

Speaker 1: This is Financial Detox, helping you retire with confidence, featuring Jason Labrum certified financial planner and founder of IDA wealth: intelligence driven advisors. For over 20 years, Jason has shown people how to steer clear of toxic advice, achieve financial peace of mind, and manage their wealth from maximum impact. Join Jason and cohost Alex Klingensmith as they simplify the complex, share industry secrets, and provide proven strategies designed to take you from financial insecurity to financial independence. This is Financial Detox.

Jason Lambrun: Welcome to Financial Detox. It's Jason Labrum, your host, and I'm in studio today with a very special guest and good friend, Mr. Rich Gaines. I call him the profit maker. This is going to be an exciting show if you want to stay tuned because what you're getting today is 35 years of tax, of legal, of business experience combined with my, what seems like measly 22 years, when sitting next to you, Mr. Rich Gaines. But, so we'll add those up and-

Rich Gains: Twenty two is a long time. Don't sell yourself short, buddy.

Jason Lambrun: Is this why my hair is turning gray?

Rich Gains: I won't say what you looked like the last time I saw you.

Jason Lambrun: Son of a gun, it just is happening so fast. Anyway, we're excited to be here with you today, absent of Alex Klingensmith but we are bringing in Rich Gaines, so it's going to be a lot of fun.

You can always give us a call at 877-707-8889 that's 877-707-8889 and you can check us out at financialdetox.com or go check out financial detox anywhere podcasts are played. We're on AM 760 and that's on Saturdays at 1:30 but you can get it on a podcast anytime of the day and up to 150 shows of our previous shows are resting in the podcast stations, that's Stitcher, Spotify, Podcast Player, all that good stuff. So enough of that, welcome Rich. Good to have you, buddy.

Rich Gains: Hey, great to be here, Jason.

Jason Lambrun: Glad to have you back.

Rich Gains: Been too long. Great to be back. You're looking fantastic. I really am excited for everything you're doing now. It's wonderful. Glad to be here.

Jason Lambrun: And now we get to do it out of the studios right here at the Financial Detox Studios in Carlsbad as opposed to driving down to the radio station or whatnot. But Rich, it's fun to have you back because every time I sit down with you I learn new things and we have mutual clients that we work together on and I learned things that way. But you're a unique pedigree just coming from being, I mean you're legally or technically you're trained, you're a tax accountant, right?

Rich Gains: Tax attorney, yes.

Jason Lambrun: Tax attorney. So you have a complete and total understanding of taxes and what people can do from a tax planning perspective. You also have a great understanding and have done several trusts for our clients and different things. And from a trust perspective, you do a great job. But you've also been a businessman and you help business owners grow their business. [crosstalk 00:03:15] and so there's so much to bring together. And as we, at Intelligence Driven Advisors work with different clients, we have 1300 clients now, we are introduced to or have all kinds of challenges to solve for our clients and problems to solve for and opportunities. So it's really exciting to have you on our team and, our virtual team anyway, and help us do this. But we wanted to talk about a few specific things. We hit-

Rich Gains: Yeah, let me just cut into that real quick if you don't mind. So I was just going to say one of my differentiators is that I really have the distinction if you will, of having not only the law degree but then I got an advanced degree in tax laws. So I have the tax side of it. And over the years I've done a lot of business work, not only for myself but also for a lot of business owners. So when you look at business coaches, they don't have the legal and the tax knowledge. When you look at a regular lawyer, they don't have the tax background. When you look at a tax guy they don't have the business side of it.

There's different levels of clients. There's basic, there's people that are pretty straightforward and we're just doing the basic work for them. And then we have the secondary level and the third level and a lot of the clients we've been working on lately have been in that third level. We've been looking at the creative planning that's going on, so I just wanted to mention that, that the way we collaborate together with our clients, it's really fantastic.

Jason Lambrun: It is. I like what you said earlier pre-show, we were talking about level one, level two, level three, right? Basically you figure out from a business owner, because we work with a lot of business owners, and you're trying to minimize the tax you pay, exercise your constitutional right to pay the least amount of tax possible. You first start at level one, you had mentioned, why don't you go through that level one you had said, I think expenses, level two is deductions and contributions and so on. Will you talk about that for a little bit?

Rich Gains: Absolutely, that's exactly right. It was a level one is what I call kind of the obvious, business owners want to take all the deductions that they can take: your expenses, your travel, your equipment, the supplies, the things that you're doing for business. And obviously you have to make enough money and put enough aside for yourself, for your lifestyle, the vacations you want to take and the things that you need for your family, but you want to maximize those expenses. That's kind of a level one.

The level two is the retirement planning, that's where we're really looking at those opportunities, putting money away into your 401ks, into your Roth IRAs, into your Defined Benefit plans, cash balance plans, looking at the maximum opportunities that you can take. And then the third level really gets into the real high level strategic where we're talking about your structure, changing the structure of your organization, looking at things differently, your entities, looking at possibly using insurance in some way, shape or form. When you've done all of the basic planning in place and there's nowhere else to hide, that's when we want to get into the real creative solutions, which is again about expanding how you do your business, taking advantage of the different structures that are out there for tax planning and then using insurance and other strategies, gifting strategies that that can really maximize the tax benefits.

Jason Lambrun: Yeah, that's fun. I mean there is an almost limitless amount of creativity and keeping it out of the gray zone, right? Operating in the, you're not in the black zone, you're in the white zone, you're clean, you're doing things legally and you can do a lot of things to reduce your tax liability to maximize the amount of money you pass on to heirs. One of the things that we've done, Rich, recently I don't know if you're aware of this, we started this intergenerational planning experience, which it'll be great to have you in on some of these cases because we're just really getting it going here in 2020 where we're bringing in multiple generations.

Maybe the grandparents, the parents and even the kids, right? Could be three generations and we're creating a family mission and vision around wealth. Like what is the purpose of our wealth? Are we philanthropic? Are we going to give to organizations? If so, what? Are we trying to create lasting wealth throughout multiple generations? So this intergenerational planning experience oftentimes will get really deep into that third creative zone where we're looking at ways to create wealth that lasts for multiple generations, which is pretty special when you can start to do that and get the whole family thinking together and thinking intelligently about their wealth.

Rich Gains: That is the most special kind of planning. It's awesome. It's legacy planning really when you think about it, and I kind of have a saying, everyone leaves a legacy. It's just a question of is it one of your own choosing and one that's going to make you proud. And so what you're doing is you're changing the conversation. You're changing the thinking and the way people think and talk about wealth, not just in the money, but in the values, the beliefs and traditions that they're using for their family, for what's important to them, what's meaningful to them.

Jason Lambrun: And also what are the values that lead to being able to create that wealth? Right? Because there's a set of characteristics and values and moral compass that typically leads to the creation of wealth. So how do we instill that gently through meetings where we lead these meetings and it's not the grandparents

harping on the kids, it's us gently asking questions and helping shape this conversation. It's really fun.

Rich Gains: Oh, it's great. And it's very different mindsets. The creators of the wealth have a very different mindset than the kids who kept going on [crosstalk 00:09:00] making the family business run.

Jason Lambrun: Yes.

Rich Gains: And then usually the grandkids, great grandkids, they don't really sometimes have that appreciation. But you know what, if you can get those kids into that wealth conversation early and sometimes you don't have a choice because the kids may not want to work in the business.

Jason Lambrun: Right.

Rich Gains: And I see we're running up against a stop here so I'll pick that up.

Jason Lambrun: Let's pick it up and then I want to talk about the gifting too, the always misunderstood annual gifting strategy. So let's talk about that when we come back from break. Stay with us. It's Financial Detox.

It's Financial Detox and we're back with the profit maker, Rich Gaines, and we're talking about all kinds of things: tax, law, business. And so thanks for being with us. If you want to get ahold of us and I can put you in touch with Rich Gaines if you have legal or tax issues. If you have complex estate planning or complex situation at all. What we do is Rich and I will get together with you and you'll get both of our perspectives. We'll do a discovery meeting, get to understand your situation and come up with some phenomenal strategies. Between the two of us, I think we're resting on somewhere right around 57 years of combined experience, not counting the other 350 years experience at my team here, the Financial Detox team at Intelligence Driven Advisors, but Rich, we were chatting and of course we go long and there's no shortage of good conversation and when we're together, it's good to us. Some people probably would fall asleep as we talk, but that's okay.

But here we go. One thing you mentioned before the show too is about gifting and this is a pretty simple, it's actually probably one of the most simple estate planning strategies is to gift money. Literally just gift it. But you said how it's so misunderstood and misused and it struck a chord with me because you're right. I mean even when I start talking about, I often just overlook the fact with clients that you can gift a lot more than a \$15,000 a year.

Rich Gains: Yeah, absolutely. That is one of the big misconceptions that you can only do \$15,000 a year to each beneficiary, each kid that you want to give money to. The misconception is that you can actually gift up to the total amount of

exclusion that you get from estate tax and gift tax, which is 11.4 million, right now, so you can make a onetime gift up to 11.4 million and never pay any gift tax.

What that does is that opens up tremendous strategies and ideas and creativity for families and their kids to be able to make gifts of homes, to give stock, to gift interesting companies and do things like that and you never have to worry about paying in a gift tax. The only thing you have to do is file a gift tax return. Well, so what, that's not a big deal. And so that's a tremendous advantage, I've had a lot of clients that aren't necessarily high net worth clients. And he's just saying, "well can I just give my home to my kid?" We see this a lot in families, that they have an extra home and they just want to give it over to their kid. Let the kid, who's married, maybe have kids now, they just have a home.

And I'm like, absolutely, you can just make that gift and there's no consequence to it. And so it's really one of the lesser known techniques, if you will, or just strategies that we can use for people and give them tremendous benefit in their families.

Jason Lambrun: Totally simple, but yet often overlooked.

Rich Gains: Absolutely. And it's just a matter of having that conversation and these are just things that people are living their lives and they just don't know about this stuff. So that's why it's really important to have the phone call, to make the phone call to you, to make the phone call to me. I mean I got to tell you when clients call up and they say, "hey, I just wanted to check with you about this thing that I'm planning on doing, what do you think?"

And I just love that. It's so gratifying as a professional to have a client call you up and say, "well, is this okay? Can I do this" as opposed to, "all right, I already did this. Gee, am I going to get in trouble and what can you do to get me out of this trouble?" It's just such a different perspective and opportunity to really be able to help people going in the front end rather than having the problem on the back end.

Jason Lambrun: Right. And oftentimes this is what planning is, right? Financial planning. And we spend so much time with our clients in the planning stage, people think of us as financial advisors or stockbrokers, if you go really old school, which we're not because we worked as fiduciary wealth advisors, but when we are in this planning stage, this is the time, right?

Looking forward to set things up correctly and maximize the efficiency. Even looking at simple stuff like when you talk about one, two, three expenses, traditional deductions and then creative planning for business owners. But so many business owners are unaware of the fact that in a 401k plan, they're not subject to the income limitation for a Roth. And they could be putting away 19

or \$25,000 a year or 26,000 next year, absolutely into a Roth that now is going to grow tax free as things get more complex. And as we get into higher net worth clients, which we deal with a lot, that we have this trio of advisors. And in your case sometimes it's really only two of us because you can do two things, which is pretty special. It makes it fun, but we're able to put the trio of advisors and I call it close the circle of advisors so that then you're getting the maximum benefit.

Rich Gains: And that makes a massive difference for your audience and for the people out there. Because when you look at it, we were talking about if you're just in your own bunker and you're thinking about the world from your own silo, your own bunker, you're missing out on all the other opportunities that are out there. So I may have some ideas that might be, from my perspective, really great from a legal and tax standpoint. But if I'm talking to you and you're going, well yeah, but from a wealth management, that might not make a lot of sense. That's what the benefit of the collaboration is. And then that's how the professionals, when we work as a team, which you and I obviously do, and we've been doing this for a long time, that's the benefit that we bring to the clients is giving them the perspective on all the different areas.

And I do have a saying, I never let the tax tail wag the dog. So a lot of people come in and they go, "well I want to save taxes. I want to save taxes." That's great. Okay, so you're going to spend \$100 to save \$30 in taxes, so you just wasted \$70, that's stupid. Okay, why would we do that? We want to make good economic decisions, we want to have a good wealth conversation, we want to do the right strategies and then the taxes, the overlay, the tax gives you all the additional benefits to the things that you're doing.

Jason Lambrun: In studio with Rich Gaines. I like to call him the profit maker. I'm not sure if that was self subscribed, but I'm subscribing that profit maker to you because the man can help business owners and can help wealthy individuals do some really creative stuff. So it's a pleasure to have you in studio, Rich. And let's wrap out for a minute about this A-B Trust. Because in California it's a probate state, you pretty much need a trust if you have what? Over \$125,000 in assets?

Rich Gains: If you own a home that's the big one and over 150 now, [inaudible 00:16:08]

Jason Lambrun: So 150 of assets and you don't have a trust, then what's going to happen if something happens to you, is California is going to put your estate into probate while they decide what they think you wanted to do with your money, they're going to charge you while they do that, and it typically takes somewhere around 15 months. Nasty, nasty situations. So you want to have a trust, but everybody used to have this A-B Trust because the estate tax exemption was not 11.2 million per individual. It was about 1,600,000 way back in the day, [crosstalk 00:16:40] different deal.

You had to have an A-B trust to split money for one spouse, but now it's all portable. Talk about that, Rich, so that we can help our listeners make sure they know what should it look like to upgrade your trust and make sure that it's current with the current loss.

Rich Gains: Yeah, I call it the unintended consequences of things. So people did this planning a long time ago and when the laws were different, when the tax laws were different and now they have a structure that's much more complex, this A-B Trust, which was all done for estate tax planning purposes, which we really don't deal with very much anymore because of the \$11 million exclusion, 11.4, and so it's really important to take a look at that and get it updated. Because if you don't do it, the consequences are more administration, more cost.

And other unintended consequences that you find is what I call the trust administration process. So when a person has gone or both spouses are finally gone, if the things aren't done correctly, if the planning hasn't been done right, if the structures haven't been set up right, and a real easy example of this is who are the beneficiaries on the 401ks or the IRAs?

Jason Lambrun: Right.

Rich Gains: And what was the trust plan? And a lot of times we see contradictions and inconsistencies in those two areas. So we want to make sure that everything is consistent. What you expect to happen will happen. So that the kids aren't fighting, money isn't wasted. So I love this one, Jason, you're a kid, right? All you had to do is survive your parents. All you had to do is survive. And yet what do these kids do? They start using their inheritance money to fight with their siblings to spend the money. They waste it. And guess who's benefiting? The attorneys of course. Right? So why are we doing this? You know, this is the conversation you talked about the multigenerational wealth conversation. These are the conversations. This is the communication that's so valuable to have a within the family structure and to make sure that everything is updated correctly.

Jason Lambrun: It's been baffling to me throughout 22 years of doing this, how I see really normal people, what seemed like normal people when the parents pass away and normal kids, that things deteriorate so rapidly and people become emotional and really weird when it comes to money and inheritance, and while mom wanted me to have this and dad wanted me to. So I think what I'm hearing you say is that with a little bit of planning on the front end, with the right team of people together, you can prevent this infighting within a family and you can create a structure that makes all this written down and seamless and it becomes a better-

Rich Gains: Yeah, absolutely. And, and a little bit of communication goes a long way. You don't have to talk about the amount of wealth that you have, but you can just

simply talk about what you want to see from the kids and the conversation of doing that. And that's so important.

Jason Lambrun: Right. That's awesome. Now we've got a few minutes here left and I want to talk a little bit about the cost of not taking action. So today we want to give our listeners a special offer and this is an opportunity to sit down with not just me as a second opinion and our team at the Intelligence Driven Advisors group, but also to sit down with Rich. So the two of us together. So you're going to have 57 years of combined experience in tax, in running businesses, in legal. And we will sit down and do a discovery session where we'll get to know you and your situation and what's going on with you. And then we'll provide a framework or structure of ways you may be able to improve ways, you may be able to take some action to achieve your goals. Because in the end, this is all about you're at point A, you're trying to get to point B where you have goals and objectives or you have something you want to happen and how are you going to most effectively and efficiently make that happen?

Rich Gains: You have dreams and then there's the reality, the reality and the gap between the dream and the reality is the blocks that are going on in life. If you think of it, it's like planning a vacation. This is what this process is about. This is like planning a vacation. Where do you want to go? What do you want to have happen? Okay great. Now we figure that out. And then once we know where you want to go, then we figure out how you're to get there. The cost of not taking action is well, what's the cost of not taking a vacation? You're working harder, you're miserable, you're more stressed, you're not having fun, you get grumpy.

But, the idea is that a lot of people focus in on the front end. I've got to make more money got to make more money. If I can save you, if we can save you tens of thousands of dollars, that's worth so much and what you don't have to do to make the money on the front end.

Jason Lambrun: Right.

Rich Gains: So it's a little different way of thinking about it. But the cost of not taking action is tens of thousands to hundreds of thousands of dollars. Maybe even more, could be even millions of dollars.

Jason Lambrun: Oftentimes we see it being millions of dollars of people not taking action. Right?

Rich Gains: That's right. Yeah. The costs not only in lawsuits, but in the tax consequences that come from that. So-

Jason Lambrun: Look at all the famous people or Hollywoods and athletes and people who don't have the proper trust structure and literally losing millions, tens of millions of dollars, that they could have. Now it's going to the government-

Rich Gains: Michael Jackson's estate, Prince's estate. He just recently died within the last year and they didn't have the planning put in place correctly. And of course what happens is you get the family members who are all fighting over who's going to control the money because they know what's going to happen. They want it, they want to keep it.

Jason Lambrun: Yeah. So a little bit of planning goes a long way on this. So again, we want to put it in front of you right now. This is kind of a onetime offering. We don't, we have you on the show every once in a while. We need to have you more for sure Rich, but literally give us a call at 877-707-8889, 877-707-8889R you have a free consultation with both rich and I. We can do it here in our Carlsbad offices. We can do it at a place that's convenient for you, but this is kind of a onetime opportunity so we invite you to take us up on that. You can check us out financialdetox.com that's financialdetox.com. Rich, thank you so much for being here today. Always a wealth of information. You have so much that I see how you would work really well one on one with people because you'd be able to really drive in, dive into their particular circumstances and have so much benefit for them. So thank you for being here.

Rich Gains: Awesome to be here, Jason. It's great. Great to do work with you and provide such good benefit to your audience and the people out there.

Jason Lambrun: Thank you so much. All right. Financial Detox. Thanks for listening. We'll catch you next week.

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