BigBrain Radio Show
7-12-08
Guest: Rich Belding

(music)

DLS: Hey good morning, it's Saturday morning! It's time for the BigBrain Radio Show. I'm Dr. David Stussy and this is the BigBrain Radio Show about the BigBrain life that we all lead. For people who haven't ever listened to the BigBrain Radio Show, the BigBrain is about human beings and the life that we create with our BigBrains. We have a physical brain that we kind of know about … that 99% of what it does we're not aware of. And then we have what are called our metaphysical brain, or our minds… and that's what the uniqueness of the human spirit, or the human… human person… human species I guess. And I have another BigBrain with me today who I think exemplifies what it takes to create specific things in the areas that count to people. And one of the areas that make a difference in people's lives even though they don't want to talk about it, you can't really live without it, is a form of exchange which allow things to happen… they call it money. And then how to make that money work for you into the future so that we can have the values that we want as we go through our entire life so that we'll be able to create the life that we want with our metaphysical, or our BigBrain. So, I have… well he's gotten to be a pretty good friend… his name is Rich Belding. He's from Connecticut, and he is with a company called Benefit Plan Advisers. Right?

RB: Absolutely.

DS: Well first I should introduce you and then I'm going to talk a little bit about you. So why don't you kind of say "hi", Rich.

RB: Well, hi Dave. And it's great to be here with you. I'm looking forward to speaking with you this morning and … seeing what we end up talking about. (laughter)

DS: Well, let me tell you… We've had some shows on the radio – on the BigBrain Radio Show – about money and finance. And through a period of time I've come to see that one of the things that… the biggest difference for individuals is they don't have a structure or a plan. We as human beings, we handle money pretty much reactive. We have a little structure in our brain, called the amygdula, and it reacts pretty much to money like … Does anybody ever know what it's like when you see a red light flashing in your rearview mirror? There's a reaction – a total reaction – even when you don't… even when you know you haven't done anything, you react. And that's kind of what this part of our brain does when it comes to money, and it has to do with survival, and probably the way that we were able to maintain ourselves through the … through the years of our evolution. But then, as … as time goes on, in order to override those things that… the decisions that we make with our brains, about money, like we'll take chances and we'll gamble and we'll do things we shouldn't do, we have to use what's called our frontal lobe – or our brain – which is what makes us unique. And so we've talked about this on the BigBrain Radio Show that we have to have a strategy for success. And, um… there's a lot of information out there about what people should do. And as you know, on the BigBrain Radio Show, we have a law called “the one and the many”. When many are doing something, it isn’t always the best – it’s just what everybody does. They follow the rules; they kind of go with everybody else. 401Ks are kind of getting to be in that arena. And well… and so everybody kind of hands you a 401K. But on the show, we’ve talked about there’s different ways to do it and one of it is trusts, and trusts that are protected under the IRS rules that allow you to have deductions from your business for anybody – and I’ll have Rich explain who those people are – but small business owners. And in such a way to protect and … protect… Once you decide what you want to have out of life, then this structure will allow you to accumulate it in such a way that there’s no stress. Because when you have a structure or a strategy, just like in business… you know when a patient comes in I’ve got to structure a strategy. And I’m sure Rich, when you talk to a client you’ve got to structure a strategy to follow. Well, I would say… you know they say sometimes people plan their… spend more time planning their vacations than they do their future. And so… when you have somebody available that could make that difference, to help people plan let their frontal lobes get new ideas then we have to talk about it. And that’s really why Rich is here today, because over the period of time that I’ve been in… in… kind of investigating this with my BigBrain, I have found that this procedure I think is the safest; it is… it has a certain number of guaranties – not total guarantees obviously. But it creates a future for people so that they can operate out of and do the things that they want, and still be spontaneous with their money. How’s that?

RB: Yeah, I think that's an interesting segue. And… ah… I'm still actually thinking about the red lights in the rearview mirror, but… (laughter)

DS: (laughter)

RB: Too many speeding tickets lately, I think.

DS: Well, there have been a number of studies shown that people… ah… handle money… They get reaction and they… they lose the ability to make decisions, or they get… you know they… they think everybody else is doing something better… you know. And so then they jump into the stock market, or they jump into this. And you know I have this thing about the 401K. It's really made for… for employees, and it… And for a person who has a business it doesn't really allow them to make… to create the advantages they need to create. Plus, they'll… half a dozen other things we're going to talk about. And then there's this concept called "Wealth or Benefit", which has been developed by the IRS going way back into 1928… 18… 1823?

RB: Well certainly Welfare Benefit Plans were used way back in the early 1900s…

DS: 1900… right.

RB: … and, you know we'll talk more later about the code for that…

DS: But it's a term that Welfare Benefit, because everybody hears the word "welfare" and they think of you know, welfare. But this is a welfare benefit, which means that it allows, or benefits for your welfare, that you can plan ahead of time, that are going to be there. And when we're younger, sometimes we don't think they're going to be there, but they’re going to be there. And this has all been set up by the IRS. It’s a good deal. So, why don’t you tell us a little bit about you… how you see yourself.

RB: Well yeah, definitely… the… the… First of all, I mean I come from Benefit Plan Advisors in Connecticut. We have a couple offices, Simsbury and Stanford, Connecticut. And we’re… you know we’re involved in all kinds of tax-planning strategies. Our company really is a TPA. We do all kinds of benefits. You know we’ll talk a little bit later about how… you know what Congress intended these plans to be and how we really stick to those guidelines. But…

DS: Yeah, ‘cause everybody when they hear the word IRS or taxes, then they get nervous.

RB: Yeah, yeah.

DS: And… ah… I think… You know one thing I… that I… you know and I visited your office out in Connecticut…

RB: Mm hmm.

DS: And… ah… you know you actually play by the rules so much that sometimes you have to point it out to the IRS.

RB: (laughter) Yeah definitely. Well you know, it’s … in the tax-planning strategies there’s so many wonderful things you can do to basically utilize these deductions that are out there, where you can really put yourself ahead of the game…

DS: So, who should use this?

RB: Well, the plans that we use… of course my background before… prior to the last 12 years my background had been in general financial planning with individuals and businesses. These particular plans that we deal with are for businesses… you know C Corp., S

Corp, PC, LLCs… any business entity can partake in these plans, because they're the ones that are taking these above-the-line deductions for the welfare benefit plans you just discussed.

DS: Right. Now people hear businesses they think of big companies. I want… I'm going to put in the term small businesses.

RB: Tight… yeah… closely-held businesses are a lot of the people… you know you don't see usually the large public companies doing these plans. They're more concerned about their… Well, let's just say that the closely-held businesses are the ones that generally…

DS: Closely-held – you mean privately owned?

RB: Yeah… yeah… usually… yeah.

DS: You know, and obviously the one… that I've been interacting with you is on behalf of doctors. Doctors basically are – unless they're employed by a hospital or something – are just small business people… and notoriously for not really knowing what to do with our money, even though they get a lot of it, or they supposedly get a lot of it. And… um… so… Anybody out there listening that has a small business – and even if you are a sole proprietor, you might want to look at the opportunity to incorporate… why you would actually find it'll give you that reason to do that, because they IRS gives more advantages to somebody who is under these particular business titles. Right?

RB: That's right. You know employee benefits is really what we're talking about… employee benefits under the name of course welfare benefit plans. And there are numerous of them and we'll talk more about the individual ones…

DS: Right, and when we say employee we're really talking mostly about the owner, and he is the employee of himself in a corporation he structures. Correct?

RB: Yep. Being that it's a discriminatory plan, you're dealing a lot of times just for the owner of the business.

DS: Yeah… let's say… 'cause there's all these things that people… A lot of times when business owners… um… ah… they have to have a plan. Well then they have to include everybody. This doesn't have to include everybody. Correct?

RB: That's correct.

DS: That's a very outstanding feature because I know small businesses – the doctors and dentists and stuff – um… for some reason, dentists like to do that for their employees and they get really big payrolls… they always kind of regret it. It's not that they don't want to do something for their employees, but it gets more than they can handle in terms of…

RB: Well that's …that's what I was just going to cut in. I don't want to start sounding like we're trying to discard employees here…

DS: No, no, no! We're not.

RB: Everyone… you know there are wonderful plans out there in which people take … ah… get into for the benefit of the employees, but this is certainly one that can be done… you know, for the owner.

DS: Well, and talk about it. If you have a key employee – somebody that really makes a difference – you can include them in this, correct?

RB: Of course. And… and… most… you know many times people do, but I'm just trying to really show that…

DS: Yeah…

RB: … exactly how the plan works.

DS: So it has an organized structure. The IRS gives you some flexibility and freedom to kind of manage it in terms of what's best for yourself, and then if key employees, et cetera.

RB: Sure.

DS: But mainly, for the business owner themselves, to protect the money that they may want to be able to use in the future and use it in a tax discriminatory way, to create these benefits. Correct?

RB: Ah, yes. That's correct.

DS: Did I say that right?

RB: Yeah…

DS: Sort of right?

RB: I'd say.

DS: Okay.

RB: We'll probably say it a couple different ways here. (laughter)

DS: You know, Rich and I have had… we were out last night and ah… we… we… we don't talk politics. Right?

RB: Well, we do a little bit, but when it gets heated up we generally pull it back a little bit.

DS: Actually we… we usually talk about music, right?

RB: Yes… music… one of my favorite topics when I'm not talking tax strategies.

DS: And we were with your beautiful wife, Amanda, who probably makes your life work for you. Right?

RB: Oh, of course.

DS: And ah… so ah… I do happen to know Rich quite… quite well, and ah… so that's why I felt it was important to have him come on the show because he was in town here talking to some of the doctors that I know, and I just think it's an opportunity to let people find out about what's going on. Okay?

RB: Perfect.

DS: So… um… so let's talk about the benefits.

RB: Let's… maybe… could we…

DS: Well… do it the way you should…

RB: Why don't a do a quick nut-shell version of what 419 is really about. As Dave … as you said, welfare benefit… excuse me… welfare benefit plans have been around for years. Just to simply put it, ah, we have the ability to have a business owner… ah… adopt a plan for his company and be able to utilize, you know, six different benefits more or less. We have … the benefits I'll get into in a moment, but this is a way in which he can put money into the plan to achieve these benefits and take the full tax deduction.

DS: There's tax deductions… there's just some obvious things here. So, we're coming up… on a break here… So we're going to play a little music on the way out. I think this is Grateful Dead, isn't it?

RB: (laughter) Absolutely.

DS: So, this is Dr. David Stussy for the BigBrain Radio Show and we're with BigBrain Rich Belding and how to have a financial future that works, and that's what BigBrains do.

(music)

(music)

DS: Hey, welcome back to the BigBrain Radio Show. We all kind of wonder about long ago… but we have the future to create. The future is now and the action you take, the strategies – the BigBrain way you look at life. And we have a real BigBrain, Rich Belding, who is with Benefit Plan Advisors from Connecticut. And of course they work with companies all over the country – world probably…

RB: Absolutely.

DS: And it's a pretty big deal. And they deal with… You know I come out there and look at Rich's company and then of course they work with Morgan… Morgan Chase Stanley…

RB: JP Chase. Absolutely. JP Chase is the one that holds the assets. We'll get into that in a moment.

DS: And they have these big law firms that deal with all the different things that have to do. So this is not some fly-by-night. Because… in the past, sometimes people associate tax … things associated with tax is kind of fly-by-night… or new plan… they just kind of made it up. This has a long history, which Rich is going to get into a little later. But when we left off, Rich was starting in about some benefits.

RB: Well yeah. Let me try and get into… the real quick nut shell version here in this segment. But I wanted to quickly thank you for putting on my two favorite bands there – Neil Young and The Grateful Dead… (laughter)

DS: Yeah, I said we all have a history and we take that history forward with us, and that's who we are.

RB: Let me try and cram a lot in here then and just move… go jump right into this. So we talked briefly about 419 – the Code Section. This is all about welfare benefit plans… employee benefits.

DS: Can I say one thing?

RB: Yeah.

DS: People hear 401(k)… that's a name of an IRS Code…

RB: Code Section.

DS: Yeah. So a 419 is just another IRS Code.

RB: 419 is a Code Section… correct. So welfare benefit plans are there for the benefit of the employee. It could be simply the owner of the company, it could be one of the employees for the company... a way of achieving welfare benefits on a tax favorable basis. So 419 didn't actually come into the Code until 1984. Welfare benefits, as I said, had been around for a while, and 419 actually came into the Code in 1984 for which may surprise you, for the purpose of kind of squashing the way people were using these… because really, there were a lot of abuses taking place with welfare benefit plans. You had people using VBAs … and really… I don't have time to dive into all of this, but I'm going to try and give the gist. People were putting money aside into these welfare benefit plans and money was accumulating. Usually the vehicle that people use is an insurance policy because it can accumulate … the internal cash can accumulate tax-free, it can be distributed tax-free. So people were using these VBAs, loading them up with cash, and then distributing the policy and basically people were just then loaning all the money out. So the money went in with a tax deduction, grew tax-free, and then was distributed tax-free. And the IRS really looked at this as deferred comp in disguise.

DS: And it was… probably was. (laughter)

RB: And it was. Yeah. So, you had … really along comes 1984 and the IRS basically … what's put into the Code actually through Congress is Code Section 419 stating … and I'm not getting into all of the specifics, but basically stating no more pre-funding. So these guys that wanted to take, you know, a million dollars, drop it into a plan, get a full tax deduction for this year for "pre funding a future benefit"… they said, no more doing it that way. No more current deduction. What you could always do was spread the deduction out, take the direct cost of that benefit for that year, and then spread it out. You know, later on… later on in the show I'll explain, that's really the way we're operating these days using the qualified direct cost as the deduction for the year, and not fully prefunding as much as people used to.

DS: Well that's a mouthful so we'll have to go back and say that.

RB: Yeah… yeah.

DS: You know, there was a humorous story because… The story goes that this IRS director came and saw a big boat that had "My VBA" on the back of it…

RB: Yeah, allegedly down in Florida. That's…

DS: So he kind of knew that something was wrong. It actually initiated some changes.

RB: Well yeah. I mean they started realizing pretty quickly that Swiss Alps… you know… ski… ski… ski villas and things were being purchased. I mean all kinds of abuses taking place. So again, that's what led 419 to coming into the equation, to do away with all of that prefunding. Trying to get this back… which is what Congress intended, which is let's let the little guy buy benefits and put money aside for these benefits and now let's allow him a tax deduction. So quickly moving forward, when that Code Section came into play, Congress gave no regulations, no guidelines. All we had was the Code Section, which was not really enough to give people that substantial authority they needed. I mean you probably had 20% of the major insurance carriers that were willing to do these deals back then. And again, you know, in our company they wouldn't even be doing these plans because again people felt the substantial authority wasn't there. So moving forward, from 1984 until around 1995, people were doing things all kinds of ways. It was like the wild west out there. People were putting qualified rules in their plan, setting up VBAs… doing anything they thought the IRS might like. There was then a plan called the Prime Plan that went looking for a private letter ruling from the IRS. They said not a chance are we going to issue a private letter ruling because we're not going to give you our blessings on these plans. We don't like them, we don't like that people are using these are deferred comp in disguise. And they actually issued Notice 9534 that was very derogatory toward these plans. Soon after Prime goes to tax court… and I'm giving you a … sometimes it takes me an hour to say this… but…

DS: No, you got it.

RB: Soon after this, Prime was taken to Tax Court. They lose in Tax Court – it was called "The Booth Case". But it was really more or less a disaster for the IRS because what happened to Tax Court is the blueprints were laid out on how to do these plans properly. You know, here's what they did right, here's what they did wrong. And now all of a sudden you had a fresh court case that really showed how people should be doing these plans. So now, after the Booth case, in around '90… right at the beginning of around '97, now you saw probably you know, 80% of the insurance carriers jump into this, were only 20% of them would do it before. We, being in the benefits business, being a TPA…

DS: TPA being…

RB: Third party… I'm sorry… third party administrator. You know a lot… we had other plans come to us and say hey, you know, you guys were already a TPA, you know what you're doing, you're in this arena already. You guys are really all about benefits. So we took over a few other plans at the administration for them. We started our own plan at the time. And you know I'd say moving forward probably a few years after that became the largest 419 administrator in the country. And going on from there, now things were back on the radar screen in the…

DS: So they had a guideline.

RB: Well now they're on the radar screen again in Treasury's eyes because everyone's doing them, because of the fresh court case. So, now we see a dozen… literally a dozen proposals before Congress to change 419… discrimination rules… due away with it. So I'm going to try and quickly wrap up this history lesson so we can move on to how this plan work at the next segment. But… ah… going forward from there, finally after 20 years of waiting, the IRS issued regulations so now we had regulations that people had been waiting for all of these years on what not to do… what to do, what not to do… and that really opened the doors going forward to finally seeing people structure these plans in a way that Congress really intended, with no more of those games being played.

DS: Wow. You know I got tired just hearing all that.

RB: I know. I said a mouthful.

DS: But it's there…

RB: Be glad you didn't have to listen to it for an hour.

DS: It's there, it's a plan… and I think you did a really good job of putting in the background… how it's a legitimate IRS procedure. Sometimes it's not so fast though, right?

RB: Yeah, exactly.

DS: This is Dr. David Stussy of the BigBrain Radio Show. We have Rich Belding, our financial expert – our BigBrain financial expert.

(music)

(music)

DS: Hey, come what may! This is Dr. David Stussy – the BigBrain Radio Show. Old ways, it's hard to change them. And we just had Rich give us a super way… hard… it was to change the IRS rules in order to protect the public. It was confusing at first because… you know companies were coming in and buying companies and taking away their pension plans. And there was all this stuff going on. And I think the best way that Rich summarized it is they couldn't legislate it, so they regulated it, and they finally have these exact rules that are there, and everybody knows about them. And…

RB: Long-awaited regulations.

DS: Long-awaited. I should also say that Rich has been in this… was in this field through a lot of those changes.

RB: Oh yeah.

DS: So I mean it isn't…

RB: For the last roughly 12 years… yeah…

DS: So a lot of times people sort of hop on the band wagon and say they know what their doing, but Rich knows what he's doing. So go ahead Rich, tell us some more.

RB: Okay… yeah… Let's talk now… Like I said, I crammed a very tight history lesson in there and I could generally get going on for another hour or two on that. But… so… so let's talk more about you know when the Regs finally came out. You know there were a lot of naysayers out there saying 419 is dead, which I really took offense to, being that it was my full-time job for many years… ah… in running our Trust, etc. But then I … I really started realizing that they were correct to say that 419 was dead… if you were really one of these guys doing the deferred comp deals in disguise, doing things… ah… really… I want to say the wrong way, and not really…

DS: Kind of living on the edge.

RB: Well yeah, and just… just not really doing what Congress intended these plans to be. In other words, making it a money game instead of a benefit game. So… that's what it really…

DS: That's interesting. I like that.

RB: So in 2003, after the Regs, what we did was we really focused on seeing that… you know the prefunding under 419AF6, although still done… we even have a couple of those plans… again doing them the right way… but really, 419… so-called 419-e plans where you're simply taking the direct cost of the benefit for the year… those really became the more popular way of doing it after the Regs. And again, we were leading the… leading the game there. So…

DS: You have 419-e, which is the IRS. And then you have the trust, which is a separate entity, right?

RB: Yeah. So our trusts are the Grist Mill Trusts that operate under the 419E or the qualified direct cost of the benefit for the year. And we have various trusts… Let me just kind of quickly explain to people how that works. Because I said earlier, the insurance… an insurance policy is the funding vehicle for its … well for many reasons. But in any case, you get a company – any business entity – C Corp, S Corp, PC, LLC – they're going to be adopting into the plan so they're joining the plan. They're getting a benefit; it's based on a death benefit only. So it's based on a death benefit, they're putting it in… we'll talk marketing, in other words, who would be the proper market? It would be anybody with an insurance need – whether it's a business need, whether it's for estate planning. So money is going to… There's an adoption agreement that … you know, who are you, who's participating? You're going to have your named beneficiary page right on there. And they are then putting the money from the business – it's a full, above the line tax deduction. It goes into our plan. As you said earlier, it sits in JP Chase. And now what we are doing is we are re-insuring the benefit – obviously through an insurance policy. So think of it as the trust's investment, or the trust reinsuring for a benefit that we are promising.

DS: Okay… now what this actually does then is this allows us to be separated from people's estate because the trust is owning the policy…

RB: Of … of the two different types of beneficiary arrangements, revocable or irrevocable… If you do a irrevocable beneficiary, then that is correct. We can avoid the estate issues. Yes.

DS: Right. Because one of the advantages is to not… This is the only plan where you can put money in tax-free and take it out tax-free.

RB: Ah…

DS: Or have it come out for benefits…

RB: Have it come out for benefits tax… yes. In other words, again, not … you know so many people look at that… oh wait a minute… deferred comp… I can go out and take a trip around the world, do whatever I want with the money. No, we're talking about bona fide welfare benefits.

DS: Well why don't you stay with the benefits then?

RB: Sure. Well let me just first follow-up… remind me to do that in one second because I want to continue with the insurance policy. So we are buying an insurance policy. The trust buys that insurance policy. It depends on if you are doing an estate planning we'd be using a Second-to-Die. If you were doing… basically trying to accumulate for other benefits we'd be using like an equity index policy or a UL policy for straight life. So that insurance policy is purchased by the trust. The trust is the owner and beneficiary and if there were a death, obviously the insurance carrier would be paying the trust, and we look at the adoption agreement for the named beneficiary, and the trust then pays the named beneficiary. And

Dave… you had asked me about the various benefits. With our standard death benefit only plan you'd be looking at, you know, just death benefit for death benefit needs. And if you own a business why in God's name wouldn't you be doing it with tax-deductible dollars instead of taking that money out of the business, paying taxes then buying your life insurance.

DS: Right, because you get 40% off.

RB: Well yeah, exactly… depending on your bracket.

DS: Yeah, so…

RB: People in New York, maybe 50%.

DS: So you're using… you're creating some financial stability, some financial certainty for your family, and you're taking advantage of the taxes at the same time.

RB: Exactly. So… so for…

DS: And there's some personal welfare too.

RB: Sure, but for … anyone that needs a death benefit for any of the various… you know whether you're talking about a buy-sell for your business, or you're talking about any of those insurance needs, that's… a done… you know that's an easy way to take care of it. If you're talking about… saying that you want to accumulate other benefits we have our living benefits trust. The living benefits trust, we're again accumulating the cash, we're purchasing a life insurance policy so if there was a death that would be … the death benefit is paid out. If you're living and you have various problems such as you need in-home care, long-term care, disability… so we can pay these benefits out of there as well, and it becomes a very nice place to have money set aside for any one of these problems. So you can get …

there are all kinds of welfare benefits out there. You can take a look at the 501C9 benefits. You can take you know those cafeteria plans. There are all kinds of benefits…

DS: Medical… medical…

RB: Unreimbursed medical expenses. We stick to those tried and true…

DS: Disability…

RB: Disability… the ones you've just mentioned are in addition to what I've said. Those are the tried and true benefits that we stick with. In other words, death benefit is probably the most widely used. Then you'd have the things… these others that we just mentioned.

DS: And they can get paid and then they have actually gotten these things tax… without paying taxes.

RB: Yeah, those can be paid out without taxation to the individual. Correct.

DS: So… ah… 'cause everybody is… I think the hardest part of life as we get near the end is these unanticipated events.

RB: Absolutely…

DS: I mean they're anticipated, but we don't anticipate them. (laughter)

RB: Well yeah, you're…

DS: We're all an exception!

RB: What you just said Dave, that's … it's great to differentiate because so many people have this idea… yeah, I want to just pull money out like deferred comp. And, especially after all those turbulent days through the 419 in the '90s…

DS: And deferred comp would be like a 401K, where you have to pay taxes on it.

RB: Yeah, where people are putting money away, so they can spend it any… any way they want and they just pull it out of there and pay taxes on it and spend it. So I'm trying to get people to think benefits… Hey, put all of that money aside in deferred comp plans and things that you need to do, but you're also going to have… hey, we know you're going to die so most people do need a death benefit. And certainly there are enough people out there that … that want to plan for… should they be disabled… should something happen… here's a pot of money that they got a tax deduction for putting that money in there and now they can draw it out, if they have some kind of a hardship… one that in particular we just described.

DS: Yeah. So… um… Just kind of summarize… A trust allows people to … to have insurance… to meet their insurance needs, second by all kinds of ways you can use life insurance.

RB: Yeah.

DS: And you're getting the lowest cost insurance because it's term… but it's perpetual.

RB: Ah… I wouldn't say… That's… well, you're definitely… we're using policies that certainly have low cost of insurance…

DS: Not the lowest… okay… but…

RB: We're generally using some type of a whole life type vehicle. I don't want use the term whole life… let's say universal life, something like that, so …

DS: Well then I'm sorry about that. I said the wrong thing.

RB: Yeah. No, that's okay.

DS: Um… ah… it allows people to … to do those things and still create benefits that they will get later at tax-free.

RB: Sure. And all the while knowing that ultimately there's going to be a death and knowing that your family's going to be taken care of and you did it all with tax-deductible dollars.

DS: And you've… that's pretty good, because then you end up creating things for yourself out of your business… would normally be money you'd pay the IRS I guess.

RB: Sure. And I'll say it again. I mean… if you have a business entity why in God's name would you not want to be doing a … buying your insurance with a tax deduction?

DS: Is there any other advantages that you can talk about?

RB: Ah yeah… I think there are a number of advantages… We can talk about the various benefits. I mean… take somebody for example that says well I you know I don't need insurance… I'm self-insured. I have enough money. Again, let's … let's look at the fact that you can be self-insured by putting money aside, getting that tax deduction. There are different types of…

DS: Oh, I got it… yeah.

RB: Different types of insurance needs… I think I might be going over people's heads that don't have insurance background, but things like… like I alluded to as a buy-sell. You know you take a business… two business owners that need business insurance because they want to buy the other one out should they die so the spouse doesn't become their new part owner of the company. So whether it's for a business need, whether it's for the individual planning, or as I said before estate planning, it can… it can all be done this way.

DS: And the reason they use the life insurance is because inside of a trust, that allows you to… once you put the money in tax free, there are advantages to get it… to use it… once it's…

RB: Well, certain…

DS: … because it's tax-free taking it out.

RB: Yeah, well… death… the death benefit of course is coming out under 101A, so death benefits going out tax-free to the individual for… just from the fact that we have a welfare benefit trust that operates as a death benefit only and the benefits also can come out to the individual. They can come out tax-free as well.

DS: That's the five that we talked about?

RB: Yeah, exactly.

DS: Plus some others. The other thing is … how much would a person have to put away to make it worthwhile for them to be a qualified business?

RB: Ah…

DS: 10,000-20,000?

RB: Yeah. I mean we see people… let's face it. I mean a business is… quite often you're going to see a business at year-end and they're saying geez, you know, now that we see that we have some profits, it's year-end… let's look at getting some of these benefits that we may need. I would say that the average business is putting, you know, you probably wouldn't be doing less than $10,000 a year.

DS: Yeah, so if they could do 10 or more… The thing is it also could be the money that they're now paying taxes on.

RB: Yeah.

DS: So they could take that and target that, because they would…

RB: Yeah…

DS: Am I not correct?

RB: Sure. And you do see a lot of that at year end looking that way. People say hey, I've got this…

DS: I've been paying $30,000 taxes here a year…

RB: I've got profits and I know I've needed this benefit for … for many years… here's a great time to do it. And the amounts can change year from year.

DS: And that's allowable under the plan too, right?

RB: Absolutely.

DS: So it allows for the flexibility that people have.

RB: You can do these plans when you have any other type of a retirement plan in the company. This is a separate entity.

DS: Well obviously this is… you know we've been throwing out information so you can see… my main reason is I wanted people to see that… that Rich is really somebody that knows what he's talking about… and there's real advantages. Obviously, it would take a more detailed conversation. So when we come back we're going to find out how they can get a hold of you and … ah… we'll try and clarify what we've said here.

RB: Sounds great.

DS: Anyway, this is Dr. David Stussy. The BigBrain Radio Show. And we are talking to Rich Belding about creating financial stability and having a strategy… using the rules of the IRS. Right?

RB: Absolutely.

DS: All right. That's a BigBrain strategy. We'll be back in just a moment.

(music)

(music)

DS: Hey, this is Dr. David Stussy and the BigBrain Radio Show. We don't want you to be alone. We want you to know that we're here to support you in your BigBrain lifestyle. And the last show… with Jackson Browne… that last song… he said I don't know what people when they die… Well, people don't even know when they die and that's why you have life insurance and protections. And all we're talking about is they are… there's… there's structure within the IRS Codes that allow business people – small business owners – to actually do some things to their advantage. And at the end I was saying… and I'm not talking about trying to get away with taxes, but there's money you're paying for taxes in business that you could just be paying to yourself and it's legitimate with the IRS. You know everybody hates writing that check. Or, another thing they do is they go do stupid… they spend… they try and spend the money so they don't have to pay the IRS on stupid things. You know, like improvements they didn't really need and stuff like that. This is a … for your welfare that's got extreme planning, it builds up over a long period of time. There's many more advantages inside of these trusts and insurance that we really just couldn't talk about on this show. We don't have the time.

RB: Well yeah, I mean I… I do seminars all over the country…

DS: Yeah.

RB: … and usually speak for a couple hours…

DS: They're interest paying…

RB: Yeah.

DS: And there's guarantees, and there's all kinds of things inside of this. So, for people… let's just make sure that for people who might be interested, why don't you give us your information on how they can get a hold of you.

RB: Ah sure. And … ah… you know if anybody is interested, we can… I'd be more than happy to speak more. Check out the website: www.benefitplanadvisers.com… with no spaces in there.

DS: And Rich, how do you spell your last name?

RB: B-E-L-D-I-N-G

DS: Spell it again.

RB: B-E-L-D-I-N-G. So anyone can feel free to contact me as well. 877-236-4782. Rich Belding. And I can speak more on this topic, until I'm blue in the face. And… ah… but again, just going back to what I said, if you're a business owner this is a wonderful Code section for you to be utilizing if you have any of these needs we're talking about, so you can get a bigger bang for your buck.

DS: Really. And I think they need to sit down and actually look at this welfare… I mean… the benefits which are … for planning for things that happen as we age and … ah… or unanticipated. And I think the biggest thing is you know people spend their life trying to… they're so worried about their family, trying to build up enough estate so there's some left over. With life insurance you actually have… by using this tax advantage you're getting insurance that will guarantee your family's … really at a very reasonable cost and getting these tax advantages. So you're buying your insurance with a 40% discount.

RB: Yeah, in a sense…

DS: Depending on your tax bracket.

RB: … that’s a good way to put it. Sure, depending on the bracket.

DS: Why wouldn’t you do it that way?

RB: Yeah, that’s absolutely… And you know another point is is if … it’s funny because we come across people that absolutely love the idea but, geez I’m a sole proprietor. Well my feeling is if somebody is in business, you need the protection of having a business entity to begin with, so before you even think about the 419, you should be thinking about…

DS: Well you’d help them with that stuff too, wouldn’t you?

RB: Yeah, we certainly… or can at least advise them… have their favorite attorney put an LLC together…

DS: It’s not that expensive.

RB: I think they do them online now for about 50 bucks! (laughter) No, I don’t know… I don’t know… but I’m just saying yes, somebody should do that if they are actually operating in business as a sole proprietor to begin with.

DS: Yeah, because the IRS sees a sole proprietor as being their own employee so then it doesn’t really work that way.

RB: Right. Correct. Correct.

DS: I mean it’s just … you have to play by the rules and the rules are the one that Rich is an expert in. And the rules are there. They’ve been legislated and … they’ve been regulated, not legislated. So they’re in place. There’s been tons of court hearings. You know I’ve sat and listened to this whole thing about how this was created. And … um… there are definite advantages. It’s not a … a fly by night situation. It’s not a way to trick money in one place and take it out later. It’s a way to use your money into the future… money that you're making now. We have… we all have a time when we make more money than… where we have the ability to do that. And later on, even though we think we're going to, it changes.

RB: What we can do for anybody that was interested is we put together all the time, you know, illustrations. Basically you combine what we call our calculator page which shows the qualified direct cost of the benefit for the year. You know the thing is, if somebody was basing this on say a, you know a $2 million death benefit that they needed for whatever reason, and let's just say that it required "x" amount going in. I mean you could put a million dollars into it every year if you wanted to because you're not limited by how much you can put in. You're only limited as to how much you can actually deduct in that given year.

DS: Based on your age.

RB: Based upon the age and the amount of death benefit… that's really what it's kind of based on.

DS: Right. But eventually they will be able to deduct that whole million dollars.

RB: Correct. And that's the point. Because you have an unlimited carryover. The money that you're putting in… a certain amount is deducted every year and then there is the unlimited carryover that… as I say that word is "unlimited". You can use it when you need it.

DS: Right. That's why I say they really need to talk to you.

RB: So ultimately, it's fully deductible.

DS: Right. So any money you put in… and the thing is you can prefund it, which is the big ruling that allowed that to take place.

RB: Sure. And you know the money in there is … you know it's free from the hands of creditors and it's operating as…

DS: Oh, that's another good thing. Right. It's free from creditors…

RB: Sure.

DS: … and ex-spouses and things like that.

RB: (laughter) Yeah, well… yeah we won't get into all those…

DS: Oh, we don't want that on the radio! But listen, this is … you have to plan and protect your future. And you do it… and the future is in the present by your actions.

RB: Right.

DS: And that's the BigBrain way of doing things. Rich, you know it's always fun hanging out with you because we have had some good times together. And…

RB: Thank God we didn't last night! (laughter) At least I can speak somewhat clearly. (laughter)

DS: (laughter) Anyway, and ah… I had to laugh last night because we're sitting in this restaurant and all of a sudden he saw at the Orpheum Crosby Stills and Nash were going to be there. He's running around the corner and…

RB: (laughter)

DS: Seeing if he was going to be here…

RB: Dave knows I'm very into music. Yes. Sounds like they were going to be here. One of my favorites. So, do enjoy. Dave and I both enjoy music quite a bit, so we've got that in common.

DS: So, Rich I just wanted to say that… um… ah… we want to get you back sometime and talk a little bit more about this.

RB: Friday night for CSN… right? (laughter)

DS: (laughter) And so we can go more into detail on the insurance procedures.

RB: Yeah.

DS: I mean we threw out at the end here… you can prefund it up to a million dollars and then it's deductible. Well that's kind of… sounds a little hazy, but… Most people would put in anywhere from $20,000 – 40,000. The thing is, they can put in more than they would in a 401K and it's not taxed…

RB: Well again, I don't want you to compare it to a 401K because you're talking about putting money away for retirement when you're dealing with a 401K. And we've got to remember this …

DS: Oh, right. Okay.

RB: … is really all about the welfare benefits…

DS: You're right. You're right.

RB: …because that's where so many of these plans are so much trouble…

DS: See, I'm making the mistake that everybody makes.

RB: Right because people love the idea… hey we can put money in here… but they've got to understand it's for those benefits. And… ah… you know… let's… we've been through a lot of audits with many of our clients and … ah… we've never had a client have to pay a penny in taxes, interest or penalties. And when done the right way, 419 is a very valuable tool.

DS: Well that in itself says a lot because … um… if you talk about… besides talking in public and snakes, probably fear of an IRS audit is people's number one…

RB: Well yeah… I agree. And there are a couple items on that. I mean first of all, we have a very good firm that has always handled our legal opinions – Edwards & Angel. Too often in the past I've heard some of these… well some of these companies out there that have done 419 in the past… sure we've got a great internal… our attorney is also our head of marketing… you know… legal opinion together…

DS: Well Rich the reason I have you… because you are top quality and you deal with top quality… top quality companies all over the world. And you're who… you're the BigBrain that we want to talk to when we're going to do this. So… thank you for being… listening to the BigBrain Radio Show. Remember to say thank you to the BigBrains in your life. This is Dr. Stussy for the BigBrain Radio Show. Brain waves to radios waves. Have a great week.

RB: Thanks Dave. Looking forward to seeing you again.

DS: You bet. Thanks Rich. We love you man!

(music)

(end of show)