The Art of Passive Income Podcast
With Mark Podolsky, AKA The Land Geek

Today's Guest: Bruce Mack

Transcript

Mark: Hey, it's Mark Podolsky the Land Geek with your favorite nichey real estate website TheLandGeek.com and I'm really super excited for today's guest. Unfortunately for Scott Todd he is on vacation in all places Hawaii. So, it's just me with my guest who I'm really, really excited about Bruce Mack, welcome to the podcast.

If you don't know Bruce Mack, he is a licensed financial advisor for over two decades, he's also a professional real estate investor. He's done over 102 million in transactions but what we're going to talk about are really two critical issues and both of them really near and dear to my heart but when you're first starting out everyone saying you know, how do I get started if I don't have a lot of money? Maybe I don't have a lot of money to buy raw land or if you're not into raw land your first single-family home, whatever it is, maybe it's starting a business Bruce can help you with the funding, and the second most critical issue is protecting those funds as you start making those profits. I'm really, really excited to talk to Bruce Mack from Platinum Financing Group. Bruce, how are you?

Bruce: Fantastic! Thank you for asking, Mark.

Mark: Well, let's just get into it. Why did you start Platinum Financing Group?

Bruce: Two reasons. Number one, as a real estate investor going to a lot of promoters events and investing heavily in my own education. One of the things that I was seeing that people were coming up short with was not having enough funding to do deals. Even if they wanted to try to do wrap around deals or subject two deals where they were picking up $10 pieces of land or you know i.e. strictly getting them for a check for $10 and other doing valuable consideration where they were just eating it over subject to or whether it was single-family homes. The reality is there's many, many times that some of the very best deals are deals that are in distress and deals are in distress are usually deals that you have to dig into what I call hip pocket national bank, to be able to fund and if you can't fund they're gone. Therefore that opportunity to make 30', 40', 50', 60', 100'+ thousand dollars it's here today and possibly gone today if you're not able to react.

So, that was a big hole in the boat that I saw and it was boat that I knew that I could successfully plug because being a licensed financial advisor, having owned my own license and bonded credit repair company for years I knew that I could bring financing to real estate investors and be able to get them the dollars that made sense for them to be able to plug into the real estate investing equation, to be able to get this arbitrage i.e. what they paid for the money versus what they can make with that money to help critically important that was. So, that's how I got started. It was I felt because there was a huge hole in the boat and it was a void that we felt that we could successfully fill.

Mark: Yeah. I mean, if I went to REA meeting right, there would be no shortage of guys or gals in there saying oh there's tons of private money out there or hard money lenders and you can borrow at 13%, 14%, or 15% depending on the deal. What makes your financing solution better?

Bruce: Well, we have a number financing solutions. So, let's start with hard money. If it's hard money depending upon the deal we have, hard money that's in single digits instead of double digits. So, that's one and we have hard money and or private money that's available in all 50 states. We are currently putting the final touches on a 265 apartment building that has retail on the first level. It's a $45 million deal. So, one of the things that we're different with is there's no deal that's too large and no deal that's really too small. Well, maybe too small we really want to see a minimum if it's going to be a private or hard money deal that's minimum of $75,000. However, if there are smaller groups where we can be doing a blanket deal and they are smaller and we're doing two or three at a time that might also satisfy that minimum criteria.

We also have a deal wholesalers and many of them I'm sure your listeners are wholesale flippers on property and/or land and if that's the case we all now know, because the escrow and title company requirements have changed where you cannot do double escrow. The person at this is in simultaneous close where the finder, the wholesaler can go to escrow just pick up a check and not have to actually purchase the property. So, now that person needs to purchase the property. Well, we have an A to B, B to C solution for wholesalers and I know that our cost of money and that's it for up to a million dollars for any one deal our cost of money is least expensive that I've ever seen. It's only 1.75% plus a $495 transaction fee. So, again cost being a very important piece for wholesale flips that's a great, great price.

Then we talk about our gap lending. Sometimes you'll get approved for 65%, 75%, 85%, no more than 90%, you still have to come up with that 10% or more as the case may be, and sometimes there's just not those funds available. So, we have gap lending products that do not require subordination or do not require collateralization from the first which they never would want to, so that in of itself will kill the deal. We run a program that is 0%, I'll repeat that 0% APR for up to 21 months, revolving lines of credit and we have a strategy for getting a second round of funding. So, let's just say that the average was 15 months, with a second round of funding we can get almost 3 years of 0% APR or we can show you how to implement that strategy and the average fund out on that is $75,000, as much as $150,000 on the first round of funding and that's a fickle driven product. It has nothing to do with W-2 approvable income because it's a stated program, there is no business plans, there's no tax returns.

It's a very easy program to qualify for, if you've got the FICOS and sometimes people don't have the FICOS and we can even help there. What I'm saying is often times people have repressed FICOS because they have high utilization on their credit card usage. We actually have an internal funding department that when people go over that 30% threshold, which is where your FICOS starts to erode and they're 60%, 70%, 80%, 90% utilization because there's just too much month, not enough of money and therefore they're utilizing their credit cards to fund their business and their personal lifestyle. So, their credit cards are charged up and therefore their FICO is reduced, we actually have an internal funding department Mark, that will pay down people's credit cards, down to that manageable 30% so that within a matter of weeks their FICOS will skyrocket above 700 then we can put them through, then we can get them the maximum amount of funding. So it's an ecosystem that really is a win-win scenario.

We also have an on loan program as well, with 25 lenders and that program with one soft inquiry we can get multiple offers for anywhere from $1000-$50,000 and yes, those can be stacked. So, if you've got two, say $35,000 or two $50,000 offers for $70,000 or $100,000 take them both we don’t care. So, those are several funding solutions there’s one more and I’ll quickly run through that.

We have a specialized type of self-directed program. You know about normal self-directed IRAs and 401(k)s and they're really great and there's an opportunity to do some purchasing. However, they come with highly restricted caveats. The typical caveats that make them very difficult to work with is that, number one you cannot do inter familiar transactions. Meaning you can't do brother, sister, father, mother transactions it’s an outskate, no can do.

The second one is this and this one is even maybe a bigger killer, you’re not allowed to get what’s called recourse loans, meaning a loan that you would sign on. So, if you get $100,000 into that self-directed account you want to buy a $200,000 property and you're going to need $100,000 worth financing and you can't get it unless it’s nonrecourse financing, which will only lend 50% because that’s what nonrecourse will lend if you can even find the lenders plus they are going to jerk you around on your points and APR. It’s kind of a lose-lose scenario.

Well, we’ve got a program it's called a BDRA, that stands for Business Directed Retirement Account and in the Business Directed Retirement Account, the individual can take their self-directed account, move it over to the BDRA or directly from their old company if they haven’t taken it and moved it over to a self-directed environment already and/or their previous company, if they are still working at a company that amount that they can curve out and they can create this new account in the BDRA a Business Directed Retirement Account and now all bets are off. They can use the funds for any business purpose whatsoever. Heck, they can even use it for marketing, they can use it for education, they can use it of course for doing other real estate deals. So, this opens up a whole new Vista of possibilities for those who have a self-directed or what rollable IRA or 401(k). So, those are some of the highlights of the various different types of funding programs that we’ve got that are unique and different for your clients.

Mark: So, next time somebody comes to me and says hey Mark, I want to do this deal but I don’t have the money I'm just going to say call Bruce. I mean especially because our deals are certainly smaller with raw land and if we can borrow up to 75,000 on a line of credit at 0% for up to 21 months and we're getting our money out within 6 to 12 months on the deal this is a no-brainer for us doing smaller deals and in larger deals it's even better. I mean you have literally walked us through every single possible pain point in getting a deal done and solved it that’s really pretty exciting. So, the question then is knowing what you know, what’s some of the worst advice you see or hear given in this area of funding because it seems like you know everyone’s trying to get into that space.

Bruce: Well, some of the worst advice that I chronically hear and it kind of pisses me off is that there are some charlatans out there that say, let's get you corporate credit and the corporate credit is going to get you a corporate credit line and you're going to be able to use that for your purchases. When I say charlatans, what they don’t tell people we have a corporate credit program too, which I didn’t delve into where you're getting EIN credit instead SSN credit to your employer identification number and you don’t have to PG and it all sounds great on the surface and it’s a great program.

However, it takes a minimum to get that kind of credit, a minimum of 4 to 6 months and you’re going to have to make a bunch of little purchases from different what we call startup vendors and you have to ascend through the different ranks before you're going to be able to even get revolving lines of credit. Where you're going to be getting credit cards that are not tied to your Social Security Number. So, most people that I encounter need the funds not today they need the funds yesterday. So, that being the chronic problem with the real estate investor a corporate credit solution for a client is just not tenable, it's not workable, it’s too far out in the future and it’s not going to get the person where they need to go today.

Mark: Awesome. Are there any asset classes that you avoid?

Bruce: Not really. I mean, even if it’s tougher classes of businesses like Bitcoin or MJ or whatever it is we’ve been able to establish funding for those folks. So, out of our ethics and morals we have no interest in doing anything that's of an adult nature. So, that's something that we would steer clear of not that we couldn't just that we wouldn't. So, those would really be the only classes of business that we choose not to fund.

Mark: All right, fantastic. So, let’s talk a little bit about and I’m really, really excited about this program the Asset Protection Tax Mitigation Trust; walk us through that.

Bruce: Great question. I’ve been involved with trust for decades and I’ve had trust for decades. Let’s start off with the most basic type of trust there is so that we are on the same footing. That’s going to be many of you have a trust and that trust is a living trust and that trust is for two reasons: one for probate avoidance and two to direct to the world who you want your beneficiaries to be i.e. your legacy. Those are considered to be grantor trusts and those trusts by the very definition of what they are those trusts do not, unfortunately, provide any asset protection nor do they afford any tax mitigation or tax offset call it what you will or being able to defer taxes by kicking the tax can down the road.

So, I’ve been on the search for a holy grail of trust and a period of time ago I was able to be networked to a law firm that has been creating a very specialized, proprietary, and copywritten trust that has all of the different precepts that we are talking about. So, specifically with asset protection, it’s bulletproof in as much no lien or judgment could ever be executed against an individual or against the trust. There is a caveat and that’s unless some fraudulence conveyance can be proved. But I always ask people and I will ask you the listeners today if you’re currently in lawsuit, we need to forestall the discussion. We can have the discussion as soon as it’s over we can have you going. But if you convey or sell assets to a trust, when you are in a lawsuit and it is a fraudulent conveyance and it is a deal-breaker that can pierce or kill off the trust which goes to another issue.

People think that an LLC strategy is the way to fly. I was taught, we were all taught, best case scenario one LLC, on property, right? Because therefore they got on they didn’t get all. But what wasn’t taught was because we are usually in an LLC member-managed single member and or partner-managed i.e. you and your wife and or you, your wife and a partner these types of entities are easily pierced. Because the alter ego or façade argument that can be used in the points and authorities should a litigator want to rip into it and therefore once they prove that it’s just you masquerading or hiding behind that corporate veil, they can pierce it, get inside, and you can be wiped out. Not only wiped out for the one but you can be wiped out for multiple LLCs depending on how far the liability transfers.

I will give you another example, a very dear friend of mine a lawyer, known him for over 50 years was driving home, got into a very bad traffic accident. No, he was not drinking but nonetheless, he got into a very bad traffic accident. People feel well I will just umbrella up. Meaning, I’m just going to get an umbrella. I’m going to be safe. I don’t have to worry about ENL. I don’t have to worry about DNL. I don’t have to worry about liabilities, slip and falls, blah, blah, blah. Not necessarily the case guys because sometimes when we see things like $49 million dog bites and we see mesothelioma claims for $30 million plus and the average one being two plus four million dollars and so on and so forth.

In Steve’s case, the judge wanted to make an example out of him. They went right to the $3 million dollar umbrella and just to make an example out of poor Steve, Steve got hit with a punitive out of pocket cash demand for $250,000. Now luckily, he actually had the money to pony up but think about it. Do you have the money to pony up and or what impact would that have on your life or lifestyle if you had to come up with $250,000? So, the fact that a trust affords bulletproof asset protection, not pierceable asset protection is absolutely huge. As real estate investors you know we all have a bigger target painted on our back and it just makes good sense to explore and see what this is all about.

Secondly, there is a tax mitigation component to our proprietary copyrighten trust. Laws of perpetuity so state, that the trust distributes 21 years after the last beneficiary deceases and last beneficiary heir decease. Which means ostensibly you’re not around, they are not around and their beneficiaries are not around. So, when the trust distributes the tax responsibility cannot at that particular point be incurred by anyone you are or your family is connected with. Now the nice thing is as real estate investors all passive income; that would be rental and lease income. That would certainly include long and short term capital gains and those are the types of income that we are involved with as real estate investors all of that can be deferred by going into the corpus of the trust and deferred in perpetuity.

The question that I always get asked is but that means if it goes into the trust can I still have the ability to access those funds? The answer is that as a trustee and compliance overseer you have total direction over the trust and you will be creating when you're operating the trust trust's expenses. Virtually everything becomes a trust expense rather than three items food, fun, and fashion. Well we have an annualized deduction as individuals of 22 or I should say as a married couple of 24,400 and then the first tax bracket the next 19,000 is at 10%.

So, how much food, fun and fashion do you need guys and the rest of it's all usable in your trust: trust buys properties, trust does maintenance on properties. Heck, trust pays for the cable bill at your home for repair and replacement of furniture, pays for the pool guy, pays for the gardener, pays for the insurance. I think you're starting to get the idea that the trust and trust expenses are much wider in terms of the berth meaning the depth of the expenses that are attributable to the running and maintaining of a trust than ever would there be in normal deductions business and or personal.

So, this is a great program and our average client is seeing on an annualized basis a 75 to 95 plus reduction in their taxes if they have the right type of tax liability. The right types would be of course investor type transactions that they're involved in. So it's a win-win. Not only can you get great asset protection but you can get this tax deferral component that is so essential for us and take the additional funds that you would have paid by kicking the tax can down the road and use those to fund your business and reinvest.

Mark: Yeah, I mean that leads to like we could do a whole other podcast just on asking questions about this business trust and the proprietary component of it and everything involved in it. I think it's outside of you know this podcast and I'd tell everybody listening that they should talk to you, talk to their CPA, and all of those types of things as well to look into that even further. But from the sound of it, I don't know of anyone that wouldn't be able to use this business trust. Now, I am technically because this is my full-time business is buying and selling raw land. You know even if I bifurcate some deals as investment really the IRS is going to look at me as a dealer in raw land. So, I wouldn't be able to use the trust.

Bruce: That is absolutely not correct.

Mark: It’s not correct, okay.

Bruce: I want to back up two statements you made if you don't mind. Number one get with the CPA statement, now because we utilize subsection 643 of the IRS code, I got to tell you there's rarely, matter of fact I cannot remember when somebody went into their existing CPA and started to talk about our trust where they weren't prepared to. They really didn't know enough about it and the CPA looked at them like they were from Zulu land or something like that and the presentation does not go over well.

Likewise, my suggestion would be that we would do a complimentary consultation and at that particular point if they even wanted to involve their CPA, yes we have enrolled agents with the IRS, we have CPAs, we have tax attorneys, we have accountants. We would be delighted to get one of our tax professionals on with their tax professionals so that they can bring them up to speed. Because again the tax professionals that people have if they knew about this stuff they would be doing it. They're not. They are usually very embarrassed in it. It's a very touchy issue.

The second one was your deal or status discussion. I've got to tell you, Mark 99 out of 100 people touch upon that and say, “Hey, this is a great thing but I'm such an active real estate investor.” We all know the reality is you can be classified as a dealer with having done just one deal. It doesn't take 6000 deals or 600 deals or what have you, unfortunately one will get you there. However and you're going to love this, however, near can somebody be classified as a dealer no evermore once they get one of our trusts because dealers own properties. Trusts own your assets because you would be selling. Therefore, and I actually even have a slide on this, that you cannot be cast as a dealer.

For those of you who don't know that are on the call today and like Mark, I know who knows this, when you're a dealer they smack you around pretty good. You get hit with what's called ordinary income versus long or short term capital gains and to make it even more painful they slap on the self-employment tax on top of that. So, the difference from a taxation standpoint can be very, very significant if you are a dealer. This is something that many of the investors that we work with love about our trust because once they make that conversion they cannot be, are not construed as a dealer going forward.

Mark: Bruce, I'm going to be sick. I'm physically ill. Where were you all my life?

Bruce: I've heard that before.

Mark: All right, my head is spinning. I'm going through a shame spiral right now. Okay, I'm going to get through this podcast. Bruce Mack, this has been unbelievably valuable and incredibly informative. I'm so excited for the listeners to take advantage of all this which leads me to our tip of the week. A website a resource, a book, something actual where our Art of Passive Income listeners go improve their businesses improve their lives. What have you got?

Bruce: Well, I've got not one I've got two tips of the week. First of all… - three - *One Minute Manager*, I found that to be a great book to read it's easy read too heck you can get to the thing in an hour or so. So, it's an hour read to learn how to be a good one minute manager.

As far as the other two tips for the week should you be interested in learning about the financing component if you would, you can jump on to PlatinumFinancingGroup.com. That's not Platinum Finance Group, it's Platinum Financing the verb group dot com. There is an active calendar that you can get on and we'll block out 15 minutes to discuss what funding that you want on an initial consult and then you'll be directed to one of our in-house account managers to get the specifics for the project or for the funding that would best fit your situation. So for financing go to PlatinumFinancingGroup.com. Hit up the calendar. We'll get you on there and we'll get you a consult. As for the tax component... Excuse me.

Mark: I mean already just people are looking for funding. They are trying to mitigate their tax liability get asset protection. I mean I’m surprised this hasn't been going on the whole podcast.

Bruce: As far as the trust piece for those of you who are looking for complimentary trust consultation that will take longer. You will want to hand your laptop or desktop because we will run you to some slides. I will show you that slide on dealer status that we were talking about. That you'll want to go to PlatinumTrustGroup.com, PlatinumTrustGroup.com and you'll schedule one hour on there and we'll get that knocked out. Likewise, if it's both we can do both. If you're looking for trust and for financing, just go to the trust one, block it out, and we'll allow for some extra time to talk about financing and then we can roll right into a consult on the trust. Okay?

Mark: Ok, yeah. I'm going there right now, PlatinumTrustGroup.com and Platinum funding...

Bruce: No, PlatinumFinancingGrop.com.

Mark: PlatinumFinancingGroup.com.

Bruce: Yeah, I get that all the time Mark, sorry.

Mark: That's okay. This is why I drink a lot of coffee so that I continually make these mistakes. All right, well my tip of the week is going to be, just do exactly what Bruce said and go to PlatinumTrustGroup.com and then… I just lost the site again, Platinum...

Bruce: Financing Group.

Mark: ...FinancingGroup.com, PlatinumFinancingGroup.com and you know it's really going to solve almost every pain point that we hear about doing deals in our niche. If you're not in our niche this is going to solve… I could imagine not solving your pain, point whether you're a wholesaler or a single-family home flipper, you're in mobile home parks, you're in the big apartments syndications. I don't know what you're doing but this is unbelievable and it's certainly worth further investigation. Bruce Mack, is there anything I should have asked you that I didn't ask you?

Bruce: You know, we really covered a lot of ground in the short amount of time that we've had together. I think that at this point if people have more in-depth questions which invariably they're going to on their specific financing needs and or their specific asset protection and or tax mitigation possibilities, I leave it to let's get the folks on to the consultation. That way we can have some private time and we can really do a deeper dive into what's going on in their life so that we can get them the relief that they need financially and or from an asset protection and or tax mitigation standpoint.

Mark: Fantastic. Well, I want to thank all the listeners. I want to just remind them the only way we're going to get the quality of guests like a Bruce Mack is if you just two, actually three favors: you've got to subscribe, you've got to rate and you've got to review the podcast. Send us a screenshot to Support@TheLandGeek.com. We're going to send you for free the $97 Passive Income Launch Kit. Today's podcast is sponsored by Flight School and Flight School Live. Learn how to start doing deals in real-time with Scott Todd and Tate Litchfield at TheLandGeek.com/Training. Bruce Mack, are we good.

Bruce: We're good.

Mark: All right. Thanks again. This has been unbelievably you know... I've got two emotions unbelievably valuable and unbelievably sickening that I haven't heard about this sooner. So, I'm going to go vomit right after the podcast. I want to thank you, Bruce, for providing me this information. I wish it was provided 20 years ago but that's okay. I'm not mad at you. I'm mad at me. But it's okay.

All right, thanks again and let freedom ring. Thanks, everybody.

Bruce: Thank you.

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