EPISODE 529

[INTRODUCTION]

[0:00:00.0] ANNOUNCER Welcome to the Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.4] WS: This is your daily Real Estate Syndication Show. I am your host, Whitney Sewell. Today our guest is Brian Bradley. Thanks for being on the show again, Brian.

[0:00:32.3] BB: Hey thanks Whitney for having me back on, you know I really appreciate it and it's going to be a different talk today about asset protection and not so much about the different tools that we use. But you know we already did that and we hear about them a lot and I think rather just about what's changed over the last 30 or 40 years in the legal system and why if you own anything, you need to understand the modern legal world that we live in that you are actually investing in.

[0:00:55.6] WS: That is a great topic, Brian. I am grateful to have you back on the show and just so the listeners know, they can go back and listen to WS431 aired on December 26th, 2019 and you can listen to Brian and talk about asset protection and some basic things as far as getting started in asset protection and looking forward to this conversation.

But a little about Brian, again he is a leading educator and asset protection attorney for high-risk professionals, entrepreneurs and investors focuses on setting up strategic teams and systems to protect your assets. He was selected to the Super Lawyer's Rising Star list, Lawyer of Distinction List and nominated to America's top 100 High Stake Litigator's list.

Brian, that's a mouthful. You're very qualified obviously. Thank you again. I almost need you to help me – you know, as an attorney, help me pronounce some of those words there so anyway. Thank you again for just being willing to share your expertise with us.

But yes, get us started and thinking about some of the things that's changed over the last 30 years maybe, you know, how we're holding assets or how we're holding our real estate now, maybe different than what we've heard from our parents or coach or somebody that's been doing it over the last 30 years.

[0:02:06.0] BB: Yeah.

[0:02:07.7] WS: Go ahead.

[0:02:08.3] BB: Yeah, no. Let's just jump into it and you know, the legal system's drastically changed over the last 30 and 40 years. It's no longer about justice but it's really about redistributing your wealth from the haves, to the have not's. Civil litigation and predatory lawsuits are unfortunately an actual business now and is a multibillion-dollar industry with a B.

We didn't have to worry about this type of an industry 30 or 40 years ago. What we want to do is place legal barriers between your assets and your potential creditors, you know, that's it. That's what asset protection does, it's just a barrier, like a safe for your gold or your guns. Anything of value, you know, you want to put behind the barrier so that it's not easily attached to a lien or reached with a lawsuit.

And now you know, for like you mentioned people who grew up with them or old-school mindset where lawsuits really were never an issue, you know, back about 40 years ago, you could essentially have everything in your own personal name or in your family trust. That was acceptable then and you could get away with it about 30 or more years ago.

But over the past 40 years, the litigation landscape's completely changed. The litigation playing field's become owned by the plaintiff lawyers following the lawsuits and they're actually rewriting the rules. Things that didn't happen in the past or, that weren't allowed to happen in the past kind of like contingency fee lawyers or law firm advertising are common place now.

For example, CPA’s still can’t even be paid on a contingency fee basis because if they were to be based on how much money they can save you on taxes, what do you think is going to happen? They’re going to lie, cheat and steal to save you as much money as they can because then, they’re going to make as much money as they can.

But we allow attorneys to work on a contingency fee basis, we’re looking at getting 33 to 50% of whatever damages you get. And then we have plenty of lawyers who are already in jail for unethical practice now and it keeps rising. And so, the fact that we even now allow attorneys to take on clients in a contingency fee basis model wasn’t what the system was originally set up for. It wasn’t how we were working in our legal system.

It changed in the 60’s with the contingency fee attorneys becoming more and more prevalent state by state and then the 70s, when the Supreme Court allowed law firms to start advertising and that term law firms into businesses, invoking –

[0:04:20.9] WS: Like billboards we see, right? Everywhere.

[0:04:23.6] BB: Everywhere, you weren’t able to do that up until the 70s and so now you have these attorneys that’s driven by a dollar, they’re a business, they have profit lines and margins they have to meet or they go closed. It’s no longer about good old Abe, I’m doing this for justice, you know, I’m going to live and die with my client.

Now, it’s just dollars and cents and this is the legal field in the world that we’re playing in.

[0:04:44.9] WS: You had mentioned, attorneys that have unethical practices, you know, what are a couple of just quickly red flags on that? Kind of show us the way that maybe this is somebody we shouldn’t work with. Where would we find that?

[0:04:57.4] BB: You have to really vet the attorneys actually. You go to and you got to look at how many cases do they have open at a time? Almost every attorney has gone through, went they get experience, some sort of mil shop law firm and realize like,” This is not for me. I’m not comfortable. I’m leaving.”

I was working for one law firm that we had, me, one attorney, 160 open cases at a time. How would I be able to do good legal work on 160 trial cases at a time? You got to look at how busy is this attorney? How much attention are you going to be what they have on me? How experienced are you at what I'm specifically need? What's your staffing look like?

And just start asking questions and vetting them because they're talking into ethical issues, it's really hard to see where an attorney's going to cross the ethical line because there are contingency fee reasons that we have. Part of it is to allow people who wouldn't have access to, by hourly rate attorney, access to an attorney. There's a good for it.

It would just not what the system was originally set up to where a lot of attorneys are just advertising for that big heyday pay day or just define clients who, whether they have a legal claim or not are just going to file a lawsuit to force a settlement. That's the hard part is those type of clients don't care. They're just looking for an attorney to file something and they're taking a shot at the dark. That's what you're trying to protect yourself from are those type of clients and those type of lawyers who won't just say, "No, I don't want your case. There's no merit for it. Goodbye. Get out of my office."

I think it goes to kind of like, the Shakespeare's *Henry IV, Part 2,* where it was a play written over 400 years ago where you have Dick the butcher saying, "Hey, the first thing that we have to do is go kill all the lawyers. "

The funny thing about this saying is that, when that was written about 400 years ago, it wasn't because lawyers were shysters, it was because 400 years ago, they we retrying to do a political coup and take over the political system and create a criminal scheme. They had to go kill all the defenders of justice and go kill all the lawyers because they didn't want the defenders to come after them.

You say that today and it's a joke. You know, it's like, "No, we got to kill all the lawyers because they're all shysters." And so, there's a big disparity of what law used to be and what law is now and what asset protection does is limit the playing field.

And the other thing that we're fighting beyond the change of legal system is actually the judges that are in the legal system and there's a big difference between legal authority and practical authority that if you're investing in real estate, you need to know about.

[0:07:25.0] WS: Could you elaborate a little on what the legal and practical authority, how we should think about what that is?

[0:07:30.5] BB: Yeah. It's a really big point that needs to be understood for real estate investors, especially if you're using LLC's for real estate investing is this difference. Legal authority, what the law actually says versus practical authority, what actually is the power that a judge has?

The reality is that a judge can't and does do whatever a judge wants. LLC's and LP's which are limited partnerships, are governed by the state statutes they're created in. What this means is that if you created for example, Nevada limited LLC and the exclusive remedy against that Nevada LLC is a charging order, a judge, even in California let's say, by statute, may not issue a remedy other than the charging order against that partnership. That's what you want but that's just in theory.

But everybody knows that theory and practicality don't mix. Practical authority is the power of judge actually has to make decisions in their court. A judge has very broad powers to reach in your assets including seizing them, placing a lien on them, foreclosing on them, ordering a sheriff sell or a clearing title to enable a clean sale, wage garnishment, I mean, it's endless what a judge can do.

The problem is, judges, even without legal authority do this. They do these things by exercising their practical authority or their secret power which is called the court of equity. They're just trying to come up with an equitable remedy and that's just a judge's decision. This can be done in direct contradiction to establish stat, choosing case law. The result is that, that courts or that judges practical authority, just took your assets with no legal authority to do it.

The solution to combat all of this is to hinder a judge's practical authority over your assets so that they can't circumvent the legal process. And we do this with asset protection planning and using corporations and business entities and having trusts that are then setup in strong jurisdictions like we talked about in a prior podcast.

And then the people who do the type of planning, we all know each other like all the different big firms and attorneys. And so, just to share some amazing success stories that were having and were talking about with other firms, we have some clients that are being sued three-million-dollar malpractice judgment, you know, that was fully resolved. 34 million dollars, malpractice suits, that's settled for under a million dollars.

You know, a five-million-dollar judgement, that's settled under $200,000, we've had 75-million-dollar personal loan suit that's for five million dollars with spaced out payments over five years. When you start leveling the playing field, using asset protection, instead of being preyed upon, you're now in a position of strength.

[0:10:08.6] WS: Sounds complicated.

[0:10:11.0] BB: It's really – that's what –

[0:10:12.8] WS: That's why we got to have somebody like yourself.

[0:10:14.6] BB: That's why you get the lawyers. That's why you get the CPA's, that's why you gather financial advisors, you know? Let us do the complicated legal stuff of it. You do what you're good at.

[0:10:23.4] WS: Wow, okay. Obviously, we want to be protected, I mean, you hope there's justice, right? Worst case, you do have to stand before a judge one day, you know, which we all hope we don't have to. But kind of sounds like they can do whatever they want even if it seems like we've halfway protected yourself, it may be useless, is that what you're saying?

[0:10:39.2] BB: That's what we went through a lot about on the last podcast when it goes to power domestically versus foreign. Everybody would rather keep everything truly domestic if we can, the optics are better. But what happens when you're in court and all of a sudden, all rise the jury has now made the decision? Or the judge, if it's a judge trial, has made a decision, everybody collectively holds their breath, "What's going to happen?"

Because, if you knew the theory was going to line up, it's not a coin toss, you just know what the resolution's going to be, it's in an equation. But when you have somebody else making the decision and they have that law of equity, that they can do, you're just sitting there waiting and hoping to god that falls on your side.

[0:11:16.9] WS: Why don't you give us just a couple of minutes, I know we covered some of this in the last podcast but just give us a couple of minutes of going into that asset protection just a little bit and we can cover some other things?

[0:11:26.2] BB: Yeah, you know, if we just go over the roadmap of asset protection again, to summarize the last time, you really have three essential stops. At the end of the day, you're trying to protect your equity that you have, on your other assets that some assets can be moved, most assets can't. You're just trying to protect the cash value of it. Money is tight, you're just starting out or you have minimal amount of assets, start with something, get the assets out of your personal name.

You start with an LLC. There's pros and cons to LLC's. The pros, they offer some limited liability protection, that's great. Some states are going to have good charging orders, some states are going to have weak ones. You start jurisdiction shopping, you know? Good jurisdictions, Nevada, Delaware, Wyoming, Arizona, Texas. Really bad charging orders states. California, New York, those are going to be common very unfriendly asset protection states.

As you start growing, you're going to probably acquire more assets and more LLC's, you place assets into the LLC's and you limit the amount of assets you put into each LLC. For example, if you have four properties and two are in different states, you don't throw them all into one property, into one LLC. Because, the rule of thumb, if one asset goes boom and blows up, you don't want it to affect the rest of the assets and you can never stop an asset that blew up from not blowing up. You just don't want to bleed into the rest of the assets.

And so, if you have four assets or for properties in one LLC and you have, let's say, $200,000 in equity of each one, that's a lot of equity. You don't want to lose that equity. You split the equity up into multiple LLC's. That way, it doesn't trickle down in a trickle effect.

As you start growing, you want to be able to not have your CPA hate you and you want to have a more simplified tax process. You have asset management, limited partnership s or asset management companies. Those management companies own all of your LLC's and all of your assets. And then the benefit of that is you're just having one tax filing. All those K1's of the LLC's will flow straight through that management company.

And then you would do your banking with that management company instead of having a bunch of different bank accounts. Let's start simplifying the system and adding another layer of protection. It's just like having a castle, you start adding moats and bridges and archers and you're doing the same thing with your assets.

Then the last stop in the asset protection world is asset protection trust. We're starting getting to the big guns. What the asset protection trust is going to own that asset protection trust is going to own that asset management company which also owns all those LLC's and other assets. The trust can be setup domestically here in the US or they can be setup off-shores. Domestic is great, only if you live in one of the 17 states that have them, it's limited.

So, if you live in California for example and you try to use an out of state Nevada asset protection trust, there's a great case, Kilker v. Stillman (2012 that said, "Sorry, you're not a resident of Nevada. You're a resident of California, we don't care that you created an out of state asset protection trust, we're going to pierce that trust and the person who is suing, he's going to get access to those assets."

[0:14:29.9] WS: That's a bad day.

[0:14:30.9] BB: Yeah, or if you even live in Nevada or you know, one of those other state residents, you're starting to see judges just bypass them by callbacks. Now they're having massively long 10 year look back periods or was called foreseeable creditors. You may have set this up five years ago before you were being sued, reasonable amount of time. But just by nature of your work, you should have known that you could have potentially been sued at some point in your career. That's unreasonable and that's what you're starting to look at attacking domestic asset protection trust.

So then, the next strongest option of asset protection is really important to you, foreign asset protection trust. The Cook Island asset protection trust, the famous Cook Islands. The reason is it's called statutory non-recognition. They just don't recognize any world's or court orders, even the US judgments.

They're just going to say, "Thank you, we don't recognize them, you got to sue us here in the Cook Islands. Meet massive list of statutory requirements that you have to meet to get into court here to," which you can go back and listen into that in the prior podcast.

That's a little overkill for most people, it's more expensive. We can use what's called a bridge trust to actually get the benefit of both worlds. Keep it domestic and simple, while having the power of the offshore Cook Islands in your back pocket if and when you ever need it. That's kind of the key concepts in road map of asset protection.

[0:15:52.9] WS: Nice, okay. You get them out of our personal name and you talked about just the jurisdiction shopping and got to know what states you need to open entities in or start entities in.

Now, why don't you elaborate just a little bit, asset, we have an asset management company and that's the company that we're really operating through and then that company's what owns all these entities that that technically own the properties themselves, is that right?

[0:16:15.0] BB: Correct. That's exactly good summary and it's very simple like that.

[0:16:18.0] WS: Great. It needs to be simple so I can get –

[0:16:20.9] BB: Simple for me.

[0:16:23.7] WS: And then we can think about like the bridge trust. You know, or something to that level, is that right?

[0:16:27.9] BB: Correct. Generally, I would say you start getting into the bridge trust or the asset protection trust when you hit anywhere between 500,000 to one million of unprotected net worth. Unprotected meaning, you know, you take out your mortgage, you know, that doesn't count to your net worth, liabilities doesn't count your net worth. Your IRA's which are ERISA protected is already protected so I'm not taking that into consideration.

Unprotected net worth around 500 to a million, we start talking about the British trust or you know, some sort of asset protection trust and that number may shock people to sound a little low but the reason is, it's because you at that level are on the most dire need for it because one lawsuit at that level can completely wipe out your 20 years of a nest egg that you were building and you're not going to most likely rebuild it by the time that you need it.

You are the most vulnerable or you're starting out and you have a good nest egg and you're investing, that's when you're going to make the most errors when you're starting out. Or if you're starting to syndicate deals and you're the general partner and your name's on it. That's when you need to start thinking about the higher levels of protection because your name's going to be the one that's being listed on all the lawsuits.

[0:17:37.4] WS: Yeah, when we're at that level, that's when we need to think – strongly consider the bridge trust. Just tell me again or tell the listener again just kind of what that is so they understand why that works the way it does.

[0:17:48.0] BB: Yeah, absolutely, the bridge trust is that, "Well, I really wish I was here domestically and I wish I could have the power of Cook Islands at the same time but it's really expensive. How do I get the best of both worlds?"

That is what the bridge trust is. It is a foreign asset protection trust but it is classified domestically by the IRS because we maintain that court test and the control test IRS requirements and that's for classifies it as domestic. And so, you don't have to do all the IRS tax filings and disclosures. So, you are still going to get anonymity. It is an easy ownership flow. It is tax neutral. It is a self-settled, spend thrift trust and a guarantor's trust.

All the IRS will ever see is, "Okay you have a guarantor's trust and you have an asset management company." It doesn't really throw up any red flags. And then the way it works is if you ever are sued, we trigger the bridge and it is called the migration clause and we cross the bridge to the Cook Islands and the assets transfer over to the control of the offshore Cook Island trustee. We drop your name as the trustee and the offshore trustee now is going to look at any potential creditor coming after you.

And saying, "We don't care what damage or claims that you have or judgments, they're worthless here." And the reason we drop you, the person who created it's name as the trustee is you don't want a judge to be able to come and hold you in civil content and say, "I know that you have these assets, we want you to transfer them back."

By dropping your name from being the trustee, you no longer can tell somebody to transfer the assets back or give it to them because the offshore trustee will just say, "Sorry, it is under duress and our job is to protect your assets."

And the judge this is under the US v. Grant case, a very famous case. It was a case where the husband's stiffed the IRS for $36 million, stuck the money in the Cook Islands and died unfortunately. And the IRS went after the wife, three times in the Cook Islands and lost each time and they tried to get a civil contempt order and the judge said, "Hey, she tried to bring the assets back. It is not her fault that they said no and she couldn't."

So, the assets are just sitting there nice and safe.

[0:19:53.1] WS: Wow, and I would tell around the listeners again to go back to show 431 where we talked about that a lot more. But you know a couple of topics though that you and I are briefly talking about before the show, is just like how asset protection can help you, this worst case, you know you had to experience a bankruptcy or divorce, something like that and I thought you could elaborate on that as well?

[0:20:13.2] BB: Yeah, so I will do the longer one first, which will be bankruptcy verse asset protection or how we call it collection defense verse debt relief. So, collection defense and debt relief are like I said better known or understood as asset protection and bankruptcy. They are somewhat related but they are very different in how they work.

So, let us start with debt relief and it does what the name says, you know relief from the debt itself or payment of the debt in full. Once paid in full, you are relieved from anymore obligations or you can settle the claim, which is called a settlement. Unfortunately, the option most people actually think of first is bankruptcy. Bankruptcy is another form of debt relief. Its function is to relieve you of your debt through the legal process. And in its simplest form, the person who declares bankruptcy basically is saying that their debt exceeds their assets and once all of the available assets that they have are used you should be relieved from any further debt. And then when this happens the bankruptcy is discharged and you get a fresh start.

Now, in my litigation experience, bankruptcy is at times very appealing especially when you are facing a creditor because of this full relief from debt option and especially when your debt exceeds the assets that you have. But however attractive bankruptcy appears it is not an easy process especially since the Bankruptcy Abuse Prevention and Consumer Act in 2005.

It makes it harder to use bankruptcy and it give more rights and remedies to the creditors and you need to get into courts and then get a bankruptcy trustee, get in front of a judge. You know you're involving lawyers. I seldomly recommend bankruptcy as a first course of action especially when the amount of assets you have exceed the debt. Even worse, bankruptcy can actually undo most forms of asset protection. So, the debts you have will need to be considered very carefully before you just decide to immediately go hire a bankruptcy attorney and jump off the bridge of bankruptcy.

On the other side, we have collection defense. This process doesn't actually focus on relief from the judgment itself but from keeping the judgment creditors away from your assets. Asset protection. We are trying to make that assets unavailable and unattractive to creditors. We discus one method in the prior podcast, exemptions. Most creditors are going to try to avoid going after assets that are classified as exempts because they're not going to get them.

Another option is to separate the assets from the debt by using some of the legal tools we have discussed before like creating companies and LLC's, partnerships, using asset protection trusts and placing them in really strong jurisdictions. This is why asset protection has proven to be very effective in keeping creditors away from your assets. Don't get me wrong like the creditors are still going to come and knock on your door and they're still going to make your life as difficult as possible to try to collect.

Generally, you are not going to be able to just make the magic to go away. The goal of asset protection when you are talking about collection defense is debt relief. This is done most of the time by the fact that the creditor can't easily reach the assets. You know to get what we call a positive settlement. Once the creditors discovers that they have no, you know there is no bank account for them to seize on, the real estate is not in your name, there is nothing to place a lien on, this is going to be impossible to exercise a judgment, they become a lot more flexible and they magically just show up ready to make a great deal.

The thing to remember is that all of this just takes time. Creditors need to go through this process and this learning process themselves and figure it out that they are not going to be collect from you and let them bang their head on your legal set up and system for a while.

You know the issue though is that you become anxious and that makes you look vulnerable. You need to just relax and tap your brakes, have the asset protection system in place, and let them bump their heads against your defensive tools.

[0:23:54.1] WS: Hard to not be nervous when all of that is happening.

[0:23:56.8] BB: It really is but that is where you need to realize, "I have this system in place just let the system work." Don't panic, don't get frustrated, just rely on it but have something set up that is strong when one is warranted. The other one that you mentioned about was divorce. You know I get this question a lot you know about it right?

[0:24:13.6] WS: Unfortunately.

[0:24:14.3] BB: Yeah it is unfortunate. But it is just I think 50% of marriages or more now end up getting divorced. And so, it's heavily asked and if you are already married unless you can get a post-nuptial agreement that clarifies the separate property nature or you already have a very clear agreement on the separate property and then you really can't look at asset protection to solve your divorce problems. It is not about hiding assets from the other spouse.

Each spouse has a legal right to his or her share of the community assets. Now those are the assets you acquired during the marriage. After marriage, you know we look to the rights of ownership. You know on state laws regarding the division of property. But if the assets are in your personal name, under your personal separate property and they are already classified as that, yeah you can set up for protection system with that just don't co-mingle and mix them. We generally can't protect those separate property assets even if you're subject to divorce.

But we have to look at the situation through fraudulent condense. It comes down to, are we dealing with separate assets, like we said or community assets. The reality is that a good portion of those assets acquired during a marriage are going to be community assets because they are going to be purchased during the community with community funds.

In divorces, you can't take all of those assets and just place them into an asset protection trust for just one spouse trying to shield the other spouse away from those assets. You can't convert a client's community assets into a separate asset. That is what the divorce proceedings are for and that takes a judge to make that decision.

[0:25:42.1] WS: What is an example of a separate? I mean I would just think almost everything is community.

[0:25:46.6] BB: That's just what you would come to before the marriage like if I own a property before I married you, you know that's mine theoretically unless then the burden comes to showing, "Okay, well we paid for that asset with community funds." Then you may have transition the character of that asset. So that comes down to those. It is just a big mess of how –

[0:26:05.5] WS: Sounds like a big mess.

[0:26:06.7] BB: Yeah it is. So, if you are going to have assets before marriage, keep them that way, pay for them from a single separate bank account. Don't pay from community funds. It is really hard not to co-mingle assets once you are married. Anything that you get when you are married is most likely going to be classified as a community asset so that you are not going to be able to hide it from that spouse and if you try you're going to look really bad in front of that judge.

[0:26:29.1] WS: It sounds like maybe we should do a show on marriage.

[0:26:31.3] BB: Yeah, right? Yeah, I would think the goal when you are trying to set up an asset protection planning, if you get into divorce is you want a protect it from third parties not your spouse, you know? So, there is things that you can do to protect those assets to where if the asset gut sued or blew up during a divorce, everything else is still protected and that is what you want.

[0:26:50.3] WS: Everything that is mine is hers.

[0:26:52.1] BB: Yeah, you know? That's what it is you know and that is what marriage is. People don't get married thinking that they're going to get a divorce. But unfortunately, if you bring in something to the table before the marriage, you should protect that. Get a prenuptial agreement, I recommend and set up and asset protection system. And if you have nothing that you are starting with just realize for example, I am a doctor and you are just getting out a residency, build your life with your spouse.

You had nothing to start with, everything was during that marriage. Chances are everything is going to be community asset. So, let us not pretend that it is not.

[0:27:24.0] WS: I can say too like as hard as my – like my wife is not in real estate. But she has worked so hard like everything would definitely be a community because I couldn't have done this without her support, you know?

[0:27:34.9] BB: Yeah, you know my wife really busted her butt in the medical field and you just rely on each other. You know that is what marriage is and I wish that people ground it out together but it's not my place to work, yeah.

[0:27:48.1] WS: Sure, yeah. Well Brian I know we've gone a little long and I want to be respectful of your time and the listener's time. And anything else as far as just what we have covered today that you want to elaborate on anymore before we move to just a couple final questions?

[0:27:59.8] BB: One good question that generally doesn't get asked that should get asked is like, "Okay, we have the bridge trust, we are being sued, we are transitioning assets domestically to foreign. You know is that scam? Is that fraudulent?" And the answer is no because the assets were taken out of your name and transitioned out of your name right from the beginning when we set the trust up. So, there is no change of ownership when we go from domestic to foreign.

It is still just the same trust. We just drop the domestic compliance and it's now just a foreign asset protection trust. But we are not changing ownership at that time and so the only change of ownership happened when we originally traded the trust for you.

[0:28:37.6] WS: So that happens right away.

[0:28:39.2] BB: Right away within the 30 days of you call me, "Hey, I want this." You say and then submit your payment. That whole trust and protection system gets set up within about 30 days. After that there is no change of ownership.

[0:28:51.2] WS: So, our asset management company that we were talking about is then owned by the foreign entity?

[0:28:55.8] BB: Correct because we use limited partnerships and those have a dual separation of ownerships and so that domestic or foreign asset protection trust or the bridge trust own the minority partnership share, which is the ownership's share of the management company. You are just the manager of that company and then the other half of it owns all the LLC's. So that bridge trust or that foreign asset protection trust actually owns that asset management partnership.

[0:29:22.9] WS: Are there fees for putting it back and forth or are there limits to taking it back and forth?

[0:29:28.4] BB: That is a great question. There is no tax implications. There is no penalties for moving asset, it is guarantor's trust that is all of this. So, you can move the assets back and forth from foreign domestic without any IRS tax issues or penalties.

[0:29:40.3] WS: What about the listener that says, "Well okay Brian, I am just getting started. I don't have the 500,000 to $1 million of net worth yet or equity and you know, how do I know that I am starting correctly right now even though I am not ready at that level?"

[0:29:52.3] BB: Yeah, I would say put into your budget for something like an LLC. If you are investing in real estate, it should be in LLC. Just don't put it in your own personal name because there is a likelihood if you're owning real estate is you're going to get sued. It is just a matter of if not when. And what condition are you going to be in at that time. So, start somewhere and part of owning a business is doing it the right way. So, you've got a budget on your legal startups.

Don't just say, "I am not going to budget it for right now. I'll get to it later on." It's just like your revocable living trust. You are going to be seven years old saying, "Man, I kept talking about this for the last 40 years, I never got to it." And then something bad happens and it is too late. Start off simple if you are starting out LLC and as you grow just realize there is different stops and that's what I hope the listeners get out of this is, "I am starting out with an LLC. Scale up to the management company, if everything goes planned and I become a millionaire, now I am going to come back in and get that bridge trust."

[0:30:48.9] WS: Yes, so should they have the asset management company LLC and LLC's that own the companies or just have the LLC's that own the companies at first?

[0:30:56.9] BB: It depends on what their owning and what they are buying and how much of it. So, I would say if you are just starting out, get an LLC. I would prefer you get two, one to hold the assets in and one to operate out of. But that just comes down to budget. You know I got to know where people are financially starting out.

Then after maybe two or three years as you get more and more deals and you have a couple more long term holds then you come back in and get that management company and make it more streamline and then as you start growing, you are going to hit that million dollar mark, become that accredited investor then you need to hire a level of protection.

[0:31:30.1] WS: All right Brian, it's been a great show. I know the listeners have learned a lot, I have as well. But just a couple of quick final questions, what is the one thing that's contributed to your success?

[0:31:38.8] BB: Not being afraid to fail. You know I have gone through a lot in my life. Coming out of law school at the worst time and just having to grit it on my own. If I was always afraid to fail or not just jump and see if I can swim on the deep end, I would have gotten nowhere.

[0:31:53.4] WS: Love that. And tell me how do you like to give back?

[0:31:56.7] BB: I do a lot of pro bono representation partly because coming out of law school that is how I had to get my experience and I always just love seeing the face of someone who had nowhere to go, win a case and then have to pay for it. And so, there are certain organizations that I work through that send me certain cases and I review and then I just pick a couple here and there to represent them for free.

[0:32:19.8] WS: Wow, Brian thank you for giving back in that way and I am grateful for you just giving your time and expertise to the listeners and myself today. Tell them how they can get in touch with you and learn more about you?

[0:32:30.1] BB: Yeah you can jump on my website, www.btblegal.com or just shoot me an email, brian@btblegal.com. I don't do paid consultations. I'd rather just have people send an email and not be afraid to talk to a lawyer to get advice whether you think you can afford me or not, you don't know until we talk ut you should at least know a high level of what you can and can't do, make your own educated decisions but you can make an educated decision if you don't talk to people who can give you the advice.

[0:33:00.1] WS: Awesome Brian, that's a wrap. Thank you very much.

[0:33:02.9] BB: All right man, thanks for having me back on.

[END OF INTERVIEW]

[0:33:04.8] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

[0:33:45.4] ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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