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Before Tax Dollars vs. After Tax Dollars



Standing in front of a rent house that Garrett, my step-son, bought at 12 years old. That's right 12! Never too young to start!

If you are working as an employee, you might think it's hard to start a business. It might seem daunting to get started, but I disagree. I feel like it's the easiest time to get started because you have zero pressure because your job is hopefully covering your current bills. What I would suggest, just as I did to my good friend Ray Cherry (VP sales Dallas Security and top 5 most honorable man I know) and his son-in-law Richard earlier this week was "don't quit your day job." Start building a business on the side and maybe never quit your job or quit later but do it on your terms. Most people have a family, and most businesses can't support your pay and make a profit for a few years, so do both.

Lance Dean and I always say, "Be a Top 10 percent producer at your job, so your boss will leave you alone and you can have a business on the side. I'm not a CPA, but here's a rough illustration of the difference of before and after tax dollars. When you are an employee and you make \$1,000, you get taxed and after everything taken out you might get \$720 of that thousand dollars and \$280 went to taxes and social security. Now you go spend that \$720 on cars, gas, food, etc. When you own a business, even a side business, you make that same \$1,000 you then spend \$1,000 on a car note, gas, food with customers you now have a profit of \$0 dollars and you pay nothing on your lack of profit. You get \$1K worth of spending power versus \$720.

When you were strictly an employee you were paying everything in after tax dollars. The key to having a better quality of life is spending before-tax dollars from your business. I lived this lesson starting in 1992. I invented the Cart Cooly, a drink Koozie that was tapered down on the bottom to fit into a golf cart, boat and car cup holders. All the existing foam beverage holders were too large and wouldn't fit. I ran that business while always being Top 1 or 2 salesperson at Intellisense. What I noticed was while I was making \$100K plus a year from Intellisense and making a modest amount from the Cart Cooly, now with all my business write-offs from the Cart Cooly, my quality of life and lifestyle soared!

With inflation and crazy taxation, I hear so many successful friends complain that they don't understand why they make really good money, but it just doesn't seem to go as far as it used to. They feel that way because it's REAL! What has happened is buying power has gone dramatically down. When I was a kid, a candy bar was 10 cents. It's now \$1.39, the same bar is 14Xs more money, and people's wages haven't increased 14Xs since 1975. I encourage you to invest a little and start a small business. I discourage you from plopping down your life savings on a business you have no expertise in. Your goal is revenue coming in so that you can use those pre-taxed dollars to enjoy a better life.

INFLATION: 88% Decline in Purchasing Power of the Dollar
(a 1950 dollar now worth 11.9 cents)

