Episode 311

Tyler Chesser [00:00:06] Elevate Nation. Welcome back. This is Tyler Chester. I'm so thankful to have you here and I'm blessed and grateful to be sitting with Bernard Reese today. Today, you are going to learn how to apply multi-disciplinary thinking to your financial, your tax, your real estate, your cash flow strategies, your investment strategies without surrendering profits to Wall Street and the IRS. And you're also going to learn about how that applies to living your life to the fullest and elevating your life to the highest potential. Today's episode is action packed. It is insightful and it is something that you are going to be able to apply to your strategy immediately as an investor. And I think you're going to learn so much about not only saving money, tremendous money in taxes, but how to apply that and how to compound those savings to tremendous growth. I am excited about this podcast today. Elevate Podcast is all about mindset, mind expansion and personal development for high performing real estate investors. I'm your host, Tyler Chesser, and I'm a professional real estate investor and entrepreneur. It is my job to decode the stories, habits and multifaceted expertise of world class investors and other experts to help you elevate your performance and lifestyle. Are you ready to take it to another level? It is time, so let's raise the bar, today. We are raising the bar in a great way today. I'm excited about this conversation. I think you're going to learn so much. You are going to be able to reflect on how you're implementing some of these beautiful strategies in your life and in your business. And you have the opportunity, of course, of paying it forward as well. So I want to invite you to pay the fee. The fee is to pay it forward and share this episode with one person. All you have to do is grab the link and share that with one person. Do that right now. If you don't mind, I will ask you very, very kindly, because the only way that we can continue to grow is if we earn your referrals and introductions. So I want to thank you for doing that in the past. And I also want to ask you from the bottom of my heart, if you would be so kind to pay that fee again today. I want to thank you for being here. If it's your first time listening to Elevate, welcome. We are here to pour in massive value into your cup. And by the way, we have hundreds and hundreds and hundreds of episodes of additional tremendous value for you to dive in. And if you want to grow, if you want to expand, if you want to elevate, it's all about being here and investing yourself and understanding and recognizing what is really speaking to you in this moment. What is it that you're looking to accomplish and what is really speaking to your soul? And as you identify that, jot that down, jot those distinctions down. So I want to invite you to be prepared to do so today. Sometimes as podcast listeners, I'm guilty of this myself. I'm listening passively, and we all love passive income, but sometimes passive listening does not give us the opportunity of optimizing the growth opportunities. And if you're here, you're investing in yourself. So I want to invite you to truly invest in yourself by trying to be a little bit more active in how you listen, by jotting down, hey, this is a big takeaway, this really was an aha for me, or this is something that I need to dive into a little bit more. Maybe I want to go do a little bit more research on a particular strategy that Bernard and I talk about today. Maybe I want to go learn more about Bernard. Maybe I want to go learn more about, you know, all of these different components to optimizing and making informed decisions, distinguishing how to use these tools, making intelligent choices. So I want to encourage you to be on the lookout for that and to jot down those distinctions. And also, I want to invite you to give us a rating, a review, subscribe or follow Elevate Podcast from wherever it is that you listen or watch podcasts. And with all that said, I want to introduce you to Bernard Reisz, who is the Lead Strategist and Educator at ReSure Financial dot com, delivering real estate title and tax tools, including 1031 exchange, cost segregation, and self-directed IRA/401(k) services, QRP, self-directed IRA, UBIT, UBTI, UDFI, 1031, LLCs, cost segregation, entity structuring, financial products, tax strategy planning, installment sales. All of these must be navigated expertly and integratively. And

Bernard is the Chief Education Officer for members.resurefinancial.com, which we'll put a link in the show notes for. He delivers self-directed investor, tax, and financial tools for alternative investing using complete control IRAs, QRPs, solo 401(k)s, 1031 exchange, and cost segregation. He has been a guest on numerous financial, tax, real estate, and legal forums and Bernard delivers straight talk and unique insight on an array of real estate, tax, and financial topics. And you can learn more about him at Resure Financial dot com, again. So without further ado, please enjoy this insightful, this action packed, this action oriented discussion with Bernard Reisz.

Tyler Chesser Bernard Reisz. Welcome to Elevate, my friend. How are you?

Bernard Reisz [00:00:10] Awesome! Tyler So great to be here. I've loved some of that chit chat we've been doing in the last couple of minutes, and I feel an elevated already.

Tyler Chesser [00:00:18] Me too. I you know, I appreciate the energy that you bring and truly the willingness to help other people. And we operate in a complex world, you know, with many tools at our disposal, with many challenges, you know, in the horizon or on the horizon. And, you know, but I think it comes down to resourcefulness and it comes down to surrounding yourself with the right people to help you make informed decisions, distinguishing how to use intelligent tools and to make intelligent choices. So I'm excited to dive into this conversation. Before we do that, though, I'd love for you to talk a little bit about your upbringing, your back story, to connect the listeners with who exactly we're speaking to, beyond, you know, the professionalism of what you bring to the table.

Bernard Reisz [00:01:03] I'm glad to do that. I think it's a key part of working with any individual is understanding their personality. So the background, you know, for the most part, I'd say I'm I'm a nerd. Now, everybody's a nerd. You know, whoever is a nerd has that manifest itself different places. For me, it's kind of more like the textbook, you know, kind of nerdiness. The background is more, I'd say really, I would say an educator at heart, and where I ended up channeling that was through financial and tax research and education. There wasn't necessarily a specific game plan. One thing kind of led to the other. Initially, you know, if you go far back enough, I was in school and at the same time working at a management consulting firm. So everybody they were all CPAs, wasn't a CPA firm. We weren't doing, you know, individual tax returns and business tax returns. It was a management consulting firm but run by CPAs. So CPAs really do a lot of different things. And there I got exposure to an array of things. We did forensic accounting, but what landed on my plate were all the things that were new to the firm. So anything that nobody had ever done is came to Bernard. Okay. You know this is what we've been doing our service the last ten years. We got an offer now to do something, a new kind of service. We want to take the business, but we need somebody to figure out how do we do this? What do we do? And those are the kind of things that landed on my plate. And so I got to do work with--one of the things I worked with were, you know, high net owners of private businesses. So we're talking businesses that are doing several hundred million dollars in revenue, but closely held. And I began to see that there was a bit of a gap. There was a bit of a something missing in the market. There were folks that were selling products and almost every single thing out there, you know, especially for a high net worth person, somebody saying, "put your money here, buy this product, do this, it's going to save you a bundle on taxes". And people were going to their accountants, and their accountants weren't really too familiar. And so you would see one of two kind of reactions. Some accountants were like, "I don't know what this is, don't do it". And some accountants were like (without doing the true full research and understanding of what the product was) would say, "Oh, this is going to save you money on taxes. Do it". The truth was a little more nuanced, but nobody was addressing kind of taking that CPA mentality. You know, where your CPA is in his element. He's, you know, the top CPAs are experts in what they're doing and applying that to other tax and financial tools. And that's really where I realized, hey, this is where I want to go. So, you know, taking that route led to geeking out on, you know. It took a real estate angle, but that's 1031 exchange, the self-directed retirement accounts, course segregation. So it's geeking out on all those things, which has led to the services that ReSure focuses on.

Tyler Chesser [00:04:40] And you know, what you're really describing is truly this multidisciplinary expertise that you've developed over the years to educate, guide, and empower investors to self direct their financial life, which I think is a beautiful thing. And you know, I'm currently reading this book called "Mastery" by Robert Green. It's like one of the greatest books written, you know, over the past 20 years. And it was a New York Times number one bestselling book. And what I'm learning about is that people who develop mastery, first they have a passion for what they're learning and they immerse themselves in this passion, but they also recognize that it's not a one dimensional approach. It's a multidisciplinary approach that takes years to develop. And as you were starting to kind of unravel this onion and you're looking about saying, well, wait a minute, there's this gap in the marketplace where high net worth individuals are not properly being multidisciplinary advised. You know, maybe if that's not the right way to describe it. From the perspective of, you know, implementing an appropriate tax strategy. You know, it's interesting to think about how you immersed yourself from a CPA perspective. And, you know, what I'd love to know from you is when, as you were kind of learning this, as you were immersing yourself in this world, when did you realize the immense power of strategic tax strategy and optimization in real estate? I mean, what was it? Was it learning about things like 1031 and how to apply that was it things like cost segregation? I mean, when was it that you really realized that, wow, this is the strategy that folks perhaps may be missing?

Bernard Reisz [00:06:17] I'd say there's no particular aha moment. I'm ready to say that even on a daily basis, you know, it's constantly learning and it's really from interacting with individual investors and all of a sudden seeing, hey, you just reduced your taxes by X, and you're always blown away by it each time it happens. And it's important to put it in the full context because even tax savings, I think viewing things from a tax savings perspective itself can be a little too narrow minded, if I may say, for two reasons. Number one, and I'd say kind of taking this in two different directions, let's say kind of the good side first. On the good side is: the true power of tax savings is not the amount by which your tax. You know, bill goes down. The true value is really the net present value. Whatever you do with those tax savings. Take the 1031 exchange to illustrate. I think that's where it's most easily illustrated in 1031 context. Somebody selling a property for $1,000,000 and suppose you know they're trying to use round numbers. So selling a property for $1,000,000, their capital gain that they would have on that property is $400,000. What they'd be looking at without a 1031 exchange is all right, selling the property, paying off their loan if there is a loan, right, and most likely reinvesting the balance. But on a $400,000 capital gain between state, federal and local taxes, depending where the property is or where the owner is based. 20%-40% of that money, of that capital gain, is going to disappear to taxes. So, you know, the step one is all right, people see, all right, if I do a 1031 exchange, I'm going to pay $150,000 less in taxes. But the real value is, hey, you take that $150,000, by an exchange and you reinvests it in your next property. Well, you're typically getting 60%-80% leverage. So with $150,000 in tax savings, you actually went ahead and just bought $400,000 to $500,000 in real estate. So the tax benefit is not just how much you saved in taxes. It's actually, all right, let's quantify what's the benefit of a half a million dollars in real estate in annual cash flow? In appreciation? And, hey, say, five years from now you sell this property and again, right, you have a capital gain. Right, so now all of a sudden you're able to roll that forward. Now you see this $150,000 in tax savings is actually worth millions and millions of dollars. If you try to quantify that over the lifetime, the compounding return on those savings. So I think tax savings really have to be viewed very, very broadly to appreciate their true value. Does that makes sense?

Tyler Chesser [00:09:57] It makes a lot of sense. And I love that thinking because when you think about saving $150,000 in tax, that is a silo. But now if you zoom out and you remove the narrow gaze on that particular silo and you start to think in this way, I mean, that's really what a powerful or seasoned real estate investor, that's the way that they would think. To say, all right, now what am I going to do with that savings and how am I going to apply this moving forward? And obviously, it all comes down to outcomes. What are you focused on? What are your goals? What are you looking to accomplish? But that's where the multidisciplinary approach and the advisory comes through. And I think many of the listeners are shaking their head yes. And they're saying, okay, you know, we need more advisors like Bernard to say, okay, well, yes, we're saving capital here, but what are we doing with it and what strategy are we employing? And so you think about optimizing your finances as a real estate investor by gaining this insight and gaining a clear path to implement not only tax savings but also implementing things like legal, financial, investment, cash flow strategies without surrendering those profits to Wall Street, you know, or the IRS, which obviously can be your biggest predator. You know, it's now about having the clarity to say, all right, now let's make intelligent, multi-disciplinary, multifaceted decisions. So where would you like to start? Because I think that, you know, there's so many different topics that we could go down. But where would you like to start to give the investors listening to this discussion today the clarity so that they can take better steps in the right direction to say, all right, what are we doing in terms of utilizing, you know, and optimizing our strategy and understanding what is the true net present value of these strategies? So where would you like to start today, Bernard?

Bernard Reisz [00:11:39] So many places we can take this. I'm wondering if we should pick a particular avatar and kind of use that to talk through, you know, some of the multi-disciplinary tax questions and tax factors that come up and to demonstrate how different folks are impacted differently by different tax rules. Some folks should be using one particular real estate tax tool, and some of them are best served by using an integrated suite of tax tools.

Tyler Chesser [00:12:14] Okay. I'm thinking about a business owner who owns a small business and the business is profitable, it's growing, and, you know, after all said and done, you know, distributions and perhaps some owner salary and so forth, they're walking away, you know, with a half a million dollar income, something around those lines. And, you know, they're learning more about real estate. They're learning more about the opportunity to build some more passive income streams and tax strategies. So I'm thinking about that individual who then is clearing call it a half a million dollars who's also looking at, you know, some big income tax bills. So let's let's talk to that individual.

Bernard Reisz [00:12:55] Okay, yeah, let's do it. And I think an introduction to that is kind of the other half of what I think sometimes you in taxes a little narrowly. So there's the upside of understanding the true value of tax savings. The other side is not to get too hyperfocused on the tax savings so that you kind of miss the bigger picture of your life. So we'll talk about a tool that's out there, but it doesn't work for everybody. So one thing is, real estate presents great cashflow and it presents great tax benefits. But let's talk about material participation for a moment. So in order to fully maximize the value of real estate tax deductions if you're looking to use them to offset your actively earned income, which would be your W-2, if you're a small business owner. And so say that business is structured as an S corp or a partnership, it's going to be what flows through 200k one, your box 14 and that's going to be your, you know, your self-employment income or in the income that you've actively earned. In order to offset that income, you need losses that kind of fall in the same active bucket. Now, we do know real estate definitely generates attractive losses. And I'm going to take this, although I know your audience is probably familiar, what we're looking for is, so to speak, is artificial losses. Artificial losses are losses that are tax losses, but where you're economically, you're actually making money. And when you get that in real estate as a result of depreciation, tax deductions. Depreciation will show up and your tax return is going to be on your schedule E, or on your partnership, on your 8825, You're going to have this deduction there for an item that never left your bank account. So that's a great tax loss to be able to claim. And that's why you have real estate investors who have assets that are appreciating a value, that are cash flowing, yet are showing losses on their tax returns. So that's kind of a really, really sweet place to be. And the way we can kind of turbocharge that is through doing a cost segregation study. Now, what does cost segregation do? Assets get depreciated over different schedules, over different lifetimes that are statutory. So it has nothing to do with what you and I would say, you know, the lifetime of an asset is kind of Congress, the IRS, tell us what it is and that's what we go with. So a depreciation deduction is taking your purchase of an asset. Now, the purchase price of real estate is not expensed in the year that you buy it because, hey, you had $10 Million in the bank and now you have a $10 million asset. You don't actually lose any money. But what the tax code does allow you to do is each year take a tax deduction for a portion of that $10 million purchase price. And that's where you get this. You still own the asset, but nonetheless, you're deducting it each year. But the ultimate would be to be able to deduct that full $10 million in the first year. Now, for some assets, that is possible. But the thing is, when you buy real estate for $10 million on a larger deal, $50 million. You kind of paid a lump sum price and you got this big asset. And real estate is typically depreciated over 27 and a half years, or residential real estate, or 39 years for commercial real estate. That's a pretty long time. I mean, it's a nice deduction to get because your asset is going up in value and you're still taking a deduction against it. So what a cost segregation study does is it kind of slices and dices that acquisition into different components and some of those components are going to be eligible for a far accelerated depreciation schedule. And some of them even fully depreciable in the first year.

Tyler Chesser [00:17:32] Hey, Bernard, is it fair to say that you're applying the time value of money concept there because you're taking, what, a dollar today is worth more than a dollar tomorrow and you're taking a loss, you know, an accelerated loss at a higher rate than you would be waiting for 27 and a half years. Right. I mean, is that fair to say?

Bernard Reisz [00:17:49] That's exactly it. Because some folks do say, hey, you know, who knows where this conversation is going to go? And a valid question, you know, valid question doesn't mean that there's no valid answer, but it's the question you hear a lot and people should be asking is, is there something called depreciation recapture? That's a very, very valid question. And nine out of ten cases, there's a, you know, that's not a reason not to do a cost seg. study, but occasionally it is. So definitely is a question that should be asked. But essentially, you're right. What accelerated depreciation does is, I kind of call like a depreciation time machine. You kind of get into your time machine, you go to the future years, you collect the depreciation, and then you bring it back to the current year. Now back to the future. When you get there, it's no longer there because you already took it in the first year. So when you do a cost seg. study, what one of the results is in subsequent years, your depreciation is going to be, your deduction is going to be, reduced because you took so much of it in the first year. Secondly, when you sell a property that's fully depreciated and you sell it for a gain, the tax code requires you essentially to recapture all the depreciation that you claim. So again, you bought a $10 million asset. And then, let's keep it simple. You fully depreciated it. You took $10 million depreciation. Suppose you sell it for $20 million. The calculated tax gain is not going to be $10 million, which is the difference between your selling price and your purchase price. It's actually going to be $20 million. It's going to be the difference between, it's $20 million minus your purchase price, minus all the depreciation claimed. So essentially, you're going to have a taxable gain at the end where Congress says, hey, you took those deductions for that $10 million purchase price. You kind of claim that, essentially you took an expense for that $10 million. So now when you sell it, you've got to give that back to us. So it is very much a time value of money thing where, hey, I'm going to get a $10 million tax deduction this year. What can results in, you know, 30 consultants, you know, depending on your tax brackets. Right. You could be saving, you know, two and a half to $5 million in taxes, whether it be you individually or across your investor base, but you're taking that this year. Okay. When you sell the property in seven years, we'll give it back. But the thing is, hey, during this period, you got the use of $4 million and you got to invest that, reinvest that and compound it. So definitely time value money is really the name of the game.

Tyler Chesser [00:20:55] So, Bernard, you're really showing us, you know, you're walking the walk in terms of this nerd identity here. So I appreciate that. You're showing us the educator at heart. And, you know, when you think about this example. Now, going back to the earlier comment about, okay, now we've applied this strategy from a cost segregation standpoint, we have reduced our taxes at a high rate. Now we have the opportunity to look at it from a broader context to say, okay, what's the net present value of those savings? So now, let's just say you put yourself in the shoes of this investor who saved millions of dollars worth of a tax bill in the current year. So now the approach of, you know, the strategy there could be endless. But let's just say it's you, Bernard. I mean, what strategy are you taking to optimize the net present value of those savings?

Bernard Reisz [00:21:46] So I think it's that's a very investor specific question. So tip, you typically don't want to take those savings and blow them in Vegas because there goes, you know, the real financial power of that.

Tyler Chesser [00:22:01] It's a good rule of thumb.

Bernard Reisz [00:22:03] Now, I do think it's okay to pull some of that in Vegas. Again, what I mean, what I mean to say is it's a personal choice. Ultimately, right, it's about elevating our lives. It's not about who dies with the most in their bank account. Right. But it's about living to the fullest. And so definitely take some of that tax savings and do what floats your boat. But for the most part, if you want the strategy to really be worthwhile and reap powerful dividends and really keep you moving towards your goals, you want to be able to take that and redeploy that in assets. And of course, this is the place to say, ultimately, the driving force behind everything is good assets. Tax strategy amplifies turbo charges. You know the benefit, the ROI of great assets. But the starting point is great assets. So if you take those tax savings and put them right back into, you know, economic tools, meaning actual tools that appreciate, that generate cash flow. That's where you're going to get the incredible ROI provided by great deals that go kind of hand in hand with great tax tools.

Tyler Chesser [00:23:25] Absolutely. And I think that's a great comment because, you know, at the end of the day, while tax strategy is a major benefit of investing in real estate, it is not the only benefit. And in fact, you know, it should not be the driving force behind what you're doing. The driving force should be great assets and focusing on the economic benefits of those great assets. And, you know, I think a phrase that really is a guiding light in this thought process is don't let the tax tail wag the dog. Right. And so, this is a component of the strategy. It is not the strategy.

Bernard Reisz [00:23:57] Exactly. Viewing take that narrow view on tax tools can lead to, you know, suboptimal choices. We tell people. What I like about real estate is, it gives you great optionality in terms of asset classes, investment opportunities, tax tools. But a 1031 exchange, you know, I'd say to people I'm selling a property. I have a huge capital gains tax issue. Get into an exchange with the perspective that if the exchange fails, that's okay. Because you don't want to use what the exchange drive you to purchase an asset that you're going to regret buying. It's a small investment to get into an exchange, to have the option to complete the exchange. You don't have to. If you don't within that 180 days, you don't have a deal that you like, pay the taxes. You'll be much happier than getting into a bad deal.

Tyler Chesser [00:25:05] I've personally done that myself, you know, over the past few years, You know, it's been a irrationally exuberant market and it's been challenging to find great deals. You know, they definitely exist, no question about it. But under that time frame, 180 days, you know, it's a pressure cooker. And to your point, if you're not able to locate the deal that makes sense, pay the tax. You know, because I've seen people get into really, really bad deals because they just want to avoid the capital gain. So with that, let's let's kind of go back a little bit and talk a little bit about 1031 exchange, because you were talking about the reset of basis and the reduction of basis in terms of, you know, taking cost segregation, because that obviously puts you in a position where, you know, it's going to be recaptured. But another strategy that you can apply on top of that, if you locate the right deals, are to exchange into, you know, your next opportunity. So talk a little bit about 1031 exchange for folks who may or may not be familiar with that provision.

Bernard Reisz [00:26:02] Okay. Yeah, let's take it kind of ground up. Essentially, what an exchange allows you to do is avoid recognizing capital gains when you sell real estate. And the way that's done is by ensuring, you know, what in the eyes of the tax code, is continuity of investment. So just as if you buy a building for $10 million and it appreciates in value, and today it's worth $20 million, you don't pay tax on that $10 million of appreciation. You only pay that tax. That depreciation, as we call unrealized gain. It's unrealized because it's untapped. It's kind of there, it's sitting there. But you haven't realized that upside. Now, suppose you actually realized that gain, right, it means you sell the property for $20 million. So now you just realized that $10 Million of benefit. That's where the tax code says, okay, you now have to recognize that $10 million of economic benefit that you got and you got to pay taxes on it. With a 1031 exchange. What the tax code said is we're going to essentially treat that gain as if it's unrealized. We're kind of going to look at this as if we're still holding the asset and never sold it. Kind of you're still in that deal. And the way that's done, a lot of ways to do it. But the way it's done in almost every case today is using the IRS safe harbor for 1031 exchanges that requires a qualified intermediary. So you have your property, your selling it for $20 million. What you do is you enter an exchange agreement with ReSure 1031 exchange services. And what you do is you assign your sales contract to us. It's kind of an assignment for tax purposes only. And so for tax purposes we step into your shoes. And the proceeds at the closing rather than going to the seller, you know, going to the investor, they come to the qualified intermediary, they come to us, ReSure 1031 exchange services, holds the money. And the idea is that the investor never actually cashed out. And then they have 180 days from that closing period to find another property to acquire. They negotiate and enter into the purchase and sales agreement, just as they would with any other deal, arrange financing, just as they would with any other deal. And then when it comes to closing, again, they assign the purchase contract to us. We fund the deal. And at that point, the 1031 exchange has successfully closed. They get their full sales proceeds. So suppose the net proceeds from that $20 million sale were $10 million. Right. They had closing costs and paying off the lender. They had to pay out $10 million. So we're holding $10 million. Now they can go out and buy $30-$40 million of real estate. Right. Rather than buying, you know, how they pay the capital gains tax, they'd be buying, you know, more like, you know, $20-$25 million in real estate. Now all of a sudden, they're able to buy $30-$40 million of real estate because the full $10 million is available for the next purchase. But the idea is that being that they assign the contract to us, we held the funds during the exchange period. The idea is that the investor never actually realized that $10 million of gain and they don't have to pay any taxes. That's 1031 at a 30,000 foot level.

Tyler Chesser [00:29:56] Absolutely. And there's so many other nuances to discuss. And, you know, just in the timeframe of our discussion today, we'll leave it at that. But I do want to encourage the listener to go check out everything that Bernard is doing at resurefinancial.com. Because you're educating. You're providing resources. You're providing a community to gain context in terms of making more intelligent decisions around these factors and around these options at our disposal and these tools so that we can make intelligent choices. So this is great stuff. I'd love to touch on a couple other sort of strategies and thought processes before we transition to the rapid fire section of the podcast. Talk to me about what role, you know, self-directed IRAs come into, you know, into play for solo 401(k)s or QRPs and these kind of options at our disposal. I mean how do these come into play for real estate investors as well?

Bernard Reisz [00:30:50] Yes, so many different ways. There are two sides to this. One is the question of what goes on inside of a tax sheltered retirement account. So a tax sheltered retirement account, whether it be an IRA or a QRP. And I'm going to put a two minute context on those two things. IRA is short for Individual Retirement Arrangement. QRP i an abbreviation for Qualified Retirement Plan. Both of those come in many, many different flavors. But there's been a lot of confusion around some of these things, particularly qualified retirement plans. So qualified retirement plans are something that are actually ubiquitous and we've all encountered. Anybody who ever had a 401(k) plan, they have had a qualified retirement plan. It's easier to say QRP. The distinguishing feature between QRP and IRA is the "I" in IRA is for individual. At its core, like the first words of the tax code for defining IRA, it's a trust set up for the benefit of an individual. A qualified retirement plan is a trust set up for the benefit of employees by an employer, and that also includes self-employed folks. So QRP is tied to a business. IRA is tied to an individual. Each of those have many sub-accounts, but essentially at its heart, the tax code is only telling you tax incentives, the tax code and Congress are not trying to be your financial advisor. And that's a general theme in tax code. The idea is--The general rule is to be economically neutral unless, you know, unless Congress is specifically trying to incentivize something. You know, what they're often trying to incentivize is investment in capital assets. That's why we get really attractive depreciation deductions, because they want to incentivize us to buy real estate to develop real estate. So what does the Congress say about what you can invest in your IRA or 401(k) plan? Almost nothing. Right. So it's not like, you know, people are under the impression that, you know, if you haven't heard of self-directed retirement accounts and know that you can use retirement accounts for real estate, people think somewhere in the tax code it says you can invest your IRA only in stocks and bonds, that it has to be at Fidelity. Sometimes folks are exposed to self-directed retirement accounts think that the code says you can invest your retirement account in real estate. The truth is, the code doesn't say anything. So real estate and stocks are kind of on level footing. We have a very small list of stuff that you cannot invest in. Other than that, it's kind of fair game. So the first question is, what are you putting into your IRA? Are you putting, you know, ETFs and stocks or are you putting real estate? Either one of them can work, but it's often an eye opener to folks. Now, there is no doubt that real estate should be a key component of every investor's portfolio. And so just as outside your retirement account, you may say, hey, I want real estate to be a piece of my portfolio. In your retirement account, you may say the same and you may also have the outlook like, hey, I want to go all in on real estate. Very much private investments are dictated by connections, knowing the right people, finding opportunity. So if you're that guy that has access to either real estate deals directly or access to people that have that access, right, the real opportunity is going to be come from private deals. The stock market itself, without getting into all the nerdy stuff, I know you mentioned the term irrational exuberance. That'd be a great book. Folks want to read that, right. The stock market itself doesn't for whatever, you know, obviously, we all know people, whether we know it from headlines or maybe we know somebody individual that has done well in the stock market, extraordinarily so. The general theme is, is that it's you're not going to beat the market. Right. Whether because of irrational exuberance, whether it's because it's an efficient market, whatever, you know, whatever theory you're going to subscribe to. The general rule is the stock market is not where are you going to get upsize return. You know, over time, you should do well. Where [00:35:44]the real opportunity lies is where markets are not so efficient, where there's opportunity to get in there and add value, and that's going to be private stuff. So and that's where that going to be, most likely real estate. [12.7s] Financially, you know, it makes sense to invest your retirement account in real estate, and that is doable with an IRA or a qualified retirement plan. Now, which structure you get is very much a function of your tax profile. So this is not one size fits all. Getting the right account structure for your tax profile can be worth hundreds of thousands to millions of dollars, either in higher upside or in avoidance of penalties for getting the wrong one. So it is not one size fits all, but that's one component of self-directed retirement accounts is what's going on inside the retirement account. The second side of it is, okay, ultimately it's an IRA, it's a 401(k), It's a defined benefit plan, which enables you to play with your annual tax liability. Right. So say you're a syndicator. You may have one component of your business that generates capital gains, but you may be getting acquisition fees, right. And that's ordinary income. While you may benefit from setting up a qualified retirement plan where you can deduct, you know, up to, you know, $60,000 to $70,000 per year. Again, it's going to be a function of your income. So it's not like you get that automatically. Or setting up a defined benefit plan where you may be able to get hundreds of thousands of dollars in income tax deductions per year. And then put that into a defined benefit plan or a 401(k) plan, and then in that plan, you can then take that money and put it into deals, right? So it kind of works. Hey, you take another $100,000 tax deduction, you put it into this qualified plan and now you invest it in real estate. Right. That is incredibly, incredibly powerful. And you're putting it in real estate where you most likely will never recognize any gain. Right. Something comes up a lot is, if I have a real estate in my retirement account, can I get the benefit of cost segregation study or accelerated depreciation? And the answer is, usually, you do not. Because whatever goes on in your retirement account doesn't flow through to your personal tax return. It's kind of its own taxpayer. But the reason why you don't get the benefits, so to speak, of depreciation and retirement account, because it is a retirement account is something that is actually more, in a sense, more powerful than cost segregation. You get deductions when you're doing an activity that generates taxable income. Can you get deductions? Right. But it's an activity that exists in a tax free zone. Right, then. All right. There's no income tax, but of course, hand in hand, there's no deductions. So that's that's kind of the idea. So we talk about self-directed retirement accounts, There is number one: what's going on inside the account? Number two is: how does having that account impact your your tax return? You know, are you going to use this solo 401(k) or defined benefit plan to create $50,000- $20,0000 in tax deductions that you can acclaim on your 1040 or, you know, whether it's a partnership, you know, is going to go on your K1 each year? I know that was a mouthful.

Tyler Chesser [00:39:30] Bernard, this is, I mean, you know, the wheels are turning. And I think ultimately what you're describing here is there's so many options at our disposal. And, you know, you've got to be surrounded with people like Bernard to help advise you, to help you make informed decisions. So I appreciate you going through the detail in terms of, you know, the pros and the cons of this particular strategy. And, you know, it kind of goes back to the earlier part of the comment or the conversation about you've got to look at this from a multi-disciplinary lens and understand how does this impact the broader strategy or the outcomes that you're looking at to accomplish and live to the fullest and elevate your life. Ultimately, that's what this is all about. I want to transition to the Rapid Fire section of the podcast. Before I do that, you know, is there anything that you could share just briefly about another strategy? And this may not be possible. This may need to be part two of our conversation about investor centric life insurance. Is that something that we could touch on fairly quickly here? What do you think?

Bernard Reisz [00:40:29] Let's try to do it quickly. And I just caveat, life insurance and like almost everything out there, you're going to have it's folks that are selling it as a it's the best thing since the invention of the wheel and you have folks that are saying that its the most awful thing out there, watch out for all the salespeople, it's a terrible thing to do. And the truth is always more nuanced than that. So it is true, life insurance comes with commissions. Now commissions are not a bad thing if the people that you're dealing with are not totally commission driven. So here's a thing. Life insurance is something that is, I think, it enables you to do a couple of things. Ultimately, yes, there are some folks and I've dealt, you know, we deal with a variety folks, and every outlook is, you know, is acceptable, if that's your outlook. Folks are like, hey, I don't care about it's while I live, after I'm gone, who cares? Right? So the thing that life insurance is best at, whether it be cash value life insurance, term insurance, is life insurance. Right. And I think most folks that are actually, if you're elevating your life right, you're not looking at it like, okay, how much can accumulate during my lifetime? Après moi, le déluge. That's Napoleon. They asked Napoleon, what's going to happen after he dies, the French Empire? He said like, "After me. Who cares?. Like when I die, I don't know. You guys worry about that, I don't really care." So, protection for our loved ones and family enables you, when you know that they're protected because you have a life insurance policy in place, to take greater risk sometimes for greater reward in other areas of your life. So risk management is key because you never want to strike out, right, if you have a balanced approach. You never want to strike out. So you always want to protect your downside and you always want to have some sort of--having a safety net is really what enables you to pursue other things. Now, could be a safety net like, hey, I'm financial secured enough that I'm never going to work again. Right. I'm going to the beach. But it could be, hey, I'm financially secure enough that now I can explore other avenues that actually have greater financial upside, greater potential. So having downside protection enables you to actually pursue greater upside. So every real estate investor typically needs downside protection, whether that means because, you know, they have loans that they have to pay off because a lot of debt involved in real estate and you don't want to lose your assets, somebody's gone, they need somebody that is going to come in there and say, hey, we don't want your family to lose everything that you lost. So, hey, there's a life insurance policy, very cost effective way to guarantee that if you're not available, there's going to be an instant payoff of all debt and to pay for whatever your family needs. But let's take it further than that. I know we're going a little long. The other thing is life insurance, the cash value of life insurance. Yes. It cannot compete with the returns of a typical real estate investment or the stock market. That is 100% true. But it is depending on the type of policy structure, it is very, very dependable growth. And real estate investors typically, right not always do you have a deal. Now where do you put cash while your between deals in a way that is fully protected, that it is growing in a tax advantaged manner. Cash value life insurance could be that tool. Now, for somebody that doesn't touch real estate, that just wants to be all in on the stock market. Yeah, I agree. Just buy the stock market. Cash value life insurance thing is not really a thing. I agree with the detractors wholeheartedly. So go to Bogleheads and see all the people that say cash value life insurance is awful. They are completely right from their vantage point. But if you're a real estate investor and what you're looking for is cashflow, what you're looking for is hard assets. You're not buying putting 78% of your portfolio in Vanguard mutual funds, and you're looking for a place where your money doesn't--theres no volatility, it grows dependably and you can access that cash when you need it, cash value life insurance can be the tool.

Tyler Chesser [00:45:16] Bernard, phenomenal stuff. And I do appreciate that because if anybody does any research on what we're talking about, they're going to get conflicting viewpoints. You know, to almost the highest degree. And it's like you hear that it's the greatest thing and it's the worst thing simultaneously. But to your point, it's all about what are your goals and what is your investment approach and what are you looking to accomplish? So that is great stuff, bernard. I do want to encourage the listeners to go check out your resurefinancial.com so that they can go deeper on these concepts that we're talking about today. But, Bernard, before I let you go, I want to dive into a few of my questions here from the rapid fire section of the podcast. It's called the Rare Air Questionnaire. It's all about being uncommon. And as we switch gears a little bit, talk to me about two or three of the most impactful books that you have read over the past few years and what those are and why they've been so impactful for you.

Bernard Reisz [00:46:08] Okay. My go to for this is always going to be [Nassim] Nicholas Taleb's "Incerto".

Tyler Chesser [00:46:17] I haven't read that one.

Bernard Reisz [00:46:19] No. The "Incerto" is the name that he gave the series. Right? So he's got the "Black Swan," "Fooled by Randomness." So it's that series of books, the name that he's given it, the series, is "Incerto." I think that's a pronunciation. You know, it's spelled with a "C". I think that's an awesome series. A book that I suggest for folks that are not up to reading the series is "The Drunkard's Walk". "The Drunkard's Walk," again, it's a lot about randomness. That's what it's about and it's not just about how you think financial stuff. It's almost a lens, you know, on life and realizing that life is a great extent unscripted. There are opportunities. It was an eye opener for me. For me that comes from in, it's kind of, you know, you the trajectory nerding out and you first get exposure to efficient market theory and hypothesis and you almost begin to like give up on life. Like, hey, this book, this script was written, you know, I'm just acting out of script. It's kind of all mapped out. But somehow that doesn't jive with your personal experience or what you observe. You're like, hey, no, this world is a place where there's a lot of randomness, a lot of opportunity. And it was just great to see folks that are scholars that point out what we actually live and feel. Opportunity is there so be ready for it.

Tyler Chesser [00:47:49] I love that. And yeah, and Nassim Taleb is such an amazing author and thinker in one that allows you to interact with reality in such a closer lens and one that, you know, you're not fooled by the thought of, well, I'm just this great investor or I'm this terrible investor, you know, or I've made all these terrible decisions. It's understanding that there is a huge level of randomness. But beyond that, I mean, I totally agree and is "Antifragile" in that series as well?

Bernard Reisz [00:48:17] "Antifragile" is in there.

Tyler Chesser [00:48:18] So good. So good. We'll put a link in the show notes where the listeners can find those books. Bernard, aside from what we've already talked about today, what is the biggest way that you elevate your life on a daily basis?

Bernard Reisz [00:48:29] So, this is evolving at the moment. What I really think it is, is taking, all right, there's all these great books that we've referenced, all these great thinkers, great concepts that are out there. But ultimately, it's about being you. And I'll confess at a certain point of actually stopped reading a big, you know, this genre to a great extent, because I think at the end of the day, it all comes back to, there are so many incredible authors out there, but ultimately, what you want to do is be yourself. And to a certain point you're like, okay, I've seen all this great stuff out there, but I've reached the point where, okay, I am me. I've incorporated some of this stuff. I've taken different things, I'm eclectic, but I'm just being myself. And I think that's a great way to elevate your life is to value yourself, recognize your own value, get out there, be yourself, and show the world what you can offer it.

Tyler Chesser [00:49:31] Sometimes we just need to go back to the basics, right? It's, you know, it's not about going out to get the next tactic or tool or technique. It's about looking within and saying, well, what really resonates with me and who am I? So thank you for the profundity in that simplicity and the wisdom there. So that's great stuff. What's the biggest way that you elevate others around you, Bernard?

Bernard Reisz [00:49:53] Okay. The biggest one I try to do. Something that I put out there is that we should be doing that hopefully in in every interaction that we have. Sometimes I hear these folks, and folks are like, oh, well, you know, I give some charity or I engage in sort of fundraisers. I think in every interaction that we have, right, where we elevate others is not going to be some sort of other ancillary activity that we engage in. It should be in every interaction and I hope to bring to every conversation that I have the integrity, the honesty and the consideration. And hopefully we all bring that to our conversations. You know, thoughtfulness in every interaction.

Tyler Chesser [00:50:38] Bernard You're putting out so many, you know, great things into this world, and I want to acknowledge you for that. I want to acknowledge you for, you know, being, you know, being yourself, being this nerd that you are, which we all love now and, you know, showing up and being an educator in so many different ways as a multidisciplinary practice, I just think it's admirable. I think it's awesome. And, you know, we are all better for it today. So I just want to thank you again for being on the podcast. Do you have any parting thoughts or words of wisdom that you'd like to share with Elevate Nation?

Bernard Reisz [00:51:08] I think that's a key word to focus on. Maybe I subliminally, maybe I got it somewhere on the web from you, but I love that word "elevate". I really, really do. And understanding what elevation really means, I view it more in a conceptual and abstracted sense. It's not about, you know, elevate your bank account. Elevate yourself.

Tyler Chesser [00:51:31] I completely agree. And, you know, that is the essence of this is, you know, elevate can mean something different for all of us. But it is about making it count, making, you know, your life really speak to yourself and others around you, make an impact, make a difference, and live your life to the fullest. But Bernard, thank you again for being on the podcast. Tell the listeners where they can find you and learn more about what you do.

Bernard Reisz [00:51:54] Glad to share that. Best place is resurefinancial.com. That's R.E.S.U.R.E Financial dot com. We've got a members space and we're always putting out new content. A lot of it is on social media but in members.resurefinancial.com, it's searchable, it's curated, categorize, 1031 exchange, asset protection, retirement accounts, cost segregation. So that's a great place to check us out. On our website, there's a button you can click to schedule a meeting to send us a message. We definetly look forward to connecting with folks and helping them elevate their real estate tax game.

Tyler Chesser [00:52:34] Yeah, we'll put a link in the show notes as to where the listeners can find you as well as across all social media. And listeners can also go to members.resurefinancial.com for free real estate tax and legal education covering real estate tax strategies and tools. So, Bernard. Until next time my friend, thank you so much for being on Elevate podcast.

Bernard Reisz [00:52:55] Tyler, thanks so much for hosting me.

Tyler Chesser [00:52:59] Elevate Nation. Bernard Reisz bringing tremendous value and wisdom in today's episode. I hope you enjoyed that half as much as I did. And you know, there are times where it may feel like there are so many options at our disposal. So, you know, you get a little analysis paralysis and you say, oh, you know, it's just too complicated. Right? But, you know, the calling is to fight against that and to say, you know what, There are so many options at our disposal, so let's get creative, let's get resourceful and let's get more intelligent. And knowledge is potential power. It gives us the opportunity to now take action. It gives us the opportunity to apply wisdom and thinking and move forward and integrate that within our approach. And so I want to encourage you to relisten to this podcast and this episode today so that you can consider how this may impact you, so that you can consider what you may have missed the first time around listening to this podcast. I want to encourage you to have a discussion with a friend and talk about what are your top one, two or three takeaways from this episode. Does it have something to do with, you know, the thinking of what's the net present value of the tax savings that I can incorporate within my strategy and how can I apply those tax savings and what does this actually look like from a bigger picture so that I can maximize my opportunities within real estate? Or does it have something to do with, you know, the multidisciplinary approach? Right. Or did it have something to do with the thought process of applying a, you know, a self-directed IRA or a QRP? What was it that you took away from this episode? So I want to encourage you to have a discussion with someone else. Maybe it's a business partner, maybe it's someone that you're looking at doing business with. Maybe it's your spouse, maybe it's a friend. Have a discussion with them about what you learned today and pay it forward to them and talk to them about perhaps, maybe some things that you think we're left out of this discussion, maybe some of the pros and cons of investor centric life insurance. How does that apply to you? And so as you have a discussion, that's when you really the juices start to flow and you really start to learn even more. And really, again, knowledge is potential power. The real power is in taking massive action. So I want to encourage you to go out there and take massive action, elevate your life, elevate others around you. And until next time, I want to thank you again for listening to today's podcast. Until next time, I hope you have a great day and we will see you next time.