

Transcript for Session 2

I. **Discovering New Money: Exercising Your Rights and Privileges**

This course explains the quickest, easiest, absolutely-least-expensive methods for enhancing your financial prosperity no matter what your present economic status.

This second session, **Discovering New Money: Exercising Your Rights and Privileges**, builds on your awareness and develops your protection against financial losses due to extortion and fraud.

II. Reality Check

There is a particular direct toll route traversing a particular body of water. The route is known for terrible congestion and consequential inconvenience, but the great majority of people prefer it, even though there is another direct route nearby that also traverses the same body of water without a toll and, since comparatively few people use it, without congestion. The question is: Does the fact that most people prefer the first direct route with a toll and terrible congestion make using the alternate route illegitimate or inadvisable?

If you answer “No,” think about these further questions: Is it **necessary** for the IRS to label the law of gravity to confirm that **it is** a law and to make it a legitimate force of nature? Is it **necessary** for the IRS to label something as tax-free or tax-exempt if legislated law **already** says it is tax-free or tax-exempt? Does the fact that **most** people prefer using only IRS-labeled methods characterized by **maximal** taxation make using **alternate** methods characterized by **minimal** taxation and based on legislated state and federal law **illegitimate** or **inadvisable**?

The point is that people tend to **prefer** things as they are—but there are **options** for those who want the **benefits** such options provide. For example, some drivers prefer to take the short side of a triangle, whereas others prefer the longer route—the **other** two sides of the triangle—because “that’s the way” they know—it simply is not important to them that a shorter, direct route is available.

People also tend to do what seems most convenient and what takes the least amount of effort. Most of all, people tend to do what feels most **comfortable**—which just happens to be the easiest and the most convenient and the way they have “always done it”—or, at least, the way they have been doing it for a considerable period of time.

What **develops** over a considerable period of time is **tradition**, and what develops from tradition is **loyalty**. A curiosity is the tradition of loyalty to people, most of whom are not legal professionals, who get **paid** to make determinations of **law**.

It is one thing for a doctor of law, such as a lawyer or an attorney, to make a determination of law for a client and provide **relief** for the client based on the law,

whether or not by means of a judicial ruling. It is another thing entirely for someone who is **not** a doctor of law to make a determination of law for a client and create an **obligation** for the client based on ignorance and misapplication of the law—even if “that’s the way everybody else does it.”

People **also** tend to **rationalize** and so **reinforce** their determination to remain in their “comfort zone” of tradition and loyalty. All of these tendencies **reinforce** the tradition of loyalty to people—most of whom are not legal professionals—who get paid to make determinations of law.

The IRS winks an eye at tax professionals, who overtax the masses consistently, which harmonizes with the IRS mission of “fairness to all,” since everybody is cheated equally. Tax professionals wink back, some of them having taken the initiative to do a little homework and discovered what you have discovered—but they keep it to themselves, go about their business, and make themselves deliberately—or, at least, deliberately negligently—complicit in legal extortion.

People tend to **rationalize** that it is simply **easier**—even **safer**—to hire a “professional” to calculate legal tax obligations from year to year rather than risk running afoul of the IRS. Reports of wealthy celebrities going to prison make them imagine the horror of the sickening sounds of a judge’s gavel and the slam of a cell door.

What people **forget**—or **ignore**—is that they have legal and constitutional **rights**, and by their tradition of loyalty to people—most of whom, although not legal professionals, get paid to make determinations of law anyway—they **waive** their IRS-published **right** to pay “**no more**” than “**only** the correct amount of tax due under the law,” “**only** the amount of tax legally due,” which their hired “professionals” can no more determine than they can put themselves on the Moon.

Do not IRS agents and income tax professionals have **authority** to make such determinations? According to the US Supreme Court pronouncement, which is item 17 of [Appendix F: The Courts](#), very near the end of the e-book accompanying the first session, “Because of what appears to be a lawful command on the surface, many Citizens, because of their respect for what appears to be law, are cunningly coerced into waiving their rights due to ignorance.”—United States Supreme Court, U.S. v. Minker (1950) Rather than make their **own** determinations about their lawful obligations, people tend just to **ignore** the actual language of the law, **presume** that it establishes an obligation, **blur** the distinction between the actual language of the law and the authority exercised by governmental and non-governmental tax professionals in making income tax determinations, and assign these to work out the details on the forms. **Technically**, having been **assigned** to complete income tax forms, tax professionals are not making determinations of law when completing such forms—the responsibility for determination of law remains with the individual who assigns another person to complete the forms. However, by **insisting** that the law says that income tax is due, tax professionals **exceed** their authority—and people tend to let them do so.

What can you do about this? You can continue in these tendencies and keep yourself paralyzed with the “herd mentality” or you can take proactive steps and make a difference for yourself. As the e-book says in **Appendix IX: Communicating with IRS Agents**, if you overpay your actual statutory obligation, the only person *truly* to blame is *yourself*. (Incidentally, any CPA has, at the very least, an *elementary* education in the structure and actual language of federal tax law and so, with the proper intent and effort, is *positioned* to be able to make a correct determination of law with regard to income tax, if requested to do so. As it is, however, *without* the proper intent and effort, a CPA’s feet cannot be held to the fire for making an *incorrect* determination—a CPA who does not make a correct determination cannot be held accountable since there is no requirement to practice law for tax preparation purposes, and there is no requirement to know the basic *facts* of the actual language of federal income tax laws and regulations—even if the CPA is also a doctor of law.)

On the other hand, you have the *right* to pursue the *benefits* provided by your *options*, make your *own* determinations of law regarding taxation, and make a positive contribution to the economy just as you have the right to install hydro-cell technology in your own vehicle and make a positive contribution to the environment. The fact that—if you even bothered to inform them—you might incur the ire of individuals in the IRS by reducing your income tax cost is no more consequential than the fact that—if you even bothered to inform them—you might incur the ire of individuals in the automobile manufacturing industry by reducing your fuel costs and your toxic emissions.

III. Your Second Step to Reach Your Financial Prosperity Goals

Would instant *reduction* in the size of one or more of your largest expenses help you reach your financial prosperity goals?

Now that you got your feet wet with the basic facts of the actual language of state and federal income tax law and regulations, what you need to do is plug two or three of the biggest drains on your financial welfare.

Your second step is to begin generating additional streams of income for consistent accumulation of wealth. Whether you are a wage-earner or a contractor or a business owner, you can generate additional streams of income by lawfully avoiding your federal self-employment tax costs and lawfully reducing or even completely avoiding your state and federal income tax costs as well as your interest costs and any other unnecessary or excessive costs. Tax reduction and avoidance is not rocket science: it is simply a matter of exercising your rights to privacy, contract and agency and avoiding taxes not required by the actual language of the law—you can even lawfully avoid taxes that *are* required by the actual language of the law by simply arranging your affairs properly.

What does the government say about this? In fact, all three branches of the US government publish this very possibility: the executive branch, via, for example, IRS Publication 1 Your Rights as a Taxpayer, accompanying the first session; the legislative

branch, via the various laws that protect individual privacy and the various, very-carefully-worded laws that do not infringe on constitutional limitations; and the judicial branch, via, for example, the US Supreme Court pronouncement mentioned in the first session: “nobody owes the public duty to pay more than the law demands.” (This pronouncement is item 5 of [Appendix F: The Courts](#), very near the end of the e-book accompanying the first session.)

How many people are aware of this possibility? The “herd mentality” has almost everyone convinced that there is **no way** to ease income tax burden, but if you have read at least the 42 recommended pages of the e-book, you recognize that there **is** a way based on the laws and practices of the land. Incidentally, if you have read the e-book **beyond** the recommended 42 pages, specifically, [Appendix III: The Internal Revenue Code](#), you have **verified** that the US Congress has, until now, neither established laws requiring **employers** to **withhold** income tax or social security tax or Medicare tax nor established laws requiring **employees** to **pay** income tax or social security tax or Medicare tax nor established laws requiring **sole proprietors** to pay **self-employment** tax, which is the **employer’s** share of social security and Medicare taxes **and** the **employee’s** share of social security and Medicare taxes.

[Strategic Tax Planning](#) is about acknowledging the basic facts of the actual language of state and federal income tax laws and regulations and implementing lawful strategies to reduce and avoid the costs of state and federal income taxes. Understanding the simple, private, lawful methods for reducing individual income tax burden and the available methods for putting the extra money to work for the individual **motivates** the individual in implementing a personal [Strategic Tax Plan](#). Understanding the fact that the federal and most of the state legislatures have not enacted laws actually requiring individuals to pay income taxes **reassures** the individual in implementing a personal [Strategic Tax Plan](#). (A lawful method to reduce and avoid taxation is legitimate because it is a **lawful** method to reduce and avoid taxation and because there is **no requirement of the actual language of the law** to pay federal income tax or, in almost all States, state income tax.)

IV. Legal Organization

What must be done to ease income tax burden lawfully? If you are an employee or a contractor, whether you love your career and want to stay right where you are or you want to work for yourself (or both), or if you are a business owner but have not registered your business other than as a sole proprietorship, the first thing you must do to ease income tax burden lawfully is **organize your business in your State**—a limited liability company (LLC) is recommended—and thereby avoid self-employment tax for an unincorporated sole proprietorship. (This segment of the session will be helpful and informative even if you **have** registered your business other than as a sole proprietorship.)

If you are working as an employee, struggling financially, and wondering how you can afford to do this, you can simply limit your income tax withholdings. Submit an updated

“W-4” payroll withholding allowance certificate to each of your employers to reduce the amount of federal and state income tax withheld from your gross earnings by indicating as many as nine withholding exemptions.

Visit the web site for your Secretary of State and click on the link for Corporations or Starting a New Business. Click on the links for Search Records and/or Search by Name, be sure to enter the correct spelling of the complete name of the business you want to organize, and search for it to be sure it is not already registered by someone else—the State will either return or ignore a filing for a name that is the same as another and may not refund any payment already submitted. (If you find that the name you want to use is already registered, add to the name another descriptive or identifying word or two to make it truly unique.)

Follow the links and instructions to complete and submit the Articles of Organization with your registration fee.

When completing the Articles of Organization, be sure to indicate the correct spelling of the complete name of your LLC;

use your existing address as the address of your LLC; and

list yourself as the organizer, filer, officer or president, and registered agent (so you can save yourself the annual registered agency fee).

Also take note of any additional time-sensitive initial requirements of your State, as well as annual registration filing deadlines and fees, and keep a calendar with this information to avoid late filing penalties and administrative dissolution of your LLC.

As soon as you receive your confirmation from the Secretary of State, which is usually immediately online and usually includes a state identification or filing number, visit irs.gov and click on Apply for an Employer ID Number (EIN) and Apply Online Now. Complete and submit the form to receive an instant confirmation with your new federal tax identification number.

When completing the Application for Employer Identification Number, be sure to indicate the correct spelling of the complete name of your LLC as the legal name of the entity;

do not indicate a trade name unless you have previously registered with your State a trade name or “DBA” under your LLC;

do not indicate an executor, administrator, trustee, or “care of” name unless you have previously established this for your existing LLC;

use your existing address as the address;

indicate your County and State;

indicate “LLC” as the entity type and “1120S” as the form number to be filed;

indicate “banking” as the reason for applying and “open account” as the specific purpose;

indicate your state registration filing date as the date business started and December as the closing month of the accounting year;

indicate zero employees expected (unless you truly plan to hire employees and take on the various obligations of a payroll system);

indicate “Other” for the principal activity of your business and “Personal Services” as the specific services provided (unless your business falls under one of the other listed principal activities);

review your information for accuracy and make a note of your new federal tax identification number; and

click on the link to receive your tax identification number issuance letter online to get an instant confirmation letter in PDF format which you can save for your records.

Also complete pages 1 and 2 and **mail** to the address on page 3 of the instructions or **fax** Form 2553 Election by a Small Business Corporation to receive a confirmation of your election to be treated as an S-corporation that pays no income tax on its profits, if any.

When completing Form 2553 Election by a Small Business Corporation, be sure to indicate the correct spelling of the complete name of your LLC as the legal name of the entity;

indicate your new federal tax identification number;

use your existing address as the address;

indicate the date of organization—the date you submitted the Articles of Organization with your State registration fee—as the Date incorporated and your State as the State of incorporation;

indicate the current calendar year as the tax year for which the Election is to be effective;

make a check mark in the box next to Calendar year as the Selected tax year;

indicate your full name and title (i.e., “Owner” or “Director”) and your telephone number so the IRS may call for more information, if necessary;

at the bottom of page 1, sign, title, and date; and

at the top of page 2, indicate your full name and address, sign and date, indicate 100% ownership and the date of organization, your social security number, and “12/31” as the month and day your individual tax year ends.

Acting on your awareness, legally registering your business, and plugging the drain for taxes that can be lawfully reduced or avoided is the **second** part of lawful tax avoidance.

E-mail your first name, State, phone number, and the best time to reach you with assistance in this regard.

V. Typical Operation

Must you open a bank account? You need a business checking account to exercise your right to contract **fully**. Unless you have previously opened a bank checking account for your corporation, partnership or LLC, as soon as you have obtained your new federal tax identification number, open with a bank of your choice a checking account in the name of your corporation, partnership or LLC or in the name of your new LLC. (This is your **non-private** business bank account.)

Must you hire employees? If you truly plan to hire employees and take on the various obligations of a payroll system, you will save yourself and your business many great tangible and intangible costs by shopping around and hiring a professional employer company or personnel leasing organization. The right company will relieve you of all tax and administrative burdens as the employer and treat those who provide labor to your company as **their** employees in return for a single, all-encompassing contract payment per period. If such a company cannot be found, with the result that the employees and the responsibility for tax payments remain **yours**, you will simply need to find the best price for payroll services—at least, you will be relieved of the administrative burden. Payroll4Free.Com, LLC provides free payroll and monthly, quarterly, and annual local, state and federal tax reports for companies with no more than 25 employees. The company also provides submission of tax forms and payments in your behalf for a tiny monthly fee.

VI. Lifestyle Maintenance

So far, this session has explained generating additional streams of income through lawful avoidance and reduction of federal self-employment tax and state and federal income tax. Now, it will explain generating additional streams of income through reduction or even complete avoidance of interest costs as well as any other unnecessary or excessive costs.

The **second** of the **three principles** for achieving financial prosperity is efficient application of the “Rule of 72,” the **first** part of which is plugging the drain for interest expense that can be avoided.

The **Tax and Interest PowerPoint Audio Presentation and Excel Spreadsheet Workbook** accompanying this session will help you calculate your tax and interest costs from today—and thereby help you recognize the enormous costs of taxes and interest without a plan to avoid them. As you gain appreciation for this, you will be wise to reduce any **other** unnecessary or excessive costs that **also** diminish your ability to accumulate wealth, the largest of which can be devastating to your financial prosperity.

If you are a young person and have not already burdened yourself with credit card debt, consider this. Say you are earning \$25,000 and bringing home just over \$21,000 a year after federal income, social security and Medicare taxes, not considering state income taxes. So you can spend just over \$21,000 a year on yourself, right?

Well, what if you start using credit cards? With responsible behavior, specifically, never over-spending your credit limit and never missing a required payment, you **could** eventually develop a good credit rating and qualify for low interest rates. Even so, you would add to your other living expenses interest and principal payments on your debts. However, although you might consider that it is best practice simply to pay your balances in full each month, while this **would**—much to your benefit—eliminate the related cost of interest, it would not result in a good credit rating since you would not be carrying debt relative to your credit cards.

If you used your good credit score and low interest rates to qualify for increased credit **limits**, and if you accessed these new limits, even with continued responsible behavior, you would add to your other living expenses **more** interest and **more** principal payments on your debt, **reducing** the amount of money you have to live on after you make these payments. If you maintained this situation throughout your life, not only would you have less to live on, you would endlessly perpetuate your inability to accumulate wealth.

From another perspective, using revolving credit **only temporarily** increases your spending ability. Sooner or later, you must live within your means—but it is much easier and less stressful to live within your means **without** using revolving credit. **Mathematically** speaking, you are just better off without revolving credit and the related interest expense, which perpetuates your inability to amass sufficient wealth and truly enjoy life, free of the frustrations of poverty. If you truly do have the discipline and self-control to pay your credit card balances in full each month, you can avoid the trap and temptation of revolving credit by simply using your bank account debit cards to make your purchases as necessary.

What if you need to build “good credit”? If you are concerned about building “good credit,” you can do so by carefully managing and making timely payments for other necessary credit, such as loans for vehicles and homes. In fact, making **frequent**

payments on these necessary loans will both increase your creditworthiness and decrease your actual cost of interest. For example, if your mortgage payment is \$600.00 a month, a week after your next timely monthly payment, start making **\$150.00** payments **each week**. This will both satisfy your obligation to the mortgagor and reduce the amount of principal earning interest each month. In the end, you will save literally thousands of dollars in interest without increasing your monthly payment one cent. On the other hand, increasing your weekly payment just a **little**—say, from \$150.00 to \$155.00 or even \$160.00—will even **further** decrease your actual cost of interest. Either way, you will be able to pay off your mortgage significantly sooner and turn your monthly mortgage payments into contributions toward your wealth accumulation strategy. (Before you begin this strategy, ask your mortgage loan officer to verify that frequent or excess payments will be instantly applied to the principal of your loan balance rather than to an escrow account. Also ask the mortgage loan officer to provide projections based on increased frequency and size of payments.)

What if you need credit cards for “emergencies”? If you are concerned about having credit cards available for emergencies, consider some tendencies. In our convenience-oriented society, people tend to apply the term “emergency” to many things that are not life threatening or even **lifestyle** threatening—not considering whether each “need” is based on an actual emergency or just a very strong craving—and this perpetuates their suffering in the world of revolving credit and interest. When they reach their absolute maximum credit limit with impulse and “emergency” buying, they tend to trap themselves permanently in the only lifestyle that can be maintained with “maxed out” credit cards and minimum required payments. They also tend never to have any credit card spending limits available for **actual** emergencies, and they also tend to spend on interest and unnecessary purchases all of the money they **could** have saved for retirement. By **avoiding** revolving debt, you will avoid this trap and save tens—or even **hundreds**—of thousands of dollars in interest expense and, possibly, generate **millions** for yourself with that savings—and easily address any **actual** emergencies if and when they ever arise.

So, you **could** spend all of your money, and then spend all of your credit limit, and then spend all of your tax savings, but then you would have nothing to live on when you reach the point that your health prevents you from working to make more money you can spend—**OR** you could discipline yourself to live within your means, apply the remaining recommendations to generate many additional streams of income, and accumulate sufficient wealth to generate an annual, six-figure, tax-free interest income for the rest of your life. Obviously, it is only practical that you learn to live within your means at some point. The sooner you do, and the sooner you apply the remaining recommendations, the sooner you will find yourself making amazing progress toward your financial prosperity goals.

You may be able to generate additional streams of income through reduction of your **other** unnecessary or excessive costs, such as, for example, subscriptions of any kind from which you are not truly benefiting. Do not overlook shopping around for the best prices for home and auto insurance and other necessary expenses as well as the

lowest possible interest on absolutely necessary loans. The lower you can reduce your costs, the more you will be able to enjoy your life without frustrations. Conversely, the higher your costs, the more difficult and frustrating your life will be.

If you are already a business owner, you can reduce your excessive business costs, as well: professional accounting services are available to you for very low monthly installments.

E-mail your first name, State, phone number, and the best time to reach you with assistance in this regard.

VII. Advantageous Application

What are you accomplishing so far? With this keystroke-specific instruction and guidance, you are equipping yourself to establish lawful means of avoiding taxes not required by the actual language of the law and enforcing your private, lawful behavior without dealing with lawyers or courts of law.

Let us review. **Your second step is to begin generating additional streams of income for consistent accumulation of wealth.** Add to your strategy a specific plan to avoid waiving your right to make your own determinations of law with regard to whatever taxes the actual language of the law requires you to pay, a specific **Strategic Tax Plan** to reduce and avoid the costs of state and federal income taxes, and a specific plan to reduce or eliminate interest, subscriptions, insurance, and other expenses to generate at least nine additional streams of income. As you apply the recommendations, besides the negligible course fee, all you will spend is a little for your LLC (unless you have already incorporated or organized) and a little more for your privacy—a total of **very** little, considering that you **could** spend **easily** fifty to a hundred times that and that your **reward** will be an annual, six-figure, tax-free income for the rest of your life.

What do you need to do? If you are not already registered as a corporation, partnership or LLC, **register as an LLC and treat it as an S-corporation for tax purposes.** If you have not already opened a corporate or LLC bank account, open one now.

With the third session, you will begin implementing the sub-steps for enhancing your privacy and security.