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I'm wearing headphones to get in the mood and to prove that I'm hip and cool, and then I was also wearing glasses To try to help myself look smarter. But anyway, those props are done. We're ready to roll. Thanks for being here today I've got to keep it fun and entertaining Thank you so much for watching. We're live on Facebook at entrepreneur Also the Kohler Channel and live on YouTube. We've got a lot of questions We're going to try to answer as many as we can and we're going to try to answer as many as we can So let's get started I love your channel. It's right here on the app And of course, I'm here to help you with questions. If you ask me anything and I make a video I'd love to answer those questions. The answer is no 40 seconds So and then after that keep watching our other videos so you can get current apostle Open weekly live asking 20 questions. There are guys on the right hand side That is 5 bucks a week, and we're gonna meet him necklace. They also have over a million subscribers Let me just say this as an attorney as a CPA and our law firm and accounting firm I'll do probably nine hundred to a thousand consultations in a given year this year I'm slowing down a little bit on consultations a lot to teach and train and manage my staff, but I'm in the office every day But in these thousand consultations that I would have in a year on a regular basis That's three or four a day. Nothing over the top. I would say a thousand consultations a year On a regular basis, that's three or four a day. Nothing over the top. I would see patterns I would see examples of my clients that were really really smart and successful and Clients that were train wrecks and I was trying to help and everything in between Well, let me just say this. I'm not kidding Honestly, and I think I was the biggest benefactor of seeing this and learning this my successful clients year after year consultation after consultation There was a common thing They would have real estate in their portfolio They would they would and I'm not just talking about REITs in the stock market or you know Some sort of mutual fund that's focused on real estate I'm talking about my successful clients have passive cash flow from some form of real estate It could be nowadays Airbnbs VRBOs. It could be storage units mobile homes Multi-unit four plexes apartment buildings single-family homes commercial buildings. Where does it stop? Guys real estate is where wealthy people put their money You know that let me just repeat it because you know it Wealthy people park a lot of their money in real estate and that's what you should be doing So I want to show the structure. We got a lot of questions already in the hopper. We're gonna hit it I'm gonna rock and roll. We'll be here for 30 45 minutes. You got a tax question the legal question. I'm here for you I do it every week next week. I'll be out because I'll be doing my Chicago workshop live I think there's only about 10 seats left if you're in the Chicagoland area you want to fly in come hang out Cubs didn't make the playoffs I know but you can come out to Chicago for a full day workshop the Saturday on Saturday the 12th It's a couple hundred bucks We're gonna have portellos for lunch, and I'm there with you all day with a workbook on how to build your business You're gonna love it. It's all me for a day. I'm gonna make it interesting so next week We will not be here live because I'm hitting the road to head to Chicago, so here's the structure Let's just get structure out, then we'll talk tax strategies, and I'll stop start filling your question We won't even be able to get through all of them all right Here we go You may just have a day job. That's great. You're in corporate America You got a w-2 and you're killing it, and you got a sweet FICO score You want to park some of your money in real estate? I get it. That's cool Some of you may be married both of you have a day job w-2 that's cool Some of you may have a full-time small business You could be a sole proprietorship. You could be an LLC, but if you're making money you would have graduated to the S Corporation and this S Corp is where you're gonna be saving on self-employment tax taking lots of write-offs This is not your real estate side if you're doing fix and flips Wholesaling rehabs turning property quick you're gonna run that through an S Corp But you're never gonna put your rentals over here This is money in money out you want to sue me you can have my escort There's a laptop in it nothing an S Corp is a shell for channeling your ordinary income from a business now If you have your day jobs those are up

here, but if you have an S Corp You've got a w-2 down here now on the other side of this wall this very important wall is where we're putting your passive Income real estate and that includes Airbnb and BRBO so I know you've many of you I've already seen some of the questions you want to say where what's a Airbnb VRBO do I owe self-employment tax? Do I run it through an S Corp? I'll just answer that right now. No over here We're gonna have LLC's, and I don't know how many we're gonna talk about that today But these LLC's are what holds your rental properties raw land mobile homes Duplexes all that's real estate is over here LLC's do not save taxes LLC's protect your assets. That's it LLC's don't save taxes now if you have an LLC Taxed as an S Corp All right, you just you know get out of jail free card your LLC is really an S Corp now But other than that LLC's are for protecting our assets, so we're gonna buy real estate over here generate passive income That's typically tax-free. We're gonna have losses that we can use on our 1040 generally There's some rules there, and I'm gonna be building equity and future wealth It's like the trifecta, I love it tax-free cash flow equity Tax losses what could be better. You know all right, so this is what we're talking about today Why are we building this how are we structuring it some you may have some short-term questions? How do I get my kids involved on the payroll do I put my spouse on payroll hey? I want to fund a 401k with my rental real estate how many LLC's do I need where do I set up my LLC's? We could be here for three four hours. I know cuz I love this topic, and I'm a geek So I'm gonna just throw it open. Let's see where we go. I got Anna Karina with a question. What do we got? Okay, so Anna Karina if you're doing flips, I'm gonna repeat that question I don't think that came through Anna Karina asked how our gains on Flips treated so if you're a fan of chip and Joanna down in Waco, Texas doing fixer-upper. I love chip He's a stud I gotta get him on my podcast So what chip and Joanna doing are buying real estate and flipping it? Within 12 months if you're a flipper, and you've got property longer than 12 months something's wrong There's a reason right, but if you're doing it right you're gonna be buying and selling within six months a typical fix and flip Well if you do more than three a year Or that's your primary occupation. There's different little definitions We could get into it, but if you're doing two three four of these a year, and it's your primary deal one of the two It's gonna be subject to self-employment tax And we're gonna it's gonna be ordinary income And we're gonna want to funnel the fix and flips and rehabs through an S Corp now some people you'll see it out there Don't have their S Corp is their parent company, and they'll have a different LLC For every flip because they want to isolate the liability of these big projects and in some states That can be affordable I'm still setting up an LLC with an operating agreement stock certificates minutes Articles a tax ID number a bank account just don't think that one sheet of paper and on legal zooms gonna get you covered It's not it will not protect you in a lawsuit I've got case after case that proves it you got to do the basics with the setup of an LLC But in some states it can be generally affordable to have an LLC for every fix and flip And I'm not gonna do that usually I'm just gonna let the fix and flip be held by your S Corp We're gonna buy it fix it up sell it ordinary income Anna Karina we're gonna do a w-2 a k1 we're gonna get the 199 a pass-through deduction We're gonna save on self-employment tax Obamacare. We are off to the races This is what every developer fix and flip contractor electrician plumber We do we're an S Corp the rental is over here the rehab is over here there We go next question Mary. What do you got? What is depreciation recapture, and how do you calculate calculate it is it possible to avoid it 1031 exchange? That didn't sound like Mary that sounded like a deep male voice You sure that was Mary okay? Anyway, that's Logan one of our helpers on the set you should have Logan ask the questions from the male guess in the late Okay, here we go Depreciation recapture, what is that all right, so let's say you go out and buy a rental property oh Let's say you buy it for a hundred grand now You're gonna get to write this off every year under what's called the term depreciation Now you might allocate 80 grand to the building and 20 grand to the land Now we can't write off the land we can only write off the building and in a residential rental We're gonna do this over 27 and a half years now You could have put one dollar

down and got some Seller to carry the paper or some bank, and you've got a hundred thousand dollar mortgage. That's cool You're still gonna depreciate this and you get to take that right off year after year and by the time I do mortgage interest property taxes HOA Travel dining Computers internet cell phones we I got all sorts of write-offs Rental real estate will generally lose money on paper. I'm gonna go through a four-quadrant analysis here in a minute Well, what do we do with that depreciation? Do we just get a safe taxes with it? Yes, it's a time value of money the IRS has given me a write-off now But when I sell the property I got to give the write-off back. That's called depreciation recapture There's really only two ways to get out of it maybe three number one 1031 exchange when you bump this property and sell it and buy another one of equal or greater value you don't depreciation recapture You push your gain into the next building new cash flow you hit reset you're off to the races That's a 1031 got videos on YouTube about that chapters in my book By the way, I'm gonna be giving away a book today for all of you that share this broadcast We'll do a little drawing and I'll announce my winners from last week Now the second way you can get out of it is with what's called a charitable remainder trust. It's a CRT There's a lot of variations, but basically you give this property to a charity which you control You get a tax write-off and then the charity sells the property Then you get a stream of income from the charity and then at some point in the future the charity gives the money Or the trust gives the money to the charity so you get this stream of income It's a really it sounds complex. It's not too bad. Just go to YouTube and type mark Kohler CRT charitable remainder trust 510 minute video you can learn about it. No depreciation recapture. The third option is a Way that we can kind of get out of it for the most part is called an opportunity zone strategy They're hot and sexy right now everybody's talking about Opportunity zones where you sell this property or you sell stock or any sort of capital gain and go buy a property in an opportunity Zone if you hold it long enough you can exclude any future gain from the sale of that property big topic again Those are two or three ways Mary look into it. Okay now before I take another question. Sorry Carly Nancy We're gonna come right back to you. You're next by the way. I'm looking for a Question from Let me see Kelly. I'm gonna call her Kelly D I don't want to give her a full name if you see a question from Kelly D You got to put it up to the top because I told her I'd answer it if she got in here, okay? Here's my four quadrant analysis if you're a real estate investor. You should be able to do this in your sleep I'm not kidding when I teach a workshop. I always do this even if you've seen it ten times for me I'd say I'd love it. It's always a good reminder to me of why we're looking at rental real estate Everybody in the room here, too I want you to be able to do this on the kitchen table for your aunt and uncle this weekend Here it is why real estate now We got to get this out on the table as we start to do more of our tax and legal structuring And I'm gonna say this too when I go give a lecture to the Association of plumbers or Morticians or dentists or orthopedic surgeons. I always talk about real estate I don't go to real estate conferences is the only place I talk about real estate. I talk about rental property Everywhere I go because remember where do my wealthy people put their money? For the most part in real estate, so that's why we're talking about this, okay? There's four benefits to run a real estate I know some of you that know me have seen this before just do it in your head with me. We've got appreciation We've got I'm gonna put up here. Let's do mortgage reduction mortgage reduction Then we're gonna do tax benefits and cash flow Now I know there's real estate experts out there that Do little analyses just like this in different ways, and you want to know three or four ways to analyze real estate So you always make your best decision bigger pockets those guys over there. I love them I've been on their podcast They take a little different approach on it, and then I've been in some others that take even a different approach And it's all good What happened the bottom line is I want you analyzing rental properties three different ways till Sunday to make sure you make a good decision Remember you're not buying a cute little house with a white picket fence You're buying numbers if the numbers don't make sense walk away I don't care how cute it is how wonderful the neighborhood is or how sexy

you think it is or how it's gonna grow in Value you buy property for cash flow, and it better make sense or get out of there Okay, that's what we learned from the oh 708 crashes right everybody okay appreciation real quick I buy a property for a hundred grand and I put down 10,000 I get a mortgage for 90, so here's my down down payment Here's my mortgage 90 I'm into this thing 10 grand now Appreciation real estate over time will appreciate will go like this sure it's gonna go up and down But you don't lose the dirt with a stock you might it's crazy the stock market's a little more Unpredictable that way an individual stock could lose its value tomorrow real estate can go up and down and it will But over time real estate has outperformed Wall Street the average return on rental real estate over the last 50 years has been 6.74 percent Across the board nationwide, so if I buy a property in it for a hundred grand And it goes up. I'll say 5% a year for the next 10 years. It'll be worth 150 grand It's gonna go up every year so 5% appreciation on the value So it's gonna go up 5 grand 5% appreciation well What's my internal rate of return how much should I make on my money look at you only invested 10? The bank loans you the other 90 this is OPM using other people's money not opium that that's illegal But I'm talking to OPM other people's money, so if I invested 10 and made 5. What's my ROI in this section? 50% I invested 10 I made 5 tax-free tax deferred I'm not gonna pay tax on this this year my property is gonna go up in value, and I'm building equity Quadrant 1 quadrant 2 mortgage reduction who's paying the mortgage are you oh? No, you rented the property you have a tenant paying the rent for you And we want to make sure the tenant bare minimum, and I have clients that require a lot more But bare minimum. I want the rent to cover P. I T I P I T I now that's gonna be the principal interest on the loan taxes which is gonna be property taxes and Insurance PIT I insurance is the property insurance now if I want a little more than that I want a cushion for vacancies repairs maintenance HOA fees and all that But if I can at least cover this who's paying the mortgage the tenant the tenant is paying the mortgage So if my mortgage is and is going down Let's say even a hundred fifty hundred seventy five dollars a month because a lot of it on this hundred thousand ninety thousand dollar mortgage Is gonna be interest at the beginning my son was just complaining about that to me the other day It's like a man. I bought a house. I've been paying mortgage payments for a year and a half what the freak It's all interest. Yeah, it's a lot of interest right off the bat so a hundred fifty thousand hundred fifty dollars hundred seventy five a month might reduce the mortgage by \$2,000 at the end of the year even though you paid a lot more for those mortgage payments that your tenant paid for you So look what happened the property went up in value here the mortgage went down And you didn't put any more money in the property the tenant paid the mortgage for you So look at you're building more equity and went up by five thousand and the mortgage went down by two. That's a A 20% ROI you invested ten you made two 20% all right now. I'm gonna move quick through because we're just getting I know there's a lot of questions tax benefits the average rental property Will lose money on paper even though it might cash flow Because look at rent and say we're getting eight nine hundred dollars a month and rent times twelve You know this might be a nine thousand dollars in rent during the year Well, I've got to depreciate it remember. I'm gonna write off depreciation the big B, and I don't mean Dallas That's a country song talking about divorce okay depreciation mortgage interest property taxes travel dining home office internet computers the kids repairs maintenance tools The average rentals gonna lose money on paper this year We're gonna do over five thousand rental properties on tax returns for our clients around the country Do you think we see trends you bet the average rental property is gonna lose around six thousand dollars on paper Now some people have a property paid off. They're paying taxes. They're just collecting rent They're not investing when you use leverage You're gonna generally have a mortgage interest deduction that will generate that loss on top of depreciation and everything else So here's the bottom line if I'm my tax return I've got a six thousand dollar loss coming in on my tax return, and let's just do our little diagram here I've got my day jobs. I've got my rentals, and there's a six thousand dollar loss that means on my tax return my taxable income went

down by 6,000 if I'm in a 30% bracket 25 fed five state that means I save two thousand and taxes look at lower taxable income less tax more refund By buying a rental I get tax benefits. That's why the rich do it So if I can save 30% of 6,000 which is \$2,000. What's my ROI? I invested ten I made two grand in my pocket and saved taxes That's a 20% ROI in this quadrant now last quadrant. Let's say cash flow Did you cash flow 100 bucks do you pay taxes on that cash flow? No, that's tax-free cash flow because here's your tax return minus depreciation of mortgage interest and blah blah blah But you bought a rental and you have an extra hundred dollars in your pocket every month to pay for the sale the cell phone Bill that you're gonna write off anyway You weren't paying for your cell phone bill before but now your rentals paying for your cell phone bill That is a rate of return the cash flow is a rate so if I can make a hundred bucks a month That's a thousand dollars a year. Let's say round it down. What's my ROI? I made a thousand dollars on a ten thousand dollar investment to pay for my kids cell phone. That's helping me on the rental That's a 10% rate of return so here it is Hear me out 50 60 70 80 90 100 my math worked out 100% rate of return on one simple little rental This isn't even that aggressive if you think it's too aggressive. Let's cut it in half 50% rate of return are you kidding me now are we gonna get this same rate of return in every rental every year? No is the risk in rental property sure if you've got to learn about it and test the waters and make some mistakes Been there done that still do Rental property is not a guarantee, but if I can even make 50% rate return give me half of that 25% Y'all performing Wall Street sure let's try to do that in our retirement account Yes, you can so if I can get these rates of return in real estate leveraging my money Why not and remember you don't have to be rich to do this some people are at their mark I'm trying to buy my own house. Hey, maybe it's better to rent or your ass And invest I've guests on my podcast all the time. How can I buy rentals with crappy credit and no cash? I've got six people here in the room with me. Could we all put in a little money and buy a rental? Sure Maybe someone's got more money, but better credit someone knows where the rental is and they'll do all the management You can form an LLC And create partners to help you buy a rental when 20% of a rental be better than no rental at all My challenge to all of you we'll get back to questions right now, Nancy My request of all of you is to make the goal to buy one rental a year or part thereof Just make that goal write it on a little index card and put it by your mirror in your bathroom And every time you're brushing your teeth you're going I can do this. I'm gonna build my credit. I'm gonna get out of debt I'm gonna save my money and I'm gonna buy a rental and I can Dave Ramsey. Yes, Dave Ramsey. Hear me I can use debt to do it because debt that makes me money is Okay, not all debt is evil, and I love Dave Ramsey He's changed my life, and he changes the lives of so many people, but I frankly I think he goes too far Not all debt is bad. I can buy a rental property that makes me money. It's okay now I'm not gonna put a dollar down I'm gonna put down a substantial down payment and hedge against problems, and I'm gonna buy last point I'm gonna buy a rental property based on cash flow Not the hope of an appreciation not for tax benefits I'm gonna buy a rental property that cash flows everything else is freakin chariot on the top Okay Nancy, what's your question, let's do it She says thanks for how you are structuring my life recently. I did a short sale on an LLC property How will I need to report this on taxes? Okay, Nancy did a short sale on a rental property Or I assume rental you say remember just property Okay, so it's an LLC property so She might have let's go over here to our diagram She might have a property over here that she acquired and she short sale that means she negotiated with the bank got a lower mortgage And then she sold it and had a profit it could have been her property. She could acquired it who knows Nancy here's the easy answer if you're in the business of short sailing and you've done more than I'm gonna do it more than three So four or more short sales during the year you better funnel it through an S Corp If you're a pharmacist, and you work full-time as a pharmacist, and you did a couple short sales during the year Capital gain and it could even be short-term capital gain no need for an S Corp See if you're not doing enough transactions You don't qualify as a dealer or real estate

professional now some of you're like well I don't want to be a dealer professional Sometimes I want you to be because if you've got a lot of losses from rentals those losses can wipe out your income over here So don't think that being a dealer is bad or being a real estate professional is always good You've got to look at each person's situation, so Nancy I'd go through your tax return I look at how many deals you're doing are you married you have a day job? What are you doing your accountant should be able to explain it in 15 minutes, and you make a plan for the year? Okay, next question Okay, I know there's okay, just throw it out. Let's do it quick. Tell me a name taught a toss Okay, this one's long so get ready. Okay. Just summarize it quick if you can okay, uh She's from New Jersey. I'm about to buy my first investment property in the state of North Carolina This is the way I'm going to set it up and correct me if I'm wrong She's gonna set up as a partnership LLC in the state of New Jersey for management and then men are member managed, North Carolina LLC and North Carolina LLC will be disregarded for tax purposes, please correct me if I'm wrong Ta Ta that may be your initials. I'm just gonna call her ta ta I hate to say this don't be offended I think you're wrong on several fronts, and I'm gonna save you money here, too And I'm gonna give you better protection, so let's just summarize ta I don't know if she's got a day job married or small business frankly. I'm not gonna worry about that She's buying a rental property in New Jersey Now why do we set up an LLC in the first place now? Let me ask you that ta are by doing this to save taxes No, you get to still write off your depreciation your mortgage interest your travel when you go. Oh, sorry. I screwed that up, right? Hey Ta is down here in New Jersey, but her property is up here in North Carolina So does she get to still write off her trips to North Carolina to check on a rental sure? Does she get to write off her cell phone at home office and property management expense sure does she have to have an LLC to save taxes No, I cannot say that enough I say it from the rooftops and some bozo out there is selling LLCs to save taxes They're not doing your tax return are they they sell it and leave be careful, so ta then says well I must need it for asset protection now Step one I'm gonna just assume and I think ta said this in her message right Logan. This is her first rental property ta Let's just do it simple and easy Now if I set up a New Jersey LLC Notice she knew this she's got a register it in North Carolina or get a North Carolina LLC And she wants a two-member LLC. Whoa now you got a file a tax return We charge at least a grand for a 1065 tax return any decent accountants gonna be that much So now you've got an extra tax return to member LLC in New Jersey. You're not even doing business in New Jersey See what I mean So my recommendation for ta on the phone and this would be from any of my five attorneys Consulting clients around the country because we want you coming back not getting ripped off I'd set up a North Carolina LLC That's it One LLC in North Carolina And then I would deed the property over to the LLC and I'm not gonna worry about the due-on-sale clause I know someone's out there freaking out. Well, I got this loan from the bank under my own name Yeah, and they've already sold your loan nine times in Wall Street as long as you're making your mortgage payment There's never gonna be a due-on-sale clause in 20 years over thousands and thousands of LLCs and transfers I've only had one client where the bank threw a tissy fit and wanted them to put it back in their own name and I swear it's cuz they went In and asked permission and made a big fuss about it Don't worry about it ta get in North Carolina LLC Do a deed transfer you can use Mallory at my office 150 bucks She'll transfer the deed into your LLC Even after the mortgage is all done set and filed the LLC will have its own tax ID number now Ta said something else that was kind of not good. She goes. She's gonna do a member managed LLC. No, no I want a manager managed LLC. I want ta to be the manager of the LLC that's public record. The ownership is private No one knows don't do a member managed LLC because if you change the membership You've got to go file amendments with the state and everybody in the world knows who owns it. I want that to be private I'm gonna let you be the manager I'm gonna have mail forwarding into our digital mailbox where no one knows where you live. I want privacy There are so many strategies here for camouflage as well as bulletproof vest now nothing's bulletproof. I hate that

word but protection and privacy So don't worry with about the New Jersey LLC just set up one in North Carolina call our office Don't do it online either and if someone's selling you this you got a bad advisor We charge 800 bucks you get an hour with an attorney tailoring your tax return to the plan Answering all your questions a little diagram done now This is not an infomercial, but I want all of you to know what the prices should be out there You shouldn't pay more than that Now if it's an IRA LLC It could be a little bit more if you have a bunch of partners and a bunch of negotiation it could be more But this should be a single member LLC in North Carolina manager managed the end.

Okay, Gary What do we got when I buy a rental property? Should I set up an LLC beforehand or just buy it personally and then switch it Gary great question And this is for TA as well Gary you're gonna close in your name because you know Fannie Mae and Freddie Mac. They're freaking out They're going through your FICO score, and you're gonna go sign on the loan Closing your name you're gonna get the best terms and the best loan we all know it Meanwhile at the same time Gary TA any of you else out there. We're setting up your LLC at the same time Then oh when you close on the property the skies Open up the the stars align and we transfer the property into your LLC Then with your property management company or yourself the tenant signs a lease agreement in the name of the LLC Meanwhile you've set up a bank account for your LLC They pay the rent to the LLC bank account all they know is that TA and Gary are the managers of the LLC We have privacy as to ownership and privacy as to your address Off to the races Gary and I would set up the LLC at the same time now some people here's a caution some people say Mark, I'm setting up an LLC to go buy a rental in Florida. I go. Do you have it under contract? No, I'm just shopping. Well. What happens you find a property in Georgia. They're not stuck with the Florida LLC So Gary I really want you to be close to closing You know you're past the conditions phase, and it's eminent you're gonna buy this property call me. Let's set up the LLC call me All right, Ellie. What do we got? Well hurt how come Carly is asking the questions for Gary and you're asking the questions for Ellie this makes no sense Totally throws off my mojo Okay, okay, Ellie. We just got to keep your toes Okay well purchasing an investment property and having rental income and the benefits of the depreciation offset the income on the and lower taxes on Active income Ellie. I am so glad you asked this question because we're gonna take it to another level Ellie said mark come on Look it. I've got my day job over here Maybe I'm married or single if I got to talk faster everybody's like move it along lots of questions, okay? Ellie she's got a rental property and we did our four quadrants, and she's got a loss and she says mark Are you sure that loss is deductible on my 1040 The answer is maybe I want to be honest. There's three classifications I talked about this for an entire chapter in my book And I have many clients read it and go correct their CPA who jacked it up. I teach this class to CPAs around the country I'm not kidding you guys are learning some powerful stuff here when you Marry well Ellie files her tax return. She's gonna check the box one of three ways One Okay, is she a real estate professional No, no, sorry is she passive Is she active or a real estate professional? This determines how she can write off the loss on her tax return if she checks the box Passive she can only write off the losses against other passive income that sucks I don't want any of my clients there number two if she checks the box active You can write off all the losses Ellie up to \$25,000 but once your AGI adjusted gross income hits a hundred and fifty grand your you lose them Or do you lose them? Some new accounts out there does she lose them no if she's an active investor Which all my clients are all you have to do is be a decision maker. No time requirement. No licensing If she makes too much money those losses go into a bucket and Ellie you want to capture those I have some clients to go Yeah, I didn't track taking my kids to grandma's at Thanksgiving to work on the rental because you know I make too much money I don't get the write-off anyway. I'm gonna go. No you'll get the write-off Track it. It's just delayed gratification Someday when you sell any of those rentals you can dump out the bucket and take the losses So Ellie you're gonna get the write-off So don't freak out continue to track it And then you'll in the long run get it now the real estate

professional is our last classification If you are a real estate professional you can take all these losses Against any w-2 or small business income what? It's huge right, that's good well in order to do that. It's a two-part test a You have to do 750 hours of real estate during the year. It's an average of about 13 a week To your primary job has to Primary occupation has to be in real estate You can't have a w-2 working for someone else you either, but you don't have to be a realtor That would help, but you just have to be doing real estate all Not all day long, but it's your primary job if you are a part-time Pharmacist then you better be doing real estate 21 hours a week to show you do that more than being a pharmacist So you've got primary occupation now What's cool is if you qualify as a real estate professional all these losses are right on you ready for the next level if? Your spouse qualifies you both qualify So now My day job spouse has benefits and security the other spouse what runs the real estate business So that's why I'm setting up a website called tax match calm And you can discuss your long walks on a beach and your AGI and your now amount of rental property I'm gonna bring together real estate professionals and boring engineers Into a perfect match made in heaven and tax return bliss. That's my goal in life. That's what I do I just matchmaker matchmaker make me a match. Sorry. This is getting out of control. Okay next question. What do we got? Gustavo yeah, and I am a Breaking Bad fan. I will say that all right now. I can't get breaking bad out of my head now Okay, this one's short mark. Where's your Mountain Dew drink? I know this is disgusting. It's water Yeah, it's disgusting I've already drinking two or three Mountain Dews today and a rock star so I'm just keeping it real people. Thanks, Gustavo. I love that okay. What do we got now? This is bad VA Samuel o7 Okay, all right. He's from living in, Texas Should my family LLC be a series LLC or should our primary LLC own a series LLC okay now? I'm hoping be Samuel o7 is when he graduated from high school or college and wasn't born in o7 Or else he's a 12 year old asking a question some of you should be asking so I'm gonna assume a Little older VA Samuel, so he says he's in Texas. Let's get it on the table He throws out another strategy, and I love this one people How many LLC should you have VA Samuel is saying oh? I'm down in Texas should I use a series LLC okay? I'm doing this question and one more all right, okay? Now listen everybody. This is important. Everybody says how many LLC's do I need I've got four options ready I? Could let's do it this way This is your operations ordinary side, I'm not gonna worry about that, so I'm just expanding your passive side All right You could have one LLC And you could have three rentals in it And I could be like I forgot her name already in New Jersey I could have a New Jersey LLC registered in North Carolina and in Florida So I could have an LLC registered in three states and have three different properties Or I could have one LLC in each state or three LLC's in the same state with three different properties Now what's the pros and cons here the pro here is I've got one LLC cheaper easier simpler and I'm only maintaining one LLC and possibly even one tax return if I'd go a two-member route But what's the con all my eggs are in one basket if this cute little rental? That's just an adorable meth lab. Yeah, it's gonna have problems. You just know it is some kind sometimes They call them drug dealers I call them entrepreneurs But they're in this little deal, and they're having a hard time and the house blows up another breaking bad example And so we've got all the rentals threatened because they're all in the same LLC Well, let's go to option two so now I set up an LLC for every rental I could be overkill these could be three crappy little rentals, and I could put all three in the same little LLC But if this is a golf course rental this is an Airbnb VRBO ski in ski out rental and here's my meth lab rental I'm gonna want them in different buckets option three in Some states you can have what's called a series LLC And this is what VA Samuel brought up you have one parent LLC, and you can have as many baby subs as you want No extra cost forget about a California It doesn't work for you, but I can have a series LLC and have as many subs as I want But one set up one tax return Simpler and I get protection is if I had option two Series LLC's are very affordable so be a Samuel what I'd say to you is how many rentals do you have? How many you're gonna buy if we only have two rentals, and that's all you're gonna Do I'd stick with option one or two

if you're gonna buy five or ten rentals. I'm gonna go option three Now let me tell you what states allow for series LLC's. I'm giving this book away I'm giving this book away. You can all go to Amazon right now or to my website mark J. Kohler calm buy the book you can go to Amazon and buy it and Let me tell you in the table in the back. I've got all sorts of tables 28 game-changing strategy chapters. It's really fun Here's the states that are series LLC's Alabama Delaware District Columbia, Illinois, Iowa, Kansas Minnesota Missouri Montana Nevada North Dakota, Oklahoma Tennessee, Texas, Utah and Wisconsin if you're in any of those states I listed then you can use option three Now just to make this very special for that person who's gonna win this book by sharing this Broadcast I'm gonna put a little smiley face here and say thank you for listening So now this is for you Yeah, all you have to do is share this and then Rosalie is gonna draw someone's name in the morning And then she's gonna email you and go you won the book and so it's here BAM I want you to make this your target for reading hit it. You got to do it. Okay fourth option now I only bring fourth option into play when I have a client worth a million bucks or ten or twenty rentals But the sad thing is there's companies primarily out of Nevada Selling this structure to freaking everybody and it makes me mad and it hurts It really does but what we would do for my more advanced clients as we graduate up to it, which is fine I set up a holding company in a charging order protection state whole chapter in my book Go YouTube it cope. It's a cope LLC They're extra extra protective and then very private and I set up a cope LLC Only charge 800 bucks for a cope the cope owns other LLCs in other states And I can have all these baby LLCs with two layers of protection. I do that for my advanced clients I usually set up my copes in Wyoming. I can hide you there very affordable not using, Nevada. Stay away. All right Well, apparently I've got to wrap it up. I was having too much fun and got carried away And you definitely need to go get another diet do thanks Gustavo for that reminder go out and share this now I'm gonna be in Chicago next Saturday on the 12th couple hundred bucks fly in it's a tax write-off come in come to the workshop only about ten seats left and I got a newsletter at my site mark j. Kohler calm go sign up for that Please on the YouTube channel hit the bell subscribe And every time I shoot a new video you get a ping so you know what's going on And finally if this is helpful at all share it with your family your friends your business partners a lot of people would appreciate this Clear straightforward tax and legal advice I'll be here in two weeks until then get my newsletter with many many other videos and Articles at my website and on YouTube. Thanks everybody. Keep believing the dream