World Internet Experts Series

Controversial Tax Attorney Reveals Secret Strategies The Little Guy Internet Marketer Can Use To Beat The Tax Man

Featuring Drew Miles

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Ted: Good evening, USA! Good morning, Australia! Good night, UK. And welcome all points between.

On behalf of the organizers of the World Internet Summit, myself, who also serves as your host, Ted Ciuba, Brett McFall, Tom Hua and Alan Forrest Smith, we'd like to welcome you to another – like I said – World Internet Experts webcast.

Now, the interesting thing is – as you know if you're tuning in to these calls – is we are focused on internet marketing. And in doing that, we are all entrepreneurs. The majority of people who tune in and listen to this are home-based entrepreneurs or small office, two and three people.

So what are we doing inviting an attorney into the mix today? Well, certainly in a normal sense, you think of someone suing or getting sued. What we're really talking about is taxes.

Now, of course, the attorney who's involved in this has sued and has participated in getting money from people who didn't want to give it up. You could go on and on and on about sometimes the system's not just. But what we've really got here, our guest tonight, Drew Miles, who's highly educated, does have experience as an attorney, does have experience getting assets from people, has turned around, put on the white cap, seen the light, as they say, and now he's helping people like you and me, entrepreneurs.

We happen to be focused on the internet as a medium for marketing whatever product it is, be that shoes, caps, information, whatever it is. And we are, by definition, entrepreneurs. And, if we are successful – which, if you're listening to this call, venture to say you either are or will be – we will create money and that does create tax liabilities.

In the US, we talked about Uncle Sam, the IRS, Internal Revenue Service. I know in the UK, it's IRS too, except it's Inland Revenue Service. And I'll have to get with my Australian buddies and ask them what it is over there.

Not everybody, of course, because there are tax havens, but most of us listening in have income, have taxes. And that's where our guest, attorney Drew Miles, is going to turn on the light bulbs.

Drew, welcome to World Internet Experts.

Drew: Ted, thanks for having me. It's really a pleasure and an honor to be with you and all of your great guests from all over the world.

Ted: And we're glad to have you. And, of course, give just a little bit of background to everybody. A mutual friend of ours and a business associate of yours, Mark Binda, called me up about maybe six weeks ago and said, "Hey, there's this guy you ought to know about. He's an international speaker, he's talking about asset protection, tax savings."

Of course, I respected Mark so I said, “Okay, here’s how you get through the door. You send me his materials.”

Those materials came, and I was blown away. It was accurate. You were giving me – I’m no giant expert, but I am experienced – you were giving me ideas that I hadn’t heard of before. And then you had a call with me directly, a consulting session. I said, “Whoa! This is the real deal! Why? What’s going on? Why haven’t I heard any of this stuff before?”

So basically, you started talking about real tax savings.

Drew: Real tax savings, real dollars, real money that you can spend, that you can save, that you can invest, that you can go out and buy a car with, whatever it is that you want.

By background, you’ve mentioned that I’m an attorney. I practiced law in New York State. I had my own firm for about 12 years. And my area of specialty was primarily business and real estate, but our firm sued hundreds and hundreds of people.

When I say sued, I mean started lawsuits against them and went the full 99.9 yards over into the end zone and scored a touchdown; not just by winning the lawsuit but by actually collecting judgments, enforcing judgments.

So I know the world of enforcing judgments. You see Repo Man on TV, late-night TV. You see one of those cop shows, and you see a guy back up to a Mercedes Benz, hook up his tow truck to it, and 15 seconds the Mercedes Benz is gone.

In civilized society, there's laws that allow that. And what we used to do is put our clients in a position where they were taking away other people's assets.

Well, I saw the damage that can do. That can be devastating to somebody, even if it was rightfully done or properly done.

So what I've done is I've come over to the good side, as I like to say. And instead of working for the bad guys, I now work for the good guys and teach them how to avoid that kind of catastrophe in their life.

Ted: Okay. Now I want to make sure that this is coming home to everybody. And you correct me if I'm wrong in what I understood you saying.

In the past, because your client came to you and said, "This company that sold me this product on the internet, this company that sold me this product in mail order, this company that fixed my car, these little guy entrepreneurs making a couple hundred thousand a year, trying hard to support their family and send their kids through college, you went after them and you destroyed their life, and you even robbed their transportation out of their driveway.

Drew: You make it sound like I'm a bad guy. That's exactly what I did, though. And that's what our firm did.

Ted: And that's what can happen to anybody who's not protected, right?

Drew: It can happen to anybody, if they're not protected. That's the bad news.

The bad news is it doesn't matter what kind of business you're in. You can be an internet marketer. But no matter what you're selling on the internet, you can be sued at any moment. In fact, statistically speaking now, my statistics are confined to the US. Canada, by the way, is not far behind. But the average businessperson in America gets sued or is involved in five to seven lawsuits in the course of his or her life.

In fact, one in four people will statistically get sued in the coming year.

So it's not a question anymore – in this day and age – it's not a question of if you're going to be sued. When you're a businessperson, the question really is when you're sued, are you going to be properly set up, properly structured in advance to withstand that lawsuit and still be able to thrive in business.

When you're not properly structured, I have seen total devastation, total financial devastation. There's two big topics we're going to talk about tonight. I'd love to share war stories and I could go on for hours, just about the asset protection. But one story I think it's important for me to share is one of my own closest friends growing up.

When I was in college, in law school, my buddy Pat was out starting his own business.

I grew up in a family business, so understand that's my perspective on things. My heart is in business. Being in business gets in your blood. That's my frame of reference is being the businessperson, being an entrepreneur.

So here my buddy is, I'm studying in college and law school and he's out starting a business. His family business was a marina growing up, so he began to sell boats. The kind of boats he sold were high-end boats. We call them performance boats. They're like $300,000 to half a million dollars apiece.

Ted: That's high-performance.

Drew: They really perform. These are boats that do 70, 80 miles per hour. On the water, that's like a jet.

So he began to sell a good number of these boats. And he realized before that book *Multiple Streams Of Income* or Robert Allen's follow-up book *Multiple Streams Of Internet Income*, before they were ever written my buddy Pat was practicing those techniques.

So he said to himself, "What else do people that buy boats need? What else do they need? Well, they need a place to keep the boat." So he started a marina. And they need repairs, so he started a repair shop. And they need storage. Up north, we're in New York at the time, they need a place to keep those boats not only in the summer but also in the winter.

So he started to build this little empire. And that empire got to be worth about $10-million in only a few years.

But like most people who we're real close to, they come to us for advice. Often, I find family does this. They come to us for advice, and we give them the benefit of our knowledge and expertise. So I spent hours explaining to one of my closest friends how to structure himself to prevent problems. He, of course, being a close friend, almost a family member, disregarded my advice.

Everything was going along just fine. He was almost sort of skipping down the street, looking at me saying, "Ah, all that stuff, that's great book theory, Drew. But I don't need that," until the day when the lawsuit was filed against him, the judgment was filed against him, and the sheriff literally came knocking on his door. Ted, it was devastating. This is a guy who's real close to me. You want to help, but by then it's too late.

In terms of asset protection, if you do the asset protection strategies, if you put things in place ahead of time, we call that planning. But if you wait until there's a problem, if you wait until there's a lawsuit, you wait until there's a judgment and then you do those things after that point, it's called fraud. And it's even more trouble than if you didn't do anything.

So the problem was by the time he was ready to react, by the time he was ready to listen to my advice, it was literally too late. And within six months, I stood there and I had to watch as he filed personal bankruptcy, as he filed corporate bankruptcy, as he lost his home, his car, his bank account, his savings.

You can imagine how devastating that is to your personal relationships. His marriage couldn't withstand it either.

The tragedy, Ted, is that it was completely avoidable. And if he had listened to my suggestions, listened to my counsel ahead of time, none of it had to happen.

So when people say to me, "Drew, you sound really passionate about what you do," I am. I've lived through the pros and cons of it. I have seen people who have not protect ed themselves get totally wiped out. And by the same token, I've seen other circumstances where people are properly structured.

We talk about bulletproofing your assets. Bulletproof asset protection. When we set somebody up and we help them bulletproof their assets, we put them in a position where the bad guys are better off if they leave you alone than to come after you in the first place.

In other words, it will cost them more money to pursue you than if they had left you alone. That's bulletproof, because it's not just solving a problem, it's avoiding one before it ever happens.

Ted: Boy, what a story you told about the importance of acting before the real problem happens. This friend of yours, Pat, certainly it wasn't money. I'm sure you charge a fair price for your services, even though you're consulting initially may have been free. I know you can't form companies and structures for free. But it wouldn't have been the money, in his case, if he'd already had $10-million.

Drew: Oh gosh, it was not the money. No. It's ego. It's the insisting on doing things your own way.

I like the idea of being coachable. Be open-minded enough to reach out to experts. That's why people come to you, because you've got an incredible area of expertise. So they come to you and they say, "Ted, teach me how to make money." And God willing, they listen to you and then they go out and they make money.

Well, not everybody's that coachable. And unfortunately, he wasn't. And, like a lot of family members, he asked advice and then just sort of turned his back and did it his own way, and paid a very, very severe consequence because of that.

Ted: He sure did.

Drew, I've listened to you several times. And, of course, you've been talking here about being structured and you talk about the importance of having a financial foundation. What does that mean to our listeners and why should they be concerned, kind of like the last story. You convinced us there.

Drew: Yeah. A financial foundation, just think of any building that you want to build. Where do you start?

In the old days, when they wanted to put up a house, they just laid some bricks on the ground, they go up, and invariably they found what happened to the house? The house fell down because it didn't have a good foundation.

So we now know if we want to build a big building, we have to start with a big foundation. Your financial foundation is what you start with if you want to build a big asset column.

So if you want to build big net worth, if you want to really create wealth, you have to start with the financial foundation. For those folks, if you've got a pad and pen handy, write this down if you would. We do that with a process I call "entity structuring." That sounds a little technical and maybe a little fancier than I'd like it to sound, but this is what it is.

We've all heard of corporations. Nothing fancy there. Most of us have heard of limited partnership or trust. Many of us, these days, have now heard of something called limited liability company. These are all corporate structures. I call them entities for short.

And we use these entities, these corporations, and other of these types of structures to build your financial foundation, because they allow us to accomplish three incredibly important things.

Number one, to bulletproof your assets. And we talked briefly about how important that is.

Number two, we want to increase your privacy, because the more you have, the more people want to know about you. And frankly, your business should remain your business.

So we can put these things in place to make it very difficult for people to learn about what is owned by you and controlled by you.

And then the third really important goal and purpose of our work is to dramatically reduce your taxes. When I say dramatically reduce it, some people say, "What are you saying, a few hundred dollars?"

I saw this newspaper article and it said, "Congress is passing a new tax bill, and it's going to save $14-bazillion." And in the last paragraph, in the fine print, it says, "That comes to about $1.92 per person."

Ted: You know what, I hate to say that because I'm not anti-Bush and things are going on, but also that big tax cut, that tax rebate that he gave to everybody was a disappointment to a lot of people, too.

Drew: So when we talk about tax savings, I'm talking about thousands and thousands and thousands of dollars a year; $10,000, $20,000. I've got students that have saved in excess of $50,000 or $60,000 per year, just working with them.

Let me distill this down into why it's so important.

All of the folks on this call are computer-savvy folks. In 1988, I'm over at a friend's house and I'm walking through his living room. The TV's on in the background. I see, out of the corner of my eye, I see an interview. Bill Gates is being interviewed.

Now, in 1988, keep in mind we're going from DOS to Windows. So that's a long time ago. But he was already a very, very successful guy. Nothing like he is now, but he was already very successful.

The interviewer asked some questions. I'm walking through the room, just not paying much attention. And I hear the question somewhere in the back of my brain, and this is what he's asked. He says, "Mr. Gates, you're a very successful man. What one thing do you attribute your success to? If you had to point to just one thing, what would that one item be that makes you so successful?"

Now, you can imagine, I'm walking through this room and I hear the question. What do you think I do?

Ted: Freeze.

Drew: I froze dead in my tracks. I stopped and I stood and I faced the TV, because I know I'm about to hear from a master.

Ted: From Bill Gates, no kidding, man.

Drew: He knows about wealth. He knows about building wealth.

So my mind is, of course, racing forward. What's he going to say? He's going to talk about hard work and perseverance, and he's going to talk about…

Ted: Self-confidence.

Drew: Being out in the garage, working until 3:00 in the morning, all those kinds of things.

He didn't say any of that.

Bill Gates, one of the most successful people in history, this is what he said was the single, most important thing. He said, "The single most important thing to my success is a working knowledge of the tax code."

Ted: Incredible!

Drew: I said, "What?! A working knowledge of the tax code?!" I'm a business guy, I'm an entrepreneur. I want to hear about marketing. I want to hear about something sexy, for crying out loud. Is that the best you could do?

Ted: Yeah. And he "invented" computers, you know?

Drew: And he didn't say anything about that. So I'm thinking about it. "What is he talking about?" And slowly but surely, it sinks in. And I realized, because he went on to say, "Most people give about 50¢ out of every dollar that they earn.

Ted: Yeah, that's about right.

Drew: If you're giving up half of what you earn, it's really tough to get ahead.

Now, let's contrast that.

Bill Gates, Donald Trump, Ross Perot, many of my students, now Ted Ciuba, give up less than 10% - single digits – to taxes. In fact, reportedly, Bill Gates gives up between 4% and 5%.

Ted: That's chump change.

Drew: The average American is giving up 50%.

Ted: Chump change. Well, that obviously begs the question how is it that someone like Bill Gates could pull this off, especially if we listen to the political rhetoric, they're always talking about soak the rich. Of course, they're always talking about the rich have loopholes, too.

But you're the man. How is it that a guy like this, instead of being a $40,000 wage earner, is a multi-billionaire and he only pays 4¢ on the dollar and we pay 50%?

Drew: Ted, can I give you the secret?

Ted: I want it, man!

Drew: If I give you the secret, will you keep it between just you and I?

Ted: Just you and I? I'll use it. Hey, if it's good enough for Bill Gates, it's already been accepted in my book.

Drew: You're not going to broadcast this all over the world or anything, are you?

Ted: I wouldn't do that. I trust you, you know. I love you. I respect you.

Drew: Here's the secret. Decades ago, the US is probably on the forefront of tax loopholes and finding a better way. Right?

Ted: Uh-huh.

Drew: Decades ago, Supreme Court Justice Learned Hand, US Supreme Court, the highest court in the land, issued a ruling. I don't know about you, but I think most people on this call – myself included – until I knew these things, my accountant didn't call me up and share this information. In fact, I was always brought up with the exact opposite in my mind. And this is what he said.

He said two things. He said, "Number one, it's the constitutional right to arrange our affairs so as to minimize the amount of taxes we pay."

The Supreme Court says it's your constitutional right to minimize your tax.

Now, my CPA, my accountant, never called me up and said that to me.

Ted: No. Mine always said, "Pay more than you owe, because then that way you won't be suspicious.

Drew: You don't want to raise any red flags. Right. You don't want to trigger an audit.

Ted: Yep.

Drew: So we're indoctrinated. And we're indoctrinated to steer clear of the line, which is fine. You don't want to cross the line. Never cross the line. But you don't need to cross the line because the problem with many accountants and CPA's is they steer so far around the line that they leave a lot of your hard-earned money on the table unnecessarily.

In the work that I do, Ted, many of us have had the experience of being on the highway, right?

Ted: Oh yeah, of course.

Drew: It's commuter time. There's a lot of traffic out. And the same trip that took us 20 minutes early in the morning takes us an hour and a half because it's rush hour.

Ted: Oh, yeah.

Drew: Right? So there you are, you're sitting on the highway and you're in the right lane, and you're poking along at about two miles an hour. And you're frustrated and you're hot, you're getting agitated, and you're on your cell phone and you're flipping through CD's, anything to distract yourself. Right?

Well, if you're sitting there and, all of sudden, out of the left corner of your eye, you see something go whizzing by and you hear this noise, it's like, "What was that?" Then you sit there and you dial a couple more numbers, trying to call home to tell your husband or wife that you're going to be a little bit late, and zoom, there goes another car. Zoom, there goes another car. And you're like, "What's going on?"

And then you lookup and you see this sign way over on the left. No, it's not a sign from God. It's a sign from the department of transportation. And it says, "HOV." High occupancy vehicle lane.

There's a lane set aside with a special set of rules. And if you follow those rules, you get to go 65 miles per hour when everybody else is going two miles per hour. And the work that I do is a lot like uncovering those rules and just teaching them to people, and allowing them to get in the fast lane of business, keeping much, much more of their own money in their own pocket.

See, the other thing that the Supreme Court said, back in that same ruling, was that there are two tax systems: one for the educated and one for the uneducated. Most people are in the uneducated tax system.

The basic framework for the uneducated tax system is the W-2 system in the state. It's the system where you're a wage earner and you make money. And then the very next thing that happens is they take it out in taxes.

Ted: Now, just for our listeners' viewpoint, what percentage of the American populous would this hit? People of the working age.

Drew: Over 90%. Over 90% of people are in the uneducated tax system.

Ted: So, in other words, if they're asking their dad – God bless his soul – their mother, their preacher, their counselor at school, chances are…

Drew: Chances are they're getting advice from somebody in the uneducated tax system. They won't even know anything about the other tax system.

Ted: But they will be opinionated, correct?

Drew: In my experience, they're very opinionated.

Ted: And they will say that things are illegal that they have no blazing idea on earth whether they truly are or not.

Drew: Illegal, immoral, red flag, trigger an audit, all those kinds of buzz phrases.

Ted: But your example made it so clear. Fortunately, this is not the first time I've heard you say that HOV lane. That's true. I'm going two miles an hour, I'm suffering, and I'm playing with my air conditioner just because I don't want my car to overheat. And these guys are zipping along, and it's perfectly legal. Nobody is going to go after people who are following the rules, going down the HOV lane at 65 miles an hour, while I'm going two miles an hour on the side.

Drew: Two occupants or more, stay in that lane, nobody's going to care.

Ted: So that's the way you approach tax law and tax savings?

Drew: Because we know the rules, as a businessperson with an extensive legal background, practicing law for 12 years.

By the way, in my own firm I didn't come out and work for somebody else. I started my own firm. I ran my own firm successfully. I ran it like a business.

So I was in the same system, originally. I had to learn this stuff from the ground up.

Ted: To protect your own income, in other words.

Drew: Yeah, absolutely. Early on, I had an incredibly frustrating experience with my own accountant.

Probably, many of the folks that are listening in, when we go for advice, we go into our own business, we go for advice, we often start with the same advisors that our family is using. In other words, we go to the family accountant, the family doctor and the family lawyer.

Ted: And the family church, the family school, etc.

Drew: Absolutely, which is exactly what I did.

So Lenny had been my parent's accountant for the family business. He was a CPA, so he's certified. He's got the highest qualifications available. And that's who I went to.

Two things happened early on, that really, in hindsight, they changed my life. So I can thank him for it. But at the time, I'll just call it a learning experience, and it burned me.

The first one was after my first year of practice, I started practice as a new business, like any other new business. So I started the practice, and it was a struggle. Just because you hang up a sign saying, "Hey, I'm an attorney," doesn't mean people are going to flock to your office.

So we had a struggle. We had all the same ups and downs as any other business, new business does. But I'm happy to report that towards the end of the first year, in fact right about the middle of December – now, this is 15, 16 years ago – right in the middle of December, I'll never forget it because we had our first real client. And the client came in and, about December 15th, gave me a check, retained me for $15,000.

Ted: And that was in your beginning days.

Drew: That was the biggest retainer, at that point, that I had gotten. And I can tell you I was jumping up and down with joy. Because what they didn't know is that they gave us $15,000, we had $20,000 worth of bills to pay.

Ted: What I hear, I hear the drama and the scary music. Because when you're saying December 15th, I'm thinking December 31st or January 1st, the tax year.

Drew: The end of our first tax year, exactly. So believe me, the holidays were joyous that year. We had money in the bank. Everybody's happy. My partner and I are dancing around. We go through the holidays. And about January 4th of the next year, I get a call from my accountant. And Lenny says, "Drew, congratulations, you just finished your first year in business. How was it?" "Oh Lenny, let me tell you, man, it was up and down. And there were times when I didn't know how we were going to survive, blah, blah, blah. Lo and behold, Lenny, on about December 15th, we got our first big retainer - $15,000. I can't tell you what a relief that was."

And Lenny says, "Congratulations! This is what I want you to do. I want to do a little tax planning." So help me, that's what he called it. Tax planning. I said, "Okay, sounds like a good idea. Let's do some tax planning." He said, "Let's get the IRS off your back right away, because you don't want to start off your business career indebted to the IRS." I said, "Oh no, Lenny, I agree. Definitely not."

He says, "This is what I want you to do. I want you to take out a check, make it payable to the IRS." I said, "Okay, I'm with you." He said, "And we're going to send in the taxes that you owe on that money now, so that they don't come chasing after you." I said, "Okay, that's fine. What should I make it out for?" I'm thinking $500, $1,000. He said, "I want you to make the check out for $7,500."

Ted: Whoa! Wait a minute! That's 50% of your $15,000 payday.

Drew: I've got $20,000 worth of bills to pay. And I said, "Lenny, wait a minute! You didn't hear me. If I pay you or pay the IRS $7,500, I can't pay my bills."

Ted: It seems like your bills should come first.

Drew: The IRS comes first. Comes first! And I said, "There's got to be a better way."

Well, we've got strategies now to avoid it. Here's a simple mistake that we made, that we didn't know.

Ted: That your CPA did not advise you on.

Drew: Yes, exactly. If we had simply had another entity, another corporation with a different year-end. In other words, you can choose different year-ends. It doesn't have to be the calendar year.

We could have had a C corp., for instance, had a different year-end, shifted that money over to the C corp., and we would never have had to pay that $7,500 in taxes.

Ted: Never?

Drew: No, because we could have expensed it down in the other corporation. We shift it over. At the very least, we delay it.

But believe me, I already told you we had $20,000 worth of expenses – operating expenses – to pay. We needed that money to keep going.

Ted: So it really wasn't "profit," but you certainly were being taxed on it as profit just because of the timing of events.

Drew: Absolutely. If you've got a sole proprietorship or an S corp., and that money's in your account on December 31st, it's taxable income to you. It doesn't matter if you owe a million dollars on January 1st. It's an easily avoidable problem, yet it cost us big-time.

And then, of course, now we start the next year in the hole and we had to dig ourselves out.

I had one other interesting experience with Lenny. By the way, I'm using Lenny as an example simply because he was my family accountant. I've had these conversations with hundreds and hundreds of CPA's and accountants, from the US and from Canada, that don't get it until we spend some time together. They still, up until the time that we begin to work together, are leading their clients right into that fatal mistake.

Ted: And that's because they're thinking institutionally. They're thinking what they've been taught through the universities, through the associations. And they've never done their own creative, deep work with Judge Learned Hand's kind of philosophy.

Drew: They don't do tax planning. They're essentially bean-counters. I don't mean that in a negative way. That's just not their job. Their area of specialty isn't tax strategies.

Ted: It's simply adding up numbers, subtracting, putting them in the proper columns.

Drew: Income tax preparation.

Ted: Income tax preparation. So that's the giant difference is you talk about tax patterns, tax strategies, tax planning and, jiminy Christmas, doing it in advance.

You know what? You know what? I don't even know if you caught the way you said this. You were talking about all of this money that, under normal circumstances, you earned. The end of the year comes, you've got to pay up. Now, that's the way most Americans think.

And then you were just saying, "It was such an easily avoidable problem." That's phenomenal. And you're talking about it being so easily avoidable by forming corporations. And I know how the normal working class mind works.

There's a plant about 12 miles from me that builds water heaters. If you're going by at 2:00 a.m., when the plant gets off, there's hundreds of cars on the road. And these guys are thinking, "Yeah, that's great for that slick guy, Drew Miles. And he gets on TV and he's speaking all over the world, and he wears these great, expensive suits. It's great for him to talk about forming corporations. But my little lawnmower business" – I'm going offline – "my little lawnmower business is only earning $60,000 a year. I can't afford a corporation."

Drew: You can't afford not to have a corporation, because the tax rules apply. The strategies that we teach our students to apply, whether the business is seasoned – in other words, old, mature business – or even brand new. They apply, whether you're incorporated or not.

Now, for asset protection reasons, you've got to be crazy to do business unincorporated. But you may have been, and that's okay. Because on the tax side, the same rules apply.

Here's the kicker, Ted, that so many people don't get because they're taught improperly by the system.

The same tax rule strategies that you and I have been talking about apply to businesses, even if they're brand new, if they haven't yet made a profit and, catch this, if they haven't yet earned a single nickel.

We've got people listening in, some of my students are brand new in business. They say, "Drew, I just went into business a month ago. I haven't generated a single sale yet. Can I use these strategies?" And my answer is, "Yes." "Will they benefit me?" "Yeah, of course."

Now, I just want to be real clear about something. Because some people will take what I just said and twist it and say, “Oh, what he’s saying is we’re going to set up a dummy business and milk it for all the deductions, and we don’t care if it makes a profit.” That’s not what I said.

Ted: And that, by the way, would probably be illegal if that was the sole purpose of the business.

Drew: Absolutely. There are people that do those strategies and they have a very special place for those people. They give them three meals a day and a nice cot to sleep on.

Ted: No, no, no. Drew, you keep us in the HOV lane, okay?

Drew: In the HOV lane, following the rules.

Ted: Yeah.

Drew: There’s no reason not to, because the rules are so beneficial. Understand who’s setting up the rules. Who’s passing the tax laws?

Ted: I would assume it’s the President or Congress.

Drew: Sure. And who’s feeding the Congressman the information to put into the tax code?

Ted: That’s probably scary. Now you start talking about the lobbyists and the IRS. Neither one of them have our best interests at heart.

Drew: The people that decide or lobby for a particular tax deduction are businesspeople or they're funded by businesspeople.

The tax structure, all of these deductions were put in place in the educated system to benefit businesspeople. Everybody on this call is a businessperson.

Ted: De facto, yes.

Drew: So what you need to have in order to take advantage of the strategy is you need to have a business with a profit motive.

Now, it might take a little time to generate that profit. That's okay. You still get the benefit of every single one of the deductions we're going to teach you in our program. Let's just talk about that for a moment.

Let's start off with you're in the uneducated system.

The uneducated system gives the average taxpayer about a handful of deductions that they're allowed to take. Your home mortgage interest, some healthcare and, as I said, a handful of itemized deductions.

Ted: Yeah, maybe sophisticated tax planning for them is getting an equity line of credit on your house and paying off your other credit card bills.

Drew: Exactly. Now, some of those people will go out and they'll buy a program, right? They'll say, "Drew, I don't need those strategies because I've got TurboTax or I've got whatever, some built-in program."

The programs that you're buying are, by and large, set up for the uneducated tax system.

So it might get a little bit more out of your handful of deductions, but you've still got the same handful of deductions.

Let's contrast that with business. First of all, I would say if you go to the average accountant and say to them, "How many deductions are available to business," in my experience they will pull from a pool or a bucket of between 50 and maybe 75 deductions, which is much better than the other system.

Ted: Well, 75 does seem pretty good.

Drew: It's a step in the right direction.

We've been able to identify, for all of you who have a pad and pen out, write this down in big letters: 300. There's 300 deductions available to business owners. And there isn't one in probably 1,000 people that's taking full advantage of those. Legal, moral, ethical, just by following the rules. There's not one in 1,000 people.

Ted: I can tell everybody that's listening right now, that two elements that you gave me saved me more money than anything else. Number one was the entity structuring with different fiscal years. And number two was what, in the past, I had never thought of legitimate deductions simply because I had been trained against them. But you just turned on the light again. I keep finding myself saying that. You said, "Here they are. Here's how they compare with real companies." We home-based entrepreneurs don't think we're Microsoft.

So that being the case, having been so important to me, what are some deductions that the other accountants, even the good ones, might not know about that you have found that we businesspeople can take?

Drew: Let me give you the one that changed my career path.

Ted: That's heavy. That's almost like Bill Gates, with one simple secret. Except it's Drew Miles.

Drew: Years ago, I'm starting to learn these strategies. I was still using Lenny, right? I called Lenny. I had to apologize to him. This is not directed at any one individual. Again, it's the group, it's the mindset.

So I called up Lenny and I said, "Lenny, did you know that such-and-such was deductible?" And I'll go through a couple of those in just a moment. He'd say, "No, Drew, I didn't know that." I said, "Okay." I'd hang up the phone and just kind of go, “Hmm, that’s interesting. He didn’t know that. He’s my CPA and he didn’t know that. Okay, fine.”

I do a little more research, back into the library, back into books. I find another little hidden golden nugget. I call up Lenny. “Lenny, did you know that such-and-such is deductible?” And again, Lenny said, “No, I didn’t know that.” This time I’m going, “Hmm.”

Look, I don’t expect anybody to know everything, but gosh, if this is the person who I’m depending on helping me minimize my taxes, because that was my mindset, I felt that that was my CPA’s job. And it’s not.

But at that point, I still thought that it was. And now I’m realizing, “Gosh, he doesn’t know this stuff.” Okay.

I do a little more research. And this is the one that changed my career path. I call up Lenny and I said, “Lenny, did you know that if you have a C corporation, the first $50,000 of net income is taxed at only 15%?”

Now, keep in mind we’ve been talking about it for the last 45 minutes or so, the average person is paying about 50% in taxes. 15% on a C corp. on the first $50,000. And Lenny says, “Well, of course I knew that.” And I said, “Why don’t you have me in a C corporation?”

Ted: No kidding! Your $15,000, you told the story, was sliced in half.

Drew: And there's dead silence on the phone, Ted. And it was in that moment that I realized he didn't tell me because it's just not the way he's trained to think. I didn't tell him anything he didn't know. He said he knew it. He's doing my parents' taxes for 20 years and he's doing mine, at that point, for one and a half. And he knows a strategy that – forget that it could have saved me a ton of money – how much would it have saved my parents over 20 years.

Ted: That's scary.

Drew: I know it. And he's not doing it for them. And it was in that moment I realized people need a resource, because this information is public knowledge. We're all internet people, right? Jump on the internet, do some research, and you'll come across these. There's about 15,000 pages of IRS code, and then probably a half-million pages of case studies and case law and revenue rulings, all of that. If you want to spend the time going through it, it's public information. It's out there.

Ted: Yeah. But you know what? I'm a normal, American consumer, and I think it's almost unfair that they could give us a half-million pages to read if we want to understand it – even if it was interesting, by the way.

Drew: Which it's dead boring.

Ted: Yeah.

Drew: It's deadly boring, until you bring it to life by saying, "Oh my gosh, this is my money I'm saving."

Ted: Yeah.

Drew: One of the biggest challenges I have when I'm out speaking publicly is a speaker will get up, a guy like you – no offense – and you'll talk about making $50,000 or making $100,000 or making a half-million dollars. And everybody's going, "Wow! That's so cool! That's so sexy! Wow!"

And then I follow you up, I've got my little briefcase and come toodling to the front of the room, take off my specs. I don't really wear specs. And you're going to talk about taxes and everybody's going, "Oh my God, who wants to hear about taxes?"

Ted: It's kind of like lawyers and tax attorneys. Oh, no, no, no.

Drew: Who wants to listen to that nonsense? But the thing is if you can teach somebody how to make $50,000, another $50,000, and I can teach them how to save $50,000, what a great combination. Now they're $100,000 ahead of where they were.

And here's the beauty of our systems. When you put these systems in place in the old tax system or in the uneducated tax system, the more money you make, the more money you pay in taxes.

With our systems, when we put you into the educated tax system and we put these strategies in place, the more money you make, the more money you save. Every dollar that you make, instead of putting 50% to Uncle Sam or into the government, the tax man's pocket, you're keeping more and more of that – $10,000, $20,000, $30,000, $50,000, whatever it is. And then you can do whatever you want with that money. You can go out and buy that car, you can go on vacation, you can travel around the world, you can buy your family a gift, you can buy a second house, whatever it is that you want. It's real money. It's yours. You get to spend it in any way that you see fit.

Ted: You know, I'd like to ask you a specific question, if you're willingly put on the spot.

Drew: Sure.

Ted: Let's say that amongst my friends that I know and helped and trained, we, of course, have people who have earned and are earning over $1-million a month. But they're exceptional.

But let's just take someone who I kind of think that a switched-on person is making $300,000 to $400,000 a year. To be fair to you, let's say $500,000 because maybe it's easy to do the math.

Give us some kind of comparisons. I mean real dollars and sense. Stuff that they really could spend on vacations, on jewelry for their wife, they could spend on investment property, they could spend it on growing their business to another level. $500,000 a year, which, in my mind, for a switched-on person on the internet is really happening, what are the tax consequences one way and the other?

Drew: I'll give you a case study. We'll do it at a much lower number. All they've got to do is multiply it out by their income.

Ted: Okay.

Drew: Let's just take a nuts and bolts, real person.

One of my students came to me, Steph. Steph was making about $50,000 a year. Now, Steph already had one corporation and she had a CPA guiding her.

She signed up for my program. And about a week later, she called me and, so help me Ted, she was in tears.

Ted: One week later?

Drew: One week later, she was in tears. And she said, "Drew, I don't know what to do." I said, "What?" She said, "I've got a problem." I said, "Well, tell me about it and let's see if we can talk you through it."

She said, "I listened to you speak last weekend and I was very, very impressed by what you said and I learned a whole lot. And gosh, I just felt like you were putting me in a different financial world." I said, "Okay, what's the problem?"

She said, "I came back and I talked to my CPA. Now, my CPA's been my family CPA, he's done my dad's books and taxes for years, and my mom's business, same thing. He's a friend of the family, he's a great guy, and I trust his judgment. But he said to me that you'll never recoup the cost even of the program with these savings. The overhead, as he put it, will be more than the savings. And Drew, I just don't know what to do."

So I said, "Okay, I'll tell you what. First of all, if that's the case, don't worry about it. I'll give you your money back in two seconds. That's not a problem. But gosh, I want you to get the best advice possible. I can't say that I've known you for 15 years, like he can. But I've got your best heart interests, I promise you that." So I said, "Let's do this. Let's get him on the line."

Now, I can't speak to everybody's CPA, but this was a very special circumstance and I felt that that was really warranted. We got on a conference call right then and there.

He introduced himself and kind of put me to the challenge without the question part of it. He just kind of came out and said, bold statement, "There's no way that she can save the amount of the extra overhead that's going to be caused by these structures." I said, "Okay, let's take a look at it. If that's the case, no problem. You win, she can have a full refund. No problem. But let's take a look at it and let's see." He said, "Fine, okay." He was going to humor me.

Ted: Right. By the way, I'm really happy you backed it back down. We're talking about a $50,000 example. Okay, go right ahead.

Drew: So we spend 15 minutes on the phone, Ted. And in the 15 minutes, we had time to go over three strategies.

Now, his challenge to me was to prove we could save her about $2,000 just to cover the overhead. I was putting on my New York attorney hat a little bit. I said, "You're telling me, Mr. CPA, if we save her the cost of the program, that you'll be happy with that?" And he said, "Yeah." And I said, "That's just funny. I don't mean to be disagreeable." Far be it for a New York attorney to be disagreeable, right? "But if she invests $2,000 and we save her $2,000, that doesn't sound like an investment to me. Why bother? Just take the money and go on vacation."

Ted: That's good logic. I like your logic, yeah.

Drew: So I said, "How about I tell you what. If we can't save her five times her investment, I'll give her her money back." And he said something like, "Well, good luck." I said, "Okay." In 15 minutes, we went through three strategies. And at the end of each strategy, we paused and I'd say, "Now, Mr. CPA, do you agree with that strategy?" And he said, "Yes." I said, "Do you understand it? Is it legal?" "Yes, it's legal."

"Most importantly, can you Steph implement it and get those savings?" And he said, "Yes." I said, "Could you calculate the savings?" He said, "Well, she's making $50,000, blah, blah, blah," and then he'd give me a number. Wrote the number down.

Then we did the next strategy and I asked him the same three questions. "Legal?" "Yes." "Moral, ethical?" "Yes." "Can you help her implement this, so she actually gets those savings?" He said, "Yes." I said, "How much will that save her?" And I wrote that number down.

And we did it on the third one. "Yes, yes, yes, legal, moral, ethical."

Now, I want you folks to write down the before and after.

Before, we've got three main taxes to pay. We've got FICA, we've got state tax, and we've got federal tax. And the total of those was $12,000 in taxes. $50,000 in income, $12,000 in taxes.

Ted: Okay.

Drew: The after, same $50,000 in income, we reduced her social security, we reduced her federal and state taxes. Her total taxes – are you ready for this, everybody writing this down? – total taxes went from $12,000 to $800. We saved her $11,200; three strategies, 15 minutes. And for everybody that's been listening closely, you know that there are 300 deductions that we can take advantage of.

Ted: I just want each of our listeners – listen, I'm speaking to you – close your eyes a moment and just think what would be going through your mind, what would you be thinking about doing if you received a letter from the IRS, when you opened it up it said, "Mr. or Mrs. Consumer, we have a check for you for $11,200 that you have overpaid in taxes from your old attorney." How would you spend that? How would you invest it?

Literally, this is real money. And the truth of the matter is, as I'm sure, Drew, you would confirm, it's better than real money because real money you have to pay taxes on. And this is after-tax money.

Drew: That's exactly right.

Ted: Incredible! Hey Drew, we are drawing to a close. You've been a fascinating guest, and I am certain that our listeners want to know how they can contact you. They've got questions about entity structuring and you mentioned you've got a program and this, that and the other. How can they get a hold of you?

Drew: Great question, Ted. We've got a website that's set up, a page. Let me give you the URL. It's AskDrewMiles.com. So AskDrewMiles.com.

Ted: Fantastic.

Drew: You'll be able to submit any questions that you have and we do teleclasses, and we can invite you onto a teleclass and you'll learn all kinds of great stuff.

If we've got another minute or so, could I just share one other thing that I think is really important for folks to understand?

Ted: That was going to be my lead-in question.

Drew: It's my New York blood. I'm always racing ahead.

Ted: I know. Of course, New York versus Tennessee.

Drew: One of the strategies that we teach, Ted, and the mentoring program is a year-long mentoring program and we have up to 10 hours of one-on-one consultation, we have an audio program that's part of it, we have weekly teleclasses that are an hour and a half long, the audio program is over five hours of audio material with a workbook. We've got the tip of the week that comes to you as an e-mail. We've got our newsletter that comes once a month. People will have an incredible amount of information. We've got all kinds of bonuses that come with the program.

But I want to share a true story. And this is a friend of mine. That's why it's so near and dear to my heart.

She called me about a year ago, and she had been on extension until August 15th to file her taxes. So, of course, she put them out of her mind until about August 10th.

Ted: That sounds typical.

Drew: And their accountant sent her a draft of her tax return. And, again, this isn't a millionaire. This is somebody who's making about $35,000 a year. And she says, "Drew, can you help me out? I'm concerned. I've got to get this return done. But the thing that bothers me the most is how much he says I owe." I said, "What's that?" She says, "I owe $5,000. And Drew, I don't have $5,000."

And I said, "Okay. Well, let's take a look at what we can do. We have this strategy, we call it the six-column strategy. People will learn that in the program. But the point of it is this. It's to re-categorize your personal expenses an convert them into legitimate business deductions.

She had been in business for a number of years and was not taking advantage of many, many of the strategies that we teach.

So we set her up with the six-column strategy. And long story short, she spends the better part of a weekend working through it. And on Monday morning, she called me up all excited. She said, "Drew, I just got my stuff back. I e-mailed it to my accountant and he looked at the before and after, so to speak. He redid my tax return." She said, "You know what I've got to pay?" I said, "What?" She said, "Remember, originally I had to pay $5,000?" She said, "The new numbers just came in. I owe only $500."

Now, $4,500 for a few hours worth of work. But here's the beauty of this, and this is why it's so important: you can go back three years – and in some cases, up to four years – and amend your return.

So for those people who have been in business for a length of time and have not taken advantage of these strategies – by the way, that's virtually everybody – you can go back. We'll teach you a strategy that you can go back, re-characterize your expenses.

Now, let's just say you only save $5,000. Only. Now, my students typically can save between $10,000, $20,000. I've got students that save over $50,000 a year.

Ted: Well, and it's all relative to your income. The $5,000, or to be more exact, the $4,500 example you gave, to a lady earning what was it $35,000 you said?

Drew: Yes, $36,000. That's right.

Ted: Okay. That's the real issue. $4,500 to somebody earning that money is like $150,000 to a guy like Drew Miles.

Drew: And your students that are earning $400,000 or $500,000 or $1-million, just multiply that out. Because the more you earn, the more you can save.

Ted: Exactly. So someone really up the ladder a little bit could turn that into $45,000. And it's ironic because $4,500 to a person who is in the category where it maybe would be $45,000, $4,500 is not going to be so big. But to a lady earning $36,000 a year, $4,500 could be food on the table, it could be keeping the car running. You know?

Drew: Yeah. So once we identified that money, that savings, I said, "Now, have your CPA do the same strategy, go back four years. Have your CPA apply that strategy all four years back, amend your return." And in her case, $4,500 times four. In some people's cases, it's $5,000 times four years, $10,000 times four years, $40,000 times four years. We're talking about a ton of money, folks. And it's just sitting there, being thrown away unnecessarily.

That's why I love what I do, Ted.

Ted: I'll tell you what, that's why I love what you do, also. And I'll tell you what, listeners, today we have had Drew Miles. As I introduced him, the controversial attorney. And I'll have to say, in case there's any IRS agents listening, he said it, not me.

But the truth is we're all getting spammed, face it. You get some stuff. Like putting money in a Cayman Islands account, that is television. That's not the real world.

Drew: Real world, real strategies, real money. When you know the rules, you know that the IRS is enforcing the rules, when you're doing 65 in a 65-mile-an-hour zone, the cops aren't the bad guys. They're on your side. In fact, they're going to protect you from the other people that are doing 90 in a 65-mile-an-hour zone.

So the IRS, when you follow the rules, the IRS is your friend. I'll give you an example.

I'm at a seminar about six months ago now. And at the end of my presentation, a gentleman follows me to the back of the room. A big guy, like a middle linebacker football player guy comes walking up to me and he says, "I've got to talk to you." And I said, "Sure." He said, "My name's Fred and I work for the IRS." So I have no idea where he's going with this. Right?

He said, "I'm getting killed in taxes. I've got to work with you, because I know about all of this stuff but I don't know how to do it." An IRS agent.

Ted: The assumption is what he's needing is a plan, which is what you specialize in. But he knew that he could do what was legal to reduce his taxes, and there wouldn't be any issues with his employer.

Drew: Absolutely. He just didn't know how to go about it. He didn't know how to structure himself properly. He didn't know how to document properly. He didn't know what code sections that you could take those deductions from. All of those things that we teach.

Ted: Therein is the problem. And therein is the answer that Drew Miles teaches.

Alright, Drew, thank you for being with us so much tonight. Listeners, you have learned an incredible amount of tax strategies. And I venture to say since I know not all of us are from the USA, but I venture to say that no matter where you're listening in from, that one of the things that you've learned is there are a lot of deductions that you may not have been aware of and that your normal everyday accountant, your system, your institutions are not going to be teaching you of, and that you may be interested in forming some structures to make that happen.

Drew Miles has given you his URL. AskDrewMiles.com, if you want to connect with him. Of course, there's a lot of research on the internet. But, of course, there's always buyer beware, use caution.

Folks, I'll tell you what, we intended to give you a little bit more information on the upcoming World Internet Summit. We just got so involved in saving money, we're always making money and saving money, it's so much fun. And they're both the same thing.

But all you have to do, of course, to get more information is dial in on the internet to WorldInternetSummit.com. And preferably, of course, you follow the link of the person who referred you.

Folks, on behalf of the promoters of the World Internet Summit, myself and your host, Ted Ciuba, Tom Hua, Brett McFall, Alan Forrest Smith, and everybody that's speaking, bringing you the best in moneymaking information, including especially our guest this evening, this morning or tonight, wherever you are, Drew Miles.

We’d like to say, “Folks, it’s easier than you ever imagined, if you will do two significant things. And this call, this time, was a good example. Number one, get the real information from the people who really can give it to you. And they’re probably not the people you see on the surface.

Number two, take action on it. Don’t be like that guy who got the advice, thought, “Yeah, yeah, yeah, yeah,” and was destroyed. Take action!

Now, this is funny. Today, we’re talking about saving taxes, not getting destroyed for asset protection. Normally, of course, we’re talking about the same thing and it hinges on the same thing, take action, and the success is there because we’re giving you – and this is in common to us both – the proven strategies, techniques, tips, resources, contacts that you need to do whatever it is you want to do.

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