

ATL Report Card

- 1) Walk with the Lord - Daily Habits...
- 2) Health – Doing what I can do.....
- 3) Relationship(s) – Myself, My Wife, My kids, My Friends-Relatives-Neighbors & People in the Marketplace
- 4) Personal Development – Education, Financial IQ, Becoming the BEST version I can.
- 5) Wealth – Financial Freedom – Deca & Hecto
- 6) Contribution – Time, Talent, Treasure & Testimony

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Financial – Formulas & Terms

Net Worth : The measure of everything you own minus everything you owe.

Assets-Liabilities = **New Worth**

Income:

- ▣ Active Income: Active Business Income; W-2 Income; 1099 Income, etc.
- ▣ Passive Income: Capital Gains from the sale of an asset; appreciation of assets; etc.
- ▣ Passive Residual Income (AKA Horizontal Income): Dividends; Rents; Royalties; etc.

Financial – Formulas & Terms

Vitality Factor: Personal Expenses + Deductible Business Expenses (Your TRUE cost of living before taxes and charity)

Horizontal Income Score:

- ▣ The best measure of your ability over time to convert Net Worth to Horizontal Income.
- ▣ $\text{Horizontal Income} / \text{Net Worth} = \text{HI Score}$
- ▣ Example - $\$100\text{k} / \$1\text{M} = 10$ (HI Score)

Nest Egg Theory: Freedom is a number = \$\$
This is what the common thinking believes.

Financial – Formulas & Terms

Financial Freedom Formula:

- ▣ Horizontal Income/Vitality Factor (Monthly Expenses)
- ▣ If this number is greater than 1.3 you are financially free. This accounts for taxes.

Blended Tax Rate:

- ▣ The average rate at which you are taxed on all your sources of income.

Tax Drag:

- ▣ The wealth draining resistance of taxes on your investments & earnings that costs cash today and robs you of the future compounded earnings of those lost dollars.

Tax Drag – Four Principles to Reduce

1) Structure Over Deduction:

- ▣ Pay yourself tax efficiently
- ▣ Tax Rate Arbitrage
- ▣ Plan your exit before you go in

2) Invest Tax Efficiently:

- ▣ Savvy tax planning is the lowest risk way to immediately boost your investment returns
- ▣ In general, long term capital growth investments go in your taxable accounts, and “ordinary income” cashflow investments go in your tax advantaged accounts.
- ▣ Leverage unrealized gains to compound tax free

Tax Drag – Four Principles to Reduce

3) Pay with PRE-Tax Dollars :

- ▣ Push all legitimate business expenses to your business so you can get an automatic discount.

4) Plan BEFORE You Play :

- ▣ Plan the tax impact before you make the play.
- ▣ Meet regularly with your tax strategist & keep them in the loop as early as possible.

Wealth Mastery – Bucket Model

1) Security Bucket:

- ▣ My Vitality Number: \$_____/Month
- ▣ Comfort Zone: X_____ Months

Security Bucket = \$_____



Wealth Mastery – Bucket Model

2) Wealth Operating System:

- ▣ Also known as your CORE fund:
- ▣ Your Core fund is there to be your base of Financial Freedom. To this end, your first order freedom goal is to have your Core Fund generate Horizontal Income in excess of 1.3-1.5 of your Vitality number.



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Blended Tax Rate

Your overall tax rate from all sources of income:

▣ For Married Individuals Filing Jointly:

1. **10%** on income up to \$20,550
2. **12%** on income over \$20,550 but not over \$83,550
3. **22%** on income over \$83,550 but not over \$178,150
4. **24%** on income over \$178,150 but not over \$340,100
5. **32%** on income over \$340,100 but not over \$431,900
6. **35%** on income over \$431,900 but not over \$647,850
7. **37%** on income over \$647,850

Blended Tax Rate

Your overall tax rate from all sources of income:

- ▣ **Ordinary Income:** This includes wages, salaries, bonuses, and business income if you're self-employed. The rates are:
 - For married filing jointly in 2022, if your taxable income is over \$329,850 but not over \$418,850, the tax rate is **32%**. If your income is over \$418,850 but not over \$628,300, the tax rate is **35%**. And if it's over \$628,300, the tax rate is 37%.
- ▣ **Long-Term Capital Gains:** If you sell an asset like stocks or real estate after holding it for more than one year, you'll pay long-term capital gains rates.
 - For married filing jointly in 2022, the rate is 0% if your taxable income is up to \$80,800, **15%** if your income is over \$80,800 but not over \$501,600, and **20%** if your income is over \$501,600. There's also an additional 3.8% net investment income tax for some high earners.
- ▣ **Short-Term Capital Gains:** If you sell an asset after holding it for one year or less, the gain is treated as **ordinary income** and taxed at your **ordinary income** tax rates.
- ▣ **Qualified Dividends:** These are taxed at the same rates as long-term capital gains.
- ▣ **Interest Income:** Typically taxed at your **ordinary income** tax rates.
- ▣ **Rental Income:** After accounting for allowable expenses, the remaining net rental income is usually taxed **at ordinary income** rates.
- ▣ **Retirement Distributions:** The taxation of distributions from retirement accounts depends on the type of account. For instance:
 - Traditional 401(k) or IRA distributions are usually taxable as **ordinary income**.
 - Roth 401(k) or IRA distributions are usually tax-free if certain conditions are met.
- ▣ **Remember, these are federal tax rates. Your state might have its own income tax rates and rules.**

How is money taxed?

THE TAX BUCKETS



- BANK SAVINGS
- MONEY MARKETS & CD's
- STOCKS
- BONDS
- MUTUAL FUNDS

- 401(k), 403(b)
- SEP, SIMPLE IRA
- Traditional IRA
- ANNUITY
- REAL ESTATE

- Roth IRA
- MUNICIPAL BONDS
- LIFE INSURANCE w/ CASH VALUE

Wealth Mastery – Bucket Model

Expenses:

1) Ignorance: Thinking everything is as easy and successful as the things we know and do well!

Wealth Mastery – Bucket Model

“Success is a lousy teacher. It seduces smart people into thinking that they can not lose.”

- Bill Gates

Wealth Mastery – Bucket Model

Expenses:

- 1) Ignorance: Thinking everything is as easy and successful as the things we know and do well!
- 2) Taxes: Reducing Tax Drag is a big income stream.
- 3) Vitality Number: Cost of Living
 - ▣ Live within our Values, not our vanity!
- 4) Fee Drag: Being aware of what our advisors are costing and making sure the value is there
- 5) Inflation:
 - ▣ Now more than ever, so keep this in mind as we figure out our Vitality Number.

5 Foundational Wealth Principles

1) Invest in what you know: Active & Passive.

Your goal should be to expand your Advantages in both areas.

2) Learn how to spot VALUE:

This goes right along with expanding your advantages.

3) Know when you have Won!:

Is it time to pull some “chips off the table”?

4) Know when you are Gambling:

If you know and you are ok with the worst possible outcome, that's ok.

5) Create a winning Strategy & Stay the Course!:

- ▣ Wealth “Bucket” plan
- ▣ Business Scaling plan
- ▣ Asset Allocation Plan

8 Wealth Bottom Lines

1) Actively Contribute to your Net Worth In the most TAX EFFICIENT way.

2) The single most tax efficient way for you to grow your Net Worth is by scaling your Business.

This leverages both Forced Appreciation and Unrealized Gains.

3) You must learn to intelligently and consistently grow your wealth Independent of your business

Both for the diversification of it AND the skills that it teaches you.

4) You must grow your Advantages.

Your First investment should be in yourself. You are your greatest wealth multiplier.

5) Some of your Investing needs to be cashflow moves that create PRI.

6) Structurally mitigate taxes.

7) Start NOW!

The loss of even one compounding period can eventually cost you TONS!

8) Stay the course! – The hardest part of all!

Whew.....