FOREVER CASH

Forever Cash Real Estate Podcast 022

# Legal Entity Structuring for Tax Savings and Avoiding the Dealer Status

*Hosted by: Jack and Michelle Bosch*

**Intro:** Are you ready to transform your financial future? Here's your chance to see inside the mindset of self-made millionaires, Jack and Michelle Bosch as they go back the curtain on secrets that can make you rich. Discover how everyday people are breaking the norms and building empires from the ground up using a little low yet proven and time-tested wealth building real estate strategies. It's my pleasure to welcome you to the ForeverCash.com podcast and introduce you to our hosts, serial entrepreneurs, investors, educators and best-selling authors, Jack and Michelle Bosch. Strap yourself in for the ride of your life.

**Jack:** All right. Hello everyone. This is Jack Bosch speaking...

**Michelle:** ...And Michelle Bosch.

**Jack:** And, welcome to a new edition of our Forever Cash Real Estate Investing Podcast. We are excited to share it with you. As you know, all we talk about... all subject is real estate. The first, I don't know, 20, 25 podcast have been about our main strategy, tax delinquent real estate investing. Basically, what we are doing in tax delinquent real estate investing is we are focusing on properties where the owners have not paid the property taxes.

Now usually, you hear that in the context of tax liens and tax deeds. Basically, when somebody hasn't paid their property taxes on their property, their piece of land, their house, their condo, their commercial property, industrial property, and every piece of real estate in the United States have property taxes on it. Well, what happens is that, if somebody hasn't paid those property taxes, the government has two different processes which they use to get their money for

their taxes. And one of those processes is called... And both of these processes first, let me say, lead to the owner losing their property.

So, one of their process is called the tax lien process, where the county issues a tax lien against the property for the amount of outstanding property taxes, and then sells that lien to an investor who then has the right to collect or accrue a high interest rate. And if the owner never pays it off, then the investor has the right to foreclose on the property. And, the other way is called a tax deed process where the county does not issue a lien against it. The county just waits.

And, after the statutory time period that the state law requires them to wait, they actually put the property on an auction and sell the property right at the auction to the highest bidder. In some cases, the county forecloses first. In some cases, they don't. In some cases, they get a court order to actually be able to sell those properties. In some cases, they don't. In some cases, they foreclose directly as I just said. But either way, that all leads to the sale of the property, so this is how we discovered real estate and how we looked at that.

And, what we really liked about it is that properties are being sold for just the amount of back taxes, and that's a concept that's more popular. A lot of people have heard about it, but it also has some drawbacks. And, the number one drawback is that there in the tax lien world, you have to wait for years after you've bought the lien until you can foreclose and…

**Michelle:** And that's if your intention is to foreclose, but if your intention was to park your money at 16%, you need to go at it in a different way, looking for properties in which there's a high chance of properties actually getting redeemed by their property owner and a bank for that matter.

**Jack:** That's exactly right! So yes, and in the tax deed world, the disadvantage is that many of these tax deed auctions have a lot of competition. So, what we have figured out and which is the basis for our podcast here, is how to actually circumvent these auctions, how to identify the people who don't want their properties anymore or whoever haven't paid their property taxes, and then go

directly to them and buy those same pieces of land and houses in many cases for a steep discount of market value.

For example, in land, we can get them for anywhere from $0.05 to $0.25 in the dollar. And in the houses, you can get houses for perhaps $3,000 or houses for $0.40, $0.50 on the dollar without competition and without having to attend the auctions. This is what the basis is about that, so if this is first podcast you're listening to, I would encourage you to go to the first probably 10, 15 podcasts on the subject and listen to them because they're all about this subject. Today however, Michelle, what are we going to talk about today?

**Michelle:** I would love to talk about entity structuring.

**Jack:** All right.

**Michelle:** And, not because we are attorneys. This is not legal advice. This is just information that we like to share based on our personal experience doing investing.

**Jack:** Absolutely! And before I forget, if you're interested in this tax delinquent real estate investing, we actually have a free course for you that you can get at www.ForeverCashFreedom.com. Again that's www.ForeverCashFreedom.com. And by the way, we also have notes that we have for our podcast. Yeah, podcast notes, podcast transcripts. You can download the podcast on our website which is ForeverCash.com/Podcast. Again, ForeverCash.com/Podcast.

So for example, if you're listening to this on the web browser because you don't have an iPhone with built in iTunes, then you can go to ForeverCash.com/Podcast. Just download them, put them on your phone, and listen to us and to these podcasts while you drive, while you're on vacation, while you fly, while you're in the airplane, wherever you really want. All right. So entity structure, Michelle... And, by the way, we're a husband and wife team here.

**Michelle:** Yeah, hee-hee!

**Jack:** And so, you'll probably hear us banter back and forth sometimes as married couples do.

**Michelle:** Not really, only when he doesn’t do what I want him and I ask him to do.

**Jack:** Right, right.

**Michelle:** And then if he goes and tries it himself, it doesn’t work and I'm like, "See? You should have done it like your wife told you to begin with."

**Jack:** Right! I'm starting to follow the philosophy that if doesn’t work, do it like your wife told you to do it in the first place.

**Michelle:** Yup.

**Jack:** Exactly! So happy wife, happy life. So with that, let's get started in entity structuring. But now, let me reiterate what Michelle said first. We are not attorneys. We are not CPAs. We are not giving you legal advice. Anything we tell you right now are pure experiences sharing from how we built our business and a couple of recommendations of what just we think are prudent steps to go forward, okay? So with that, let's get started. Well, Michelle, why don’t you start it out?

**Michelle:** Okay, so the entity structuring really accomplishes several things. And for us at the beginning, this was not a deal breaker. Not having an entity didn’t really stop us from going out there and doing deals. Because back then really, in terms of liability, we had nothing, so even if somebody wanted to sue us, they we're going to get nothing because we had nothing.

**Jack:** Right. That’s a great point. So just to reiterate what Michelle mentioned right now, that the premise or one of the very important things she said is that we had really nothing to lose. And therefore, we figured with that, we rightfully saw that

nobody would sue us, and that's really a key point. So the point here being, when we started out, we had no legal structure and we had no money to really set it up and we had no knowledge about it.

**Michelle:** And, we had zero assets. There was like our mortgage... I think our house on our mortgage was like 95%. We maybe had the 5% down payment on it and that was…

**Jack:** Actually 3% down payment.

**Michelle:** 3%?

**Jack:** We bought the house with an FHA loan that's 3% down for our first house.

**Michelle:** Our bed was on house payments. Our laundry machine was... I mean, our bed was on payment, laundry machine, a dryer.

**Jack:** We have car payments.

**Michelle:** Car payments.... Everything was... We didn't own anything really. So like I said and for us…

**Jack:** So, we figured if we go and buy a piece of land in our own name, and somebody falls on that piece of land, I mean, they're going to have a hard time suing us because they fell on the piece of land. Also, we didn't even give them permission to go on the piece of land, so they're almost like trespassers on our piece of land. And if they want to sue us, I mean, what are they going to get? I mean, it's hard to press water over stone as they say, and at that point of time, we had nothing.

So therefore, just to give you or put you a little bit at ease, if you're thinking and we get this question all the time when we do our live seminars. It's like, "Jack, I don't have a legal structure yet. What do I do? Do I have to wait until I have a legal structure?" And what do you say to that, Michelle?

**Michelle:** I would say it's up to you. In our opinion, you shouldn’t wait to make money, and if you have a deal under contract and you're about to make $5, $10, $15 grand, why just not go forward with it? I mean...

**Jack:** Right! And on top of it, there are ways that you can do deals without actually ever having to take title on the deal. So you can go send out some letters, get some deals under contract, and then assign those contracts to somebody else, and as a result you will never actually own those properties. And again, it's another step that protects you a little bit and gets your risk of liability and risk of litigation lower. Now, having said that, as soon as we had our first couple of deals done...

**Michelle:** Yeah.

**Jack:** ...We use some of that money to get our legal structure in place.

**Michelle:** In place, yeah.

**Jack:** And, that’s really the key message here that I wanted to do. We didn’t wait until we had... If we would have waited until we had a legal structure in place, we perhaps would be waiting still today, because we probably never would have taken the money and invested it in an attorney or something or whatever it takes to set this all up, because then we will have no money left to actually invest. As I said, we only started this business with $3,500. So, that’s the number one message.

**Michelle:** Yeah. And so, the second message is once you are ready to start doing entity structure, we advise you to, of course, find either an attorney or a good CPA that can really help you accomplish your goals in terms of the structuring itself. When you're doing structuring, there's always a balance or a trade-off between liability issues and tax implications.

So, you need to basically figure out what is the right balance of that for you. If you maximize your structure for liability, more than likely, you will not be

maximizing it for taxes. And if you do the opposite, you'll probably not be maximizing the liability protection part of it. So it's a balance, and that balance really depends on what you're trying to accomplish, what your risk tolerance is and so on.

**Jack:** If you use other people's money...

**Michelle:** Yeah.

**Jack:** ...If you don't use other people's money, if you just wholesale and assign contracts, if you rehab houses, if you just buy and hold and have tenants. I mean, all of that plays into the legal structures that you should have. So, the number one thing that we say before we tell you what we have done is to absolutely search for a great CPA, for a great tax attorney.

And we have used for example, back in the days, we are and used to be fans and still are fans of Robert Kiyosaki. We still read. We read most of his books and it helped us also on our path in the early days. Now, I have written my own book to the subject. It's called "Forever Cash." You can buy it at Amazon and everywhere else, and also at ForeverCash.com, of course, you can get the book. But, the point is back on those days, we basically said, "You know what? Let's go and go after who the guy we look up to and recommend it," and that was a good move. So, I want to now recommend somebody to you that we have found as a great, great, great tax attorney. Not attorney...

**Michelle:** A CPA.

**Jack:** A great CPA who has actually... Even back then, he worked for the company that we hired back then, and we soon realized he was much smarter than the partner that we worked with. And so, when he started setting up his own company, we started following him. And his name is Warren Taryle, and that is Warren, W-A-R-R-E-N. The last name is T-A-R-Y-L-E, and again the name is in the podcast notes, of course. But you can contact him, and also the contact information is going to be in the podcast notes.

But, I just want to put out his office phone number which is (480) 948-9510. Again, (480) 948-9510. And really, we have a lot of thanks to give to Warren. Over the years, he became a good friend of us, but he started out as our CPA. He's still our CPA. We haven't checked out the structures a lot. And really, he set us up in a hybrid solution that gives us very, very good legal liability protection as well as also very, very good tax benefits.

**Michelle:** Uh-huh.

**Jack:** And that's a really cool combination of things that we've set up. So with that having said, let's jump into that and just describe our most basic structure quickly.

**Michelle:** Uh-huh.

**Jack:** But then again, we don't know if that is the right structure for you. I would recommend you contact a good tax attorney like Warren or if you're already working with a great CPA or a tax attorney or if you want to use Warren, great! He is obviously not the only great CPA out there in the United States. He is one of the few super great ones.

As always, the 80-20 rule applies. 80% of all CPAs probably suck and 20% of them are good. Then within the 20%, there's an 80-20 rule. It's that 80% of the good ones are good and 20% of them are great, and Warren definitely belongs to those 20% of the 20%.

**Michelle:** Yeah.

**Jack:** So with that, let's describe what Warren put on the table for us...

**Michelle:** Yeah.

**Jack:** ...That we're using to this day.

**Michelle:** So like I said, what he back then advised us to set up really addresses liability protection concerns to the best of our risk tolerance level and it also addresses tax benefits. But, it also really helped us organize activities of purchase and selling in a more orderly way. It also helped us basically by having the structure or also bring some structure or order to how money was going to be flowing through those entities and to us personally. So over the long haul like, one of the best moves we did back then was to work with Warren. So, we actually have and we started back in the day with something called a limited partnership. And along with that limited partnership, we had what is called a limited liability company. So that limited partnership…

**Jack:** An LLC, in other words.

**Michelle:** Yeah, exactly, an LLC. And so, that limited partner, of course, needs to have limited partners in which Jack and myself are those limited partners. And by definition, these partners are passive. It is not us personally that engage in real estate activities, but it's actually our LLC, and that LLC that's in conjunction with the LP works together and really becomes your general partner, and that general partner is really the one that assumes all liability issues. And also, that LLC, in our case it was set up such to capture basically a lot of the expenses that our company going forward was going to incur.

**Jack:** And therefore, we basically have one area of our conglomerate. It's basically our structure where we can measure expenses. We can have all these expenses in, and we have the deals and the properties and the other entity, and we can keep all the things nicely separated.

**Michelle:** Yeah, exactly. And so, another beautiful thing about how we were set up in the beginning was that limited partnership also would help us avoid self-employment tax or social security.

**Jack:** At least to a large degree there.

**Michelle:** To a large degree. And that's like almost 15.5%, so that’s quite a chunk of money or at least it was and continued to be for us to this day. In the LLC, there was also a very smart move which was the election that we took as how that LLC was going to be a tax. Because when you start an LLC... An LLC is usually... It can start as a disregarded entity. Basically, a pass through entity to you that really is governed by whatever tax record you personally fall into.

**Jack:** The IRS does not know what an LLC is.

**Michelle:** Yeah.

**Jack:** You have to tell the IRS how you want them to treat the LLC. So, you can treat or have it treated, as what Michelle said, a disregarded entity which means that the IRS basically doesn’t even consider the LLC and doesn’t care about it.

**Michelle:** And, any income and expenses flows through to you as a person.

**Jack:** Or, you can declare it an S corp or C corp. And again, we're not CPAs and not attorneys so we don’t really know much about it. But, what we do know is that…

**Michelle:** We elected for the C corporation. And, the reason why we elected that was because we were able to basically shield or protect anywhere between $50,000 and $75,000 worth of income in a much lower tax bracket than what we had as individual people.

**Jack:** Right, because an LLC tax is a C corp or generally a C corp that makes about $50,000 a year. It only pays 15% taxes on that. At least at the time of this podcast, that’s the case, and again that might change. You need to check with your CPA and your attorney if that's still the case. Don’t believe a word we’re telling you because we’re not CPAs and attorneys, so neither we did sleep in a Holiday Inn last night.

**Michelle:** It’s crazy that you have to basically have to mention and...

**Jack:** Give all the disclaimers.

**Michelle:** Yeah, exactly. But, anyway...

**Jack:** We have to give those disclaimers because there’s always some kind of some... Excuse my language, idiot out there that wants to go after somebody and says like, "Well, you just gave legal advice, and therefore we’re going to sue you." And so therefore, no, we’re not giving legal advice. We’re sharing from our experience what we have done and we’re expressing about every five minutes that this is not legal advice, and that you need to check for yourself, and that it’s just experience sharing of what we have done.

**Michelle:** Yeah, exactly. So this is basically what we started out, and probably like many other people that had walked in through that door saying, "This is what I’m doing. These are my plans. This is my dream. This is what we’re going to set out to do in the next 12 months," and so this is what was originally set up for us. And six months later, after having done anywhere between... I think it's 60 to 80 deals, we came back. And, Warren’s boss back then, which was one of the partners in this company, was blown away. And, we realized that this structure as it was good for a beginner, but that we're going to need additional things to it because very quickly it was becoming obsolete.

**Jack:** So then, what we ended up doing... But first of all, we were excited that the structure was held up. They basically told us, "Yes, the structure works. It still works." and I’ll summarize the structure at the end of the podcast one more time. But, it still works, but if you are pulling in and that's the time frame we did mainly land deals, so it's in many of our 3,000 land deals. If you’re pulling like 50, 60 pieces of land into one LLC, then... Or in this case, not into the LLC, but into the limited partnership, then even though you are protected in the limited partnership, there’s still some potential that if somebody goes after the limited partnership, they can still get some of the assets that's in there.

So therefore, what we recommend to now do is add additional LLCs that are 100% owned by the limited partnership. And therefore, that’s what we’re doing

to this day. We're pulling a certain amount of properties into each of these LLCs. Nothing is held into a limited partnership anymore. Limited partnership is almost like a holding company to this underneath LLCs, and all these LLCs are disregarded entities. All the money flows up to the limited partnership, and from there it flows to the three partners, and that's the summary of what I want to explain here.

Basically, the limited partnership has three partners to summarize that. Partner number one is the general partner which is the limited liability company, which is the LLC, and partner two and three is Michelle and I. And by definition, because it's a limited partnership, there's only one active partner in there which is the LLC. The other two partners are passive.

So Michelle and I... I mean, our role, we basically have multiple hats that we're wearing. Our role in the limited partnership is that of passive members where we just get member distribution, profit distributions that are taxed differently and at a lower rate than ordinary income, so we're saving taxes there. On top of it, all the work is done out of the LLC, and of course we own the LLC too, but when we sign, we never sign as owners or as partners of the limited partnership. We always sign as managers of the LLC.

**Michelle:** Managers.

**Jack:** And therefore, even though it's the same person, it's like you're having two jobs. If you work at Walmart and if you work at Starbucks, and at Starbucks, you are allowed to sign for certain things, for checks or something like that, that doesn't mean that you all of a sudden also sign for checks at Walmart. No, these are two different entities and you have two jobs. You have two roles. One of them is whatever your role is at Walmart and one of them is a different role at Starbucks.

Well, here's the thing. We are passive members of our Walmart and that we're shareholders in that case of our Walmart, and we get dividends from our

Walmart which is our limited partnership. And at the same time, we're active managers of our Starbucks which is our LLC and I hope that kind of explains it.

**Michelle:** The analogy, absolutely.

**Jack:** The analogy, absolutely. That perhaps is a little crooked analogy, but I hope you get it. The point being is that you can wear multiple hats in multiple organizations, and that's my understanding on how our attorneys and CPAs have told it to us. Again, you need to check that with your attorney or your CPA. Don't believe a word we're saying because this is not... We're not CPAs and not attorneys.

So, but as a result of that, we were able to sign for everything out of the LLC and put all our expenses, then as we added staff, we put all our staff into the LLC. To this day, they all work under the LLC, so we have kind of like the LLC as our expense center, as our operations center, as our face to the world while all the profits flow through the limited partnership, and then flow through to us, and then reduce that rate because as passive partners, you actually don't pay... What is it called? The self-employment tax. You don't pay social security tax. You don't pay 15.3% in those taxes. So by being passive where the profits are, we're saving 15.3% in taxes. Now, if you think while listening to this and saying like, "Well, Jack. That's not fair," no, it is fair. You can do the exact same thing. It's the thing. We just laid it out for you.

You can do the exact same thing and you can take advantage of the exact same benefits. If you think it's not fair, then don't blame the messenger. Instead, go to the government and have them change it. Go lobby on them because that is being changed for everyone. It almost drives me crazy when people like in the last election, people looked at Mitt Romney and said like about Mitt Romney that he takes care of and that he only pays like 15% taxes. You know what? You can pay 15% taxes if you do what Mitt Romney does.

I'm not a Republican or a Democrat. It doesn't matter if anything. I'm an independent. I'm just a citizen for two years now, so I finally can vote next time

around. So before my vote, my opinion didn't count anything anyway. But, the point is what we're laying out to you here are strategies that the tax law allows for anyone in this country, so you can do the same thing. And so, don't complain about other people paying less taxes. Learn what it takes for you to pay taxes, and we just wanted to...

**Michelle:** Or pay less taxes.

**Jack:** Or to pay less taxes, exactly. And, we just want to contribute to that with this podcast.

**Michelle:** Yeah. Okay, so it organizes money flows. It organizes or maximizes liability protection, maximizes tax benefits. And so, there we were six months into it, and we had to basically not amend, but add basically to the structure that we had. And also in that, at that sixth month mark, another thing that came about was that because of the volume of deals that we were doing, something called the dealer status was first brought to our attention and we were like, "Well, please tell us what that is." And so...

**Jack:** Oh, yeah. That's a big one. Thank you for mentioning that.

**Michelle:** And so, it was explained to us that because of the volume of deals that we were having, and most likely because of the intention that we had to begin with entering into each of those purchase transactions to then resell again or basically wholesale, that intention basically smelled like a duck, quacked like a duck, wiggle its tail like a duck, talk and quack like a duck, and that duck was basically this dealer status. And so, the dealer status basically meant that for every single piece of property that we sold, we basically had to pay taxes on the gain right away.

The catch though was that a lot of these properties that we were wholesaling back then... Well, there is a portion of properties that we were wholesaling, but there was another big portion of properties that we were actually doing seller

financing on, because from the get-go, one of our goals was to create passive streams of income.

And so, we were after creating notes and by offering and extending seller financing to whoever wanted to buy our properties from us. What that meant though is that we had perhaps recoup more than our investment in terms of our cost or what we had paid for those properties, but that we hadn't realized all our profits, because all of those profits were going to be realized over a period of time—5, 10, 15-year notes.

So over a period of time, we were going to be realizing those profits, but Uncle Sam under this new labeling or category that we were falling in as dealers basically wanted to have the taxes on that income right away or basically at the end of that fiscal year. And, we're not going to see that income until, like I said, 5, 10, 15 years out. And so, that posed a big dilemma, a huge problem. Basically, a huge liquidity. I promise, we were going to be... We were so successful on paper that we're going bankrupt pretty much.

**Jack:** All right. So after about six months, we had generated probably about... Let's say $400,000 to $500,000 in profits, but some of that was cash, but then a lot through the seller financing. We had only perhaps $300,000 or $400,000 of that from seller financing. We had only collected perhaps $50,000 of that.

**Michelle:** Uh-huh.

**Jack:** And so, we were out about $250,000, but the IRS, if we would have fallen into that dealer status, would have asked us to pay taxes on the full $300,000 profit, so that was a huge problem, and so we went back to Warren. And in this case to Warren Taryle, our CPA, and he says like, "Well, let me look into that." So he dug around and thank God one day, the angels came down from heaven and...

**Michelle:** But a week later, he calls us back.

**Jack:** A week later, he calls us back and he tells us, "You know what? I have good news. You want to pay me a bottle of champagne now or later?" Actually, he did not say that.

**Michelle:** We would have really...

**Jack:** But, he did not say that.

**Michelle:** Yeah, he had earned it for sure.

**Jack:** But, we probably invited him for dinner afterwards and drank a bottle of champagne as based on the results. And so, he basically found an exemption in the IRS that states for land. And, remember that probably the first six, seven years of us doing this, we only did land. We did over 3,000 land deals. So he said, "In IRS, in the court sections 1237(a) and court section 453(I)(2) or (1)(2). I'm not sure. There's like... I'm looking at it on the screen right now. It says 453, parenthesis, then a 1 or an I, close parenthesis, open parenthesis, 2, parenthesis close. Again, we put that into the show notes. He found that at those exceptions that they say, that if you buy land and sell land without really changing it a whole lot... And I'm paraphrasing. Again, this is not the exact wording of the thing...

**Michelle:** Of the tax code.

**Jack:** Of the tax code. You actually have to again check with your CPA, but make sure you mention this to them because it's a very obscure little hidden rule in the tax code that most CPAs don't know about. So, it says that if you buy land and sell land and you don't change it much in the middle, then you are exempt from the IRS dealer status, which effectively means that you can do seller financing up to wazoo as much as you want and you only pay taxes as the money comes in.

**Michelle:** Yeah.

**Jack:** So instead of paying taxes on $300,000 of profit, we only pay taxes on the $50,000 profit after of course deducting all our regular business expenses, which

included our trip to Hawaii to inspect the piece of land that we had just bought, etc., etc..

**Michelle:** And I wanted to say that... So this piece of code and this section like Jack said is not very well-known. So, you definitely want to go to the transcription, to our notes and go ahead and write it down, so that when you go to your CPA, they don't like dismiss you or think that you don't know what you're talking about. Really, if you're interested in doing land and doing land in large volumes like we did, go ahead and bring this for them. And so, this piece of code was originally done to protect builders back in the 80's that had...

**Jack:** There was a big real estate meltdown, I think, with the savings and loan things and the changes up to the laws back then when a bunch of real estate crash like crazy. So, they put some law and the builders were able to lobby themselves some stuff in there that allow them to continue to sell these leftover pieces of land to seller financing without being penalized for them taxwise.

**Michelle:** Yeah, absolutely.

**Jack:** So, to this day, it's still in there. We're still benefiting from it, so if you flip land with seller financing, you're good. And just very quickly, before we finish for today, I also want to say something. I want to give you another piece of good news when you do land, and that is the Dodd-Frank Act. Now, you've probably heard about the Dodd-Frank Act as this huge thing that they put in place after the financial meltdown in 2007, 2008 and it's like this horrendous piece of legislation that restricts all kinds of stuff, but they really didn't understand what they were doing, and the entire real estate industry is up in arms against it because it makes real estate investing harder except...

It doesn't affect us with land, because land is actually outside of the Dodd-Frank Act, because the Dodd-Frank Act with all its regulations around seller financing and how you have to be a mortgage originator in order to do certain things. It only applies to the definition of residential real estate as it is defined in Regulation Z. And having a real estate license, I had to study what Regulation Z

means. And, Regulation Z defines residential real estate as dwellings of one to four units.

Therefore, it means houses, duplexes, triplexes, fourplexes and it also includes mobile homes, but it does not according to my understanding and according to my attorney's understanding who told me that it includes those things, but it does not include land. Again, this is not legal advice. You need to make sure that you check with your CPA, your attorney on those things. So therefore, you can do as many land deals with seller financing and use the legal structure that we just told you about after you check it with your CPA and your attorney.

**Michelle:** Yup. And so, I think this is all we have in... As far...

**Jack:** Yeah, this is what we wanted to cover. Now, since then...

**Michelle:** We have...

**Jack:** Sorry to interrupt. Go ahead, Michelle.

**Michelle:** No, finish please.

**Jack:** All right. No, I don't want to finish. I just want to say that since then our legal structure has grown beyond that. Since then, as we started doing house deals. And by the way, The Dodd-Frank does apply to house deals and the seller financing rules do apply to house deals. But, these exceptions are for land which is beautiful and another reason to look into land as one of those most overlooked assets classes in the entire world.

But the thing is, as our business grew, as we started doing house flips, as we started to build up a rental portfolio and so on, we started expanding from that model. So the main core summary message I really want to have here is that "Start simple."

**Michelle:** Uh-huh.

**Jack:** Don’t create this complex conglomerate of LLCs and LPs and things when you don’t have a need for it yet. We started without any of it.

**Michelle:** Yeah, because you overcomplicate things when you're having to have different bank accounts for them, different sets of QuickBooks, and you're going to be required to be up-to-date in minutes in each those LLCs and so on and so forth. And, if you are in certain States, you might have to even pay annual dues.

**Jack:** Absolutely, yes.

**Michelle:** We don’t pay here in the state of Arizona. It’s just the very first set-up fee that you pay to the Arizona Corporation Commission, but that’s pretty much it.

**Jack:** Right. And, many states are like that, but in California, each LLC or each entity you set up costs over $800 a year, so you really want to be careful with those things. And based on these differences within the states, different solutions apply because we now have over 40 LLCs. We now have multiple things. We have a family trust. We have an irrevocable trust. We have an entire asset protection plan and legacy plan for us and our daughter.

But, we didn’t start out like that. We started out with nothing and put our first few properties in our name. You choose if that’s something you want to do or not. We’re not recommending it. We’re not telling you not to do it. It’s you who's going to choose what you want to do there. And then, once we have the profits of the first couple of deals, we then put a simple legal structure in place. That one lasted for quite a while, and then we added simple things to it, and then that lasted for years, and then afterwards we added more and more to it as our entire operations became more complex.

So don’t look at it as... Don’t compare yourself to where we are today. Compare yourself to where we started. And, we started with nothing, no money, no LLC, no legal structure and we made it work from there. If there is one last message I want to share, it's that that is our motto, which is... I’m going to start this and Michelle is going to finish it. Let’s say, "Faster...

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**Michelle:** ...is better than perfect."

**Jack:** Perfect, exactly. That's our motto, "Faster is better than perfect." Don't wait until you have all your ducks in a row. Because by the time you have all your ducks in a row, guess what? Motivation has left you.

**Michelle:** Yeah. And, when you have the motivation, and when you're basically built for yourself personally and in your business momentum, you won't have to be going through peaks and valleys, but you're going to be able to manage your momentum and stay up and much closer to your peaks. And so, you don't want to stop that momentum, because... "Oh, my gosh! I don't have an entity and I need to structure it" Just get going. Start doing stuff, and then as soon as you have a few deals down your belt, you can go ahead and use those proceeds and start basically working on your entity structure.

**Jack:** All right. So with that, last words here, again the show notes can be found under www.ForeverCash.com/Podcast. And also, the free gift for you with the free course on tax delinquent real estate is at ForeverCashFreedom.com

**Michelle:** And, please give us your feedback. We would love to hear what you have to say. If you like this podcast, if you love the podcast, please go ahead and rate us. You can give us four or five stars. Of course, we prefer five stars, and if you would like to engage with us, you can also go to our Facebook page, our ForeverCash.com Facebook page and ask any questions you might have, and we'd probably answer those questions in future podcasts.

**Jack:** Right. And, you can find us there under Facebook.com/ForeverCashLife.

**Michelle:** Yeah.

**Jack:** But, all of these links are in the podcast notes. Again, podcast notes are in ForeverCash.com/Podcast, and we're looking forward to seeing you there, engaging with you, seeing you getting that free course, and looking forward to the next podcast.

**Michelle:** Yeah. One last thing I want to mention and that is that we're also having an event here in Phoenix on August 21st, 22nd and 23rd. So, if you hear this podcast or you've been listening to these podcasts and want to be here live with us, with Jack and myself for three consecutive days of high content, no outside speakers, it's just us basically sharing with you all of our techniques, we'd love to invite you to come down to Phoenix. There are very cheap hotel prices right now. It's nice, warm, and sunny here, and spend those three days with us really creating that momentum to get your business to the next level.

**Jack:** Absolutely. And, the link to how you can get tickets at dramatically reduced prices just for you as a podcast listener is also on the podcast notes. All right. Thank you very much.

**Michelle:** Thank you.

**Jack:** Buh-bye.

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