for free, producing passive income every month, tax-free. When the real estate market crashed, we raised rents because more people were renting than buying. Again, we made sure there were stable jobs in the area because real estate is only as valuable as the jobs in the area.

Why Not Stocks, Bonds, or Mutual Funds?

One reason why we usually avoid stocks is because real estate is too easy. On top of that, the tax laws and the use of debt as leverage are different. Does this mean you should not invest in paper assets such as stocks, bonds, mutual funds, and ETFs? The answer is no. If you love paper assets, become the best paper- asset investor you can be.

The Rich Dad Company has courses on paper assets because they are an important asset class. The issue with paper assets is control over risk. Once a person knows how to control risk, paper assets can be a fabulous way to secure lifelong wealth.

Personally, I have taken and continue to take classes on paper assets. The reason I take paper-asset classes is because the principles of investing are the same, which means that the principles apply to all assets. It is through classes on paper assets, especially technical analysis and options trading, that I have learned how to be a better businessperson, real estate investor, and predictor of the future.

One disadvantage of paper assets in the United States is the inability to defer taxes on capital gains. Years ago, it was possible to 1031-exchange stocks and to defer capital-gains taxes. That tax loophole was closed for paper assets but kept open for U.S. real estate investors.

Answer from Tom Wheelwright

In 1986, when I was working in Washington D.C. in the national tax office of a large accounting firm, Congress decided to change this rule and only allow real estate investors and business owners to avoid taxes through a 1031 exchange. Since then, paper-asset investors do not enjoy the same advantages as real estate investors and business owners. Mutual-fund investors can actually end up paying tax in a year when the mutual fund goes down in value. That's a significant disadvantage to a lack of financial education. Mutual funds are one of the few places where you can lose money and still owe tax on your investment.

There are some major tax breaks for paper assets. Stock trading can produce major tax benefits with the right education...or very high taxes with the wrong—or no—education. Let's look at some of the major benefits you can have as an active stock investor.

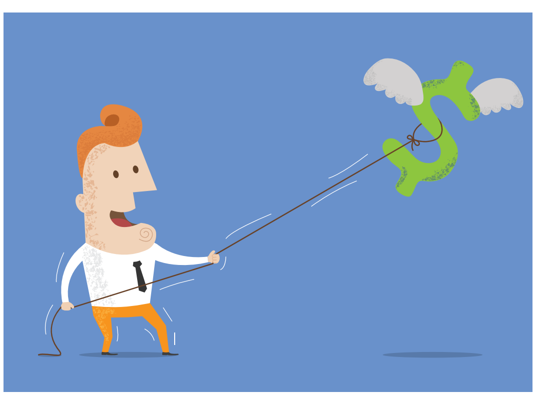
Passive Income

For Kim and me, our objective is always cash flow, aka passive income, which is why we named our game *CASHFLOW*®. To us, cash flow for life is our financial freedom. Passive income allowed us to retire early and get on with our lives. Ironically, passive income is also the least taxed of all three incomes.

My book, *Rich Dad Poor Dad,* is about the differences between assets and liabilities. Tragically, most people struggle financially because they refer to liabilities (such as their home, car, boat, and household effects) as "assets." To make matters worse, when they think about investing, they think in terms of capital gains, which is why they think their net worth is important. The problem is that they base their net worth on liabilities, such as their home, car, boat, household goods, and retirement plans. That is why rich dad often said, "Net worth is worth less."

Kim and I do not know what our net worth is, but we do know how much cash flow we receive every month. Keeping definitions simple for two young boys, me and his son, rich dad's definition of an asset is something that puts money into your pocket and the definition of a liability is something that takes money from your pocket. I came under massive professional attack from so-called highly educated financial experts for this overly simple definition.

Yet, when you see the world from the viewpoint of an investor and the tax department, you will see the wisdom in the definition's simplicity. If you save money in a bank and invest in a traditional retirement plan, much of your cash will still flow to the tax department. Your tax dollars are passive income for the government. Why not invest in what the government wants you to invest in, and have the government send money to you? To me, that is the smart thing to do.



Kim and I take this to extremes. Since we have excess cash flow, we are always investing, but not in savings, stocks, bonds, mutual funds, or traditional retirement plans. To us, it does not make sense to receive money from the government, and then give it back to the government.

Kim and I do not save money. Since governments of the world are printing trillions of counterfeit dollars, why save dollars? Rather than save money, we save gold and silver inside a self-directed Roth IRA plan because the capital gains from gold and silver grow tax-free.

We do not save money for two reasons. Reason number one is, with governments printing money, the value of money has been falling for years. This is also known as inflation.

Reason number two is that the interest on savings is taxed at ordinary-income rates.

Professional Answer from Tom Wheelwright

The tax laws of most developed countries are thousands of pages long. Of all of these pages, only a few are devoted to raising revenue. In fact, in the United States, there really is only one line that raised revenue. It says, effectively, that all income you receive is taxable unless the law says otherwise. And only a few hundred pages tell you how to use a retirement plan to save taxes. Most of the thousands of pages of tax law are devoted to permanently reducing taxes through business and investment deductions, credits, and special tax rates.

401(k), Taxes and Retirement

I am often asked, "from a tax point of view, what specifically is wrong with traditional retirement plans like the 401(k) in the United States?"

The 401(k) in the United States is designed for people who plan on being poor when they retire. That is why financial planners say, "Your income will go down when you retire." This is their reason for justifying the ordinary-income tax rate when the person retires.

Their financial plan is to plan on earning less when you retire. Because you earn less, you will be in a lower tax bracket. Their plan does not work for someone who plans on being richer when they retire. Is this how you want to retire? Not me. It would kill my spirit.

Answer from Tom Wheelwright

A traditional retirement plan gives you a deduction for savings today and then taxes you when you retire on everything you pull out of your retirement plan. Sounds good, right? Wrong! For three reasons: First, if you plan to live as well when you retire as you do when you are working, meaning you will actually receive as much income then as you do now, then you will probably be in a higher tax bracket when you retire. This is because you won't have your business deductions, your home mortgage deduction, and deductions for your dependents (hopefully they will be grown and gone).

Second, you could actually be converting passive or portfolio income to ordinary income. Consider that if you invest in stocks outside of retirement plan, you will pay taxes on the gains at the lower capital-gains rates. But if you invest inside a retirement plan, you will pay taxes at the highest ordinary-income tax rates.

Third, and most important, you give up a lot of your control over your money when it's in a retirement plan. You can only invest in certain types of investments (primarily mutual funds), and your employer and the government tell you when you can take the money out and use it.

I used to be like other tax advisors who tell people to max out their retirement funds—that is, until I figured out just how crazy it is to postpone taxes to a year when you are in a higher tax bracket when there are literally thousands of ways to permanently reduce your taxes in the B and I quadrants without ever paying back the government.

Is Real Estate the Only Asset Class with Tax Advantages?
Governments have many tax-stimulation plans. Kim and I participate only in stimulus projects we know and understand. We focus on real estate and oil and gas wells.

Professional Answer from Tom Wheelwright
Most active investments have some sort of stimulus included in the tax law. This includes investments in oil and gas drilling, timber, agriculture, clean energy, and all business. If you really want to know where Congress would like you to put your money, take a look at the tax law. Chances are good that there is a tax break for anything they would like to have you spend money on.

Oil and Gas Wells
In 1966, at the age of 19, I was a junior officer on board Standard Oil tankers sailing up and down the California coast. It was then that I became interested in oil. In the 1970s, I worked for an independent investment banker packaging and selling oil and gas tax shelters to wealthy clients. Today, Kim and I continue to invest in oil and gas projects.

We do not invest in stocks or mutual funds of oil companies such as BP or Exxon. We invest in oil exploration and development partnerships, which means we partner with oil entrepreneurs in specific projects, primarily in Texas, Oklahoma, and Louisiana, coincidently where many of our apartment houses are located. If successful, we receive a percentage of income from the sale of oil and natural gas, aka cash flow with tax advantages.

Oil and natural gas are essential for transportation, food, heating, plastics, and fertilizers. If you look around your kitchen, oil is in use everywhere, even in the foods you eat. The reason the government offers huge tax incentives is because drilling for oil is very risky and oil is essential for life, our economy, and our standard of living.

The beauty of some oil and gas partnerships is the ROI, return on investment. The moment Kim and I invested our $100,000 in the Texas project, we received a 70 percent tax deduction. At my ordinary-income tax rate of 40 percent, that is $28,000 cash back. That is a guaranteed 28 percent ROI in the first year, money the government technically gives back to me because they want me to invest in oil.

I mention this $28,000 return on my $100,000 investment because I receive so many calls, especially from stockbrokers saying, "I can get you a 10 percent return." Why in the world would I want a 10 percent capital-gains return with so much market risk? I'd rather have a 28 percent guaranteed return from the government in real cash flow, and not have to gamble on fictitious possible returns on capital gains.

To me, this type of tax-advantaged investment makes more sense than investing in my 401(k) for forty years, buying, holding, and praying that I have enough money to last the rest of my life.

A Word of Caution: Drilling for oil is an extremely risky venture and that is why such investments are, by law, available only to accredited investors, investors who have the money and knowledge.

Final Comments

Tax is a massive subject. Taxes are also your largest single expense. Due to the current financial crisis, taxes will have to go up. That is why knowledge of taxes is essential to a person's financial education.

Remember, tax rules are written for specific quadrants, not professions. This is why the advice, "Go to school to get a job or become a doctor," is bad advice from the tax viewpoint. If a person wants to reduce taxes, they often have to change quadrants or add quadrants.

More important than taxes is your happiness with the quadrant you are in. In other words, changing quadrants just for taxes is not a good idea. If you are happy and successful in the E or S quadrant, stay there and find ways to earn more money, even if you will pay more in taxes.

Before doing anything with taxes, always seek competent professional tax advice. But realize that not all tax advisors are equal. Most are in the E and S quadrants and think like accountants in the E and S quadrants. In other words, be careful from whom you get tax advice, even if they are tax accountants or tax attorneys.

An incompetent, lazy, arrogant, or corrupt accountant or attorney can cost you a lot of money. I know from personal experience. Just because someone is an "A" student in school does not mean they are competent or honest in real life.

Professional Answer from Tom Wheelwright

Taxes are a part of life. The simple question is whether you are going to use the tax law to make them a smaller part of your life, or do nothing and let them stay a huge expense. With a sound education on how the tax laws work coupled with better tax planning from a competent tax advisor who understands the laws, most entrepreneurs and investors can permanently reduce their taxes by 10 percent to 40 percent. And the money you save in taxes can be used to invest and build your wealth. So don't wait. Take action now and learn how you can reduce your taxes.

Who Is Robert Kiyosaki?

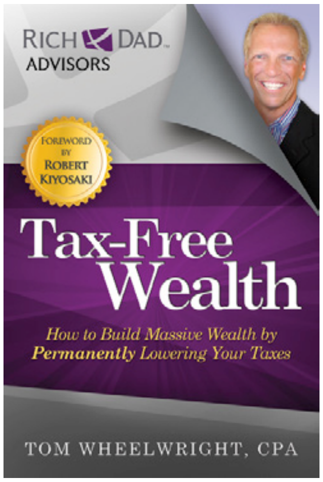
Robert T. Kiyosaki is best known as the author of *Rich Dad Poor Dad*. This is the #1 personal finance book of all time, which has challenged and changed the way tens of millions of people around the world think about money.

His book titles hold four of the top ten spots on Nielsen Bookscan List's Life-to-Date Sales from 2001-2008 alone. In addition, Robert has been featured on shows such as *Larry King Live, Oprah, The Doctors, Bloomberg International Television* and *CNN.*

Educational Entrepreneur, co-creator of the *CASHFLOW*® board game, founder of the financial education-based Rich Dad Company and author of *New York Times* Bestsellers: *Rich Dad Poor Dad, Conspiracy of The Rich: The 8 New Rules of Money,* and *Unfair Advantage.*

With Perspectives on money and investing that often contradict conventional wisdom, Robert has earned a reputation for straight talk, irreverence and courage.

His point of view is that the old advice of "get a good job, save money, get out of debt, invest for the long term, and diversify" is bad (both obsolete and flawed) advice. This challenges the status quo. His assertion that "your house is not an asset" has stirred controversy, but it has been proven to be accurate in our economy's current financial crisis.



Bonus Gift from Tom Wheelwright

Chapter Five from ***Tax-Free Wealth***

Entrepreneurs and Investors Get All the Breaks

"If you want more of something, subsidize it." – Milton Friedman

In March 1995, I started my professional accounting practice. Over the years, my partners and I have enlarged the firm through marketing and acquisitions. My most notable acquisition was that of a Phoenix-area tax practice in 2001. Earlier that year I'd been through a nasty partnership breakup with three other CPAs. Fortunately for me, about 50 percent of the clients stayed with my new partner and me, and all but one of the firm's employees stayed with us, meaning we had more workers than work.

On top of this, later in the summer one of my former graduate students came to me looking for work. She was a good student, and I thought she'd make an excellent employee. We took the advice of Jim Collins in his excellent book, *Good to Great*, to put the right people on the bus and find them seats later, and despite having more workers than work, we hired her.

The end result was that we had far more people to do work than we had actual work to do. So I started looking for a practice to acquire. One day, a card came in the mail from a business broker indicating that he had a couple of practices for sale in the Phoenix area. I called the broker and soon learned that one of the practices was a good fit for us. The practice did a lot of high-end tax planning and had some high-quality clients. One of the clients was a good friend of mine, Kim Butler. Another client was Robert Kiyosaki.

I hadn't previously heard of Robert Kiyosaki or The Rich Dad Company, but wanting to be well versed on my clients, I immediately went out and purchased his best-selling book, *Rich Dad Poor Dad.* I loved the book. Then I had lunch with my friend Kim Butler who I knew had been doing some work with Robert and asked her about him. She had nothing but good things to say about Robert and his organization. About the same time, I received a notice in the mail from one of my friends, George Duck, telling me that he had just changed jobs. Amazingly, his new job was CFO of The Rich Dad Company.

Was it a coincidence that all of these occurrences leading me to a great business relationship with Rich Dad happened at the same time? I don't really know. *What I do know is that I've learned an enormous amount about teaching, money, and the economy from Robert and Kim Kiyosaki. One of the first things I learned about was the CASHFLOW Quadrant.*

The CASHFLOW Quadrant separates income earners into four quadrants. On the left side are the employees (E) and the self-employed individuals (S). On the right side are big business (B) and investors (I). When I first saw the diagram, my thoughts naturally went to the tax consequences (and benefits) of being in each of the quadrants. I quickly realized that those who earned their income from the left side of the quadrant pay much higher taxes than those who earn their income from the right side of the quadrant.

Over the years, since first learning about the CASHFLOW Quadrant, I've continued to look at the tax law and apply it to the diagram. The reason why those on the B and I side of the quadrant pay so much less in tax than those on the E and S side has become clear to me. It's because that's what Congress or Parliament wanted.

Think about the goals of Congress, Parliament, or any other governing body, for that matter. The government wants to encourage certain activities, and they have two ways of doing that, either by force or by policy. And, as we quoted at the beginning of the chapter, it was the great economist Milton Friedman who said, "If you want more of something, subsidize it." The easiest and most efficient way to subsidize something is through the tax law. Over the years it's not only become easier to subsidize through the tax law but it's also become the way a government steers the country's economic behavior, as shown in Rule #5.

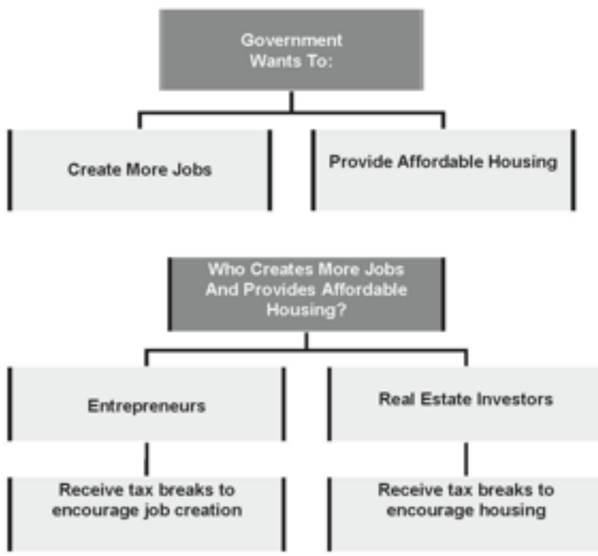
So what does the government want? First, they want to create more jobs. Who creates jobs? Entrepreneurs. Therefore, entrepreneurs get all sorts of tax breaks that act as subsidies to encourage job creation. What else does the government want? Affordable housing. Real estate investors get all sorts of tax breaks that act as subsidies to encourage building of affordable housing.

Sometimes governments make the mistake of thinking they can create jobs or build housing better than the free market. Eventually, they realize that the market does a better job. And it costs the government a lot less to give tax benefits to business owners and investors than it does to add jobs or build housing through government-sponsored programs.

RULE #5: The Tax Law Is a Stimulus Package for Entrepreneurs and Investors.
It is because of these goals that government gives entrepreneurs and investors all the tax breaks they get. Governments even get more specific about the types of investing and jobs they want the market to create by giving specific tax breaks for oil and gas investing, farming and other agriculture, green energy, and low-income housing.

CAUTION! Don't Start a Business Just for the Tax Benefits

1. To get tax benefits, the business must be real and intend to make a profit.
2. Paying taxes is less expensive than failing at business. Be sure to get educated before you begin.



It's not really that those on the E and S side of the CASHFLOW Quadrant are punished. They just don't get the rewards (i.e., subsidies) that are given to those on the B and I side of the quadrant. If you want to know what the government wants to see happen in your country, take a look at the tax law. Where are all of the incentives going? That's where the government wants you to put your money and your effort. That's why I say it's more patriotic to arrange your affairs to pay less in taxes. When you do so, you're actually doing what the government wants you to do: creating jobs, building housing and other useful buildings, and producing food and energy.

It's not really that those on the E and S side of the CASHFLOW Quadrant are punished. They just don't get the rewards (i.e. subsidies) that are given to those on the B and I side of the quadrant.

There is even more good news for entrepreneurs and investors. When you follow the government's rules in order to get your tax benefits, you also receive other benefits and make more money. Let me share an example of this.

A new client of mine was very anxious to reduce his income taxes. I'd already told him that any expense could be deductible, given the right situation. He and his wife were huge fans of New Mexico because of its serene beauty, and they traveled there often. Since they traveled to New Mexico so frequently, my client wanted to use their travel as a tax deduction. I explained that he had to make the travel relate to his business in order to make it deductible under the law.

He was very excited the next time I saw him. I could tell he had a story for me. He explained that he and his wife took a trip to New Mexico and that since they wanted to deduct the travel, they spent much of their time looking for real estate deals—and they found one. In fact, this real estate deal was so good that he expected it would net him over $1 million before taxes. While he was excited about the $3,000 in taxes he was going to save because he turned his travel into a tax-deductible business trip, he was even more excited about the $1 million he was going to make from the deal!

TAX TIP: Put your family to work. Make your business a family business. Then when you travel for business, your family's travel is deductible. And you can shift income from your higher tax bracket to their lower tax bracket. This creates permanent tax savings.

Congress understands that when people spend time, money, and effort on business, those people will make money. And they understand that money produces jobs, housing, and even more tax revenue for the government. Even with good planning, the $1 million that my client makes on his real estate deal will result in $300,000 in tax revenue for the U.S. government. That deal would never have happened without the $3,000 tax incentive given for the trip—and making $300,000 on $3,000 is a good deal in anyone's book. Of course, the deal wouldn't have happened if my client hadn't understood how to turn the costs of that trip into a tax deduction.

You might be thinking, "That sounds great, but what about me? I'm on the E and S sideof the CASHFLOW Quadrant." The truth is that these business deductions aren't available to you, but they can be. You just need to shift some of your income-earning activities to the B and I side of the quadrant. Thankfully, that's not difficult to do. Thousands of individuals all over the world have home-based businesses or invest in real estate, energy, or agriculture—and they all enjoy the benefits that come from saving money through the tax code.

And you don't have to spend all of your time and money in business or investing to enjoy those benefits. You just need to get started. But before you do, you're going to want to do some planning. That's what we'll talk about next.

You might be thinking, "That sounds great, but what about me? I'm on the E and S side of the CASHFLOW Quadrant." The truth is that these business deductions aren't available to you, but they can be.

CHAPTER 5: KEY POINTS

1. The CASHFLOW Quadrant is a terrific diagram that shows the four ways people earn income, which has huge implications for your taxes.
2. Those on the E and S side of the quadrant don't experience the tax benefits of those on the B and I side.
3. Governments steer economic behavior through the tax code. They reward desired behavior with tax breaks. That's why reducing your taxes is actually patriotic.
4. You can easily shift the way you earn income to the B and I side of the CASHFLOW Quadrant and begin to enjoy the tax breaks.

Tax Strategy #5 – Put Your Family to Work in Your Business and Investing

One of the great tax benefits of existing on the B and the I side of the CASHFLOW Quadrant is the ability to legally shift income to your children. Children are taxpayers too, and they have their own tax brackets when it comes to earned income, which is income they work for. When they earn income through an outside job, they pay tax at their own rates.

Kids can also earn income from working in the family business or from investments. The nice thing about having your children work for you is that you get a tax deduction at your higher tax bracket for the payroll and they report the income at their lower tax bracket.

My long-time friend and client did this with his 9-year-old daughter. He put her to work doing the bookkeeping for his real estate investments. She is a very intelligent 9-year old and has no problem understanding the bookkeeping. Her mother, who is in charge of their real estate, supervises her. She gets a reasonable wage for her work as compared to other bookkeepers. In a year, she might earn $4,000. That $4,000 will be a deduction to her parents. She doesn't earn any other income and the standard deduction plus her exemptions is more than $4,000. So, she doesn't pay any tax. In my client's 40 percent tax bracket, that $4,000 in pay to their daughter means a tax savings of $1,600.

Now, for the best part. My client's daughter is learning how to do bookkeeping and becoming part of their business. She is gaining a skill that will benefit her for her entire life, and she is beginning to understand real estate investing. No wonder Congress allows this type of planning.

In fact, Congress not only allows it but also encourages it. My friend gets a tax break on Social Security taxes as well for employing his daughter instead of employing someone else to do the bookkeeping. He doesn't have to pay any Social Security taxes on her wages.

So don't hesitate to put your children to work in your business. There are great tax benefits for you, huge educational benefits for them, and you have someone in place to take over when you are ready to retire. What an incredible exit strategy! It's one that the rich have know about for years and years. That's how they keep their money in the family, and keep the business going after they are gone.

About Tom Wheelwright, CPA

Tom Wheelwright, CPA, is the best selling author of the Rich Dad Advisor book, *Tax-Free Wealth.* Tom is the creative force behind ProVision, the world's premier strategic CPA firm. As the founder and CEO, Tom has been responsible for innovating new tax, business and wealth consulting and strategy services for ProVision's premium clientele for the past sixteen years.

Tom is a leading expert and published author on partnerships and corporation tax strategies, a well-known platform speaker and a wealth education innovator. Donald Trump selected Tom to contribute to his Wealth Builders Program, calling Tom "the best of the best." Robert Kiyosaki, bestselling author of Rich Dad Poor Dad, calls Tom "a team player that anyone who wants to be rich needs to add to his team." Tom also contributed to Robert Kiyosaki's *Rich Dad's Success Stories*, *Who Took My Money?* and *Rich Dad's Unfair Advantage.*

Tom has written several articles for publication in major professional journals and online resources and has spoken to thousands throughout the U.S., Canada, Europe and Australia. Tom has also used his superior relationship and team building skills to advise the Canadian market in the art of investing in the U.S., by contributing to Philip McKernan's *South of 49* and contributed heavily to his newest book, *Fire Sale.*

For more than 30 years, Tom has devised innovative tax, business and wealth strategies for sophisticated investors and business owners in the manufacturing, real estate and high tech fields. His passion is teaching these innovative strategies to the thousands who come to hear him speak. He has participated as a keynote speaker and panelist in multiple roundtables, and led ground-breaking tax discussions challenging the status quo in terms of tax strategies.

Tom has a wide variety of professional experience, ranging from Big 4 accounting, where he managed and led professional training for thousands of CPAs at Ernst & Young's National Tax Department in Washington, D.C., to in-house tax advisor for Pinnacle West Capital Corporation, at the time a Fortune 1000 company. Tom also served as an adjunct professor in the Masters of Tax program at Arizona State University for 14 years where he created the course for teaching multi-state tax planning techniques and taught hundreds of graduate students. He currently teaches the Rich Dad Education Advanced Tax and Asset Protection class.

Tom has his Master's of Professional Accounting degree from the University of Texas at Austin and his Bachelor of Arts degree from the University of Utah.

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