

**EPISODE 1144**

[INTRODUCTION]

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**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.

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**Sam Rust (SR):** This is your daily real estate syndication show. I'm your host, Sam Rust. With us today is Scott Smith. Scott Smith is with Royal Legal Solutions. Before founding Royal Legal Solutions, Scott was an aggressive litigator battling major insurance companies, and through those experiences, learned first-hand the tactics that attorneys will use to win lawsuits, he brings this knowledge to bear when setting up business structures to protect your assets. Scott, welcome to the show, thanks for joining us.

[INTERVIEW]

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**Scott Smith (SS):**

Hey, Sam. Great to be here, brother.

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**SR:** So, I have to ask, 'cause I was digging in on your background a little bit, I noticed you went to Hillsdale College and you were active in debate, and then you go from there into litigation. You have a long thread, it seems of enjoying being in the courtroom or in that environment. Going from there to asset protection, that's a little bit of a jump. What led to that change in outlook for you?

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**SS:** Right, when I was in law school, actually, I ended up buying my first commercial property and running a transmission, an Autocar business, and flipped the property in the business to graduate

from law school without any debt. From there I went to work inside litigation, suing major insurance companies, it turns out the insurance companies really love collecting premiums and denying coverage. That's the core of their business model. We spent two years suing them. But I was making more money on all this by doing my real estate than I was being an attorney and so I quit practicing law and just focused on real estate. Scaled my real estate to accomplish my own financial freedom. But what happened was that everybody that was in my circle of Meetup groups, they were asking me like, Hey man, what are you doing for your asset protection, your state plan, your tax? How are you doing all that together? So, as I helped a few of them, then they were like, You gotta go and share this stuff on Bigger Pockets and other major podcast about real estate. So, I did a BiggerPockets Episode Podcast 109, and then I just gave out my personal cell phone and email 'cause I was like, Nobody's gonna hit me up about this. So many as five people who have, but then I had about 30 people a day calling me here. And I was like, Oh my God, I gotta... I got forced into having to start a company that was around this, and it really hit home for me about how important it was. And asset protection for me, 'cause I had a friend of mine, he lost over 3 million in real estate from a single lawsuit, and if you would have done any type of asset protection besides just solely relying on his insurance and holding everything in his personal name, he wouldn't have lost that money. So, I was like, Holy smokes, people gotta know you can't hold assets in your personal name and think that insurance is gonna protect you 'cause it's just not enough. It's insufficient.

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**SR:** I wanna go backwards a little bit before we go forwards and dive into the nitty-gritty of asset protection, you kind of glossed over that you bought an auto business and flipped the business and the real estate itself to pay for college. Did you have a background in the auto industry, or what piqued your interest and drove you to do that?

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**SR:** I had a partner that was raised in car repair and transmission repair. So, then it's just some really basic business modeling to be like, how much money do we really have to make this stuff. We put a lot, almost all of the profits besides what we needed to live off of back into the building itself, and then that let us be able to improve the asset like a typical bird strategy. Do you know what it might be? We didn't know what that was at the time. It just made sense to us like, Hey, let's take the money and build the asset, 'cause the real estate will be worth a lot more. Because we can put in the sweat equity, like rebuilding the walls and doing all that good stuff. I don't know,

man, it's part luck, part being stupid and it's part just having big cojones just to let go and let it roll and be like, Cool, let's just try this out. And we were able to buy the building and the business for the back taxes, so it was only 10 grand, so between the two of us, it was just five grand a piece. So I'm like, Okay, what's our worst-case scenario? Somebody's gotta buy this property with all of this stuff at it for 10 grand. So, I'm like, at least. So, I was like, worst case, we sell this thing in six months and be like, Wow, we really worked our ass off and didn't make any money out of it. My best case was, as it turned out, where I got to be one of the few people from my law school to not have debt come out of school, so I got to do whatever I wanted to get off from Law School.

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**SR:** Oh, that's fantastic. And I would imagine you learned almost as much by running that business as you did in law school. Certainly in the world of entrepreneurship. You did?

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**SS:** Yeah, yeah, for sure. That's why I learned that everything is a business, right? Everything is a funnel, when you study marketing funds, you're like, Oh, everything in life is actually a funnel, and then I was like, Oh, everything is really a business. There's no different business in life. It's just a different lens to be able to reflect, like what is our level of knowledge, how do we apply that to get the results we're looking for? And this idea that we separate out business from life skills or the exact place it goes, It's just too narrow a focus. So, I really like running that business for me, like blowing up the world of possibilities. What's actually possible for me to do, why is being a lawyer not even close to being enough for me? Because I was like, That's just one little facet of this big puzzle of how do we actually build stuff, and now I'm focused on how do we accomplish financial freedom through real estate investing. What's the predictable mechanical ways that you're able to drive through that? Just like you have business models that you drive through to create business. There's a predictable pass through financial freedom, through tax planning.

They're already figured out. There's nothing else out there to figure out. There's some nuances to people's individual situations, that's 5% of what it really is. And so that's why we're able to help clients in all 50 states. We have over 2000 clients a team before; attorneys, 30 staff members that are just focused on that one question – financial freedom through real estate investing, what's the absolute best ways to do it? Yeah, you get to learn one set of skills and all of your life improves in every area, not just like one area. I coach in a lot of that, we have weekly coaching calls that I do with me and my staff, they're really responsive to, it's just community source questions. Like last

week, we're in the third week of it. Last week we had so many people show up live to participate in these coaching calls. So, that's week three. So I was like, Oh my gosh, this is incredible that we have all these people that are coming in, and then it's me and my staff or my network that are directly piping, here's all the best information that we have about whatever the questions you guys have going on. And then we have all these video databases of, for just those standard questions, the questions you get like 100 times. Like, do I need an LLC? Awesome, I already have that whole thing turned out for you, it's in this 30-minute video, you need to go watch this. This will explain it to you. So, we're building this awesome, super high-level type of coaching that allows you to create new content each week and then be responsive to just an inch of the community without having a backtrack or water it all down. It's always my complaint about coaching or podcasts, etcetera. I was like, Oh my God, how many times have I heard this stuff? I'm so tired of hearing the same stuff. That's the problem that we're trying to solve, which is like, Oh, you actually need a collateral database to be able to source the questions and pair it with the collateral that's already there and just keep your coaching calls to like, what's new? What are the new things that I need to pull people in from the outside? And that's why I personally do them and I pull my network into it because I can't handle talking about boring stuff.

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**SR:** Especially things, whether it's real estate or in law where it's basic blocking and tackling. How many expert books have we both read that it's 150 to 200 pages, but really the content can be distilled down to a 10-page white paper? If that, it's just a bunch of marketing terms and chapter headings essentially.

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**SS:** Yeah, dude, I'm not about that kind of learning anymore, it's too slow for me. That's what we're working on right now, it's how do we increase that learning curve and keep it. Keep it on a cutting edge. (inaudible) Instead of like, Oh cool, here's another book.

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**SR:** Well, in an effort to do that, I was on your LinkedIn profile, and I just wanna read something that I found on there and then ask you to elaborate. From your LinkedIn bio it says, Here's the best way to protect yourself, no matter where you live or where the assets are a Series LLC with an anonymity trust. I don't know what a Series LLC is or an anonymous trust. Walk us through why that is the best way to protect yourself.

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**SS:** When you think about protection, one of the best lines of protection that we have is insurance because that's the cheapest thing that's gonna protect you most of the time. Then what you have to think about is how do I make myself like rich people. Rich people don't own things. They have companies that own things for them. So you sue a rich person and you should be able to get nothing from them because they don't own them anymore, you can sue them all day long. They have another company that's their asset holding company that holds all of their different assets. And then inside that holding company, there's a lot of different options that you can go for, right? But, what do you wanna be looking for when you're looking at the question of what type of holding company do I need? You're asking yourself what's gonna provide the best protection with the lowest ongoing cost, lowest upfront and ongoing cost. It's like a cost-benefit analysis, that hedges against risk. Same way you would think about what insurance would be. But it closes that last 15% to 20% of risk that insurance can't cover. Insurance only covers you from negligence claims, they don't cover you from any other type of claim for breach of contract, fraud, gross negligence, any type of intentional act, it's not gonna cover any of that, right? So, you have to have an asset holding company to cover you, do they end up like my friend who lost that three million from that lawsuit from a breach of contract claim, a deal that had nothing to do with the real estate.

So, the reason I like the Series LLC is because it allows me to bucketize every single investment I do. So, in a way, if there's a lawsuit regarding that one investment, they can't get to any of those other investments and they can't get to me, and then I like to hold all of the assets and the companies inside of trust that are layered in with that Series LLC. So I get to hold all of my companies and all my assets and place all of my investments anonymously so people can't find out what it is that I own when they're trying to look to say, Is this the person to sue? And also it also doesn't show other people that might be trying to find out like, what is Scott investing in. I don't like that either. I like to be very close to the chest with where I am pushing my investments because I like having privacy around what it is that I'm doing. It gives me a higher peace of mind. And the best system we would be able to find is using a Series LLC in conjunction with the anonymous trust to hold either your hard assets for any team of hard real estate you hold directly or is it on your syndication investments that might come up too.

Imagine being able to place your syndication investment that says no matter what happens in that

investment, even if they try to go after the limited partners because there's some type of heinous act that was committed as part of the, inside of that investment, one, I'm anonymous that it comes to on any of the rules of who are the investors there. And number two, I know that by law it says that even in my worst-case scenario where they pierce the LLCs of the operators that were putting together the deal is that I only lose the amount of money that I put in that deal. And that's why you need it, even as a syndication investor. You need to ask for a holding company to be placing your investments through.

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**SR:** Looking at passive investors for a moment, folks who are just taking W-2 income and they're investing it into syndications. At some point, you get a big enough pile of assets that it's just worth going to the effort of shielding everything that you have. But maybe for somebody who's invested, let's say under half a million dollars, and maybe they're in three or four different syndications, how exposed are they, if either they're investing in an LLC that has that insurance; they're a junior or a limited partner. What type of exposure do those folks actually have, because I've gotten different answers, depending on who I'm asking, some people say, Oh, you've got to level up to the hilt and you gotta have all your LLCs and everything else. And some people say, Ah, don't worry about it, maybe have a Master LLC that holds all those entities. So it's one degree of separation, but maybe you don't need to go to the nth degree, what's your opinion for the passive investor?

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**SS:** That's the reason I like the Series LLC, 'cause I think it floats the best of all possible worlds. Why would you wanna do nothing? You want to do nothing because it costs money and it's a pain, and it might be, I think it's a pain in the ass, having to maintain an entity. I don't wanna do that, so I would just do nothing. And I was just like, placing the investment inside my personal name. As a syndication investor is that pretty safe? Probably, because you're a limited partner in an LLC, and that's what LLCs are there for. It's to protect the limited partners. So even in that circumstance, like you have some type of protection 'cause your money is there inside of that LLC, if that investment blows up. But you run into other risks, like what happens if I get into a really bad car accident? And now I have this judge that's trying to come after me and I've got a civil case under my car insurance policy, even though I made the investment and my investment is safe, when the money gets paid to me, they're gonna see it. That sucks. I don't wanna do that. So, I'd say, Well, then you gotta have an asset holding company. An asset holding company is

there for us to make sure when the investment gets paid out, it doesn't get at you personally, because you are incurring risk all the time.

All the time in your life you're incurring risk. You send emails to people, text, phone calls, driving your car, all of those things are great ways to get sued. Like you gotta make it where you can get sued all day long, it doesn't matter to you because your money and assets are still protected. And when that's the case, what happens is you actually don't get sued because the business of lawsuits is, I need to make sure that after I sue you, I can get your money, 'cause that's how the attorneys, everybody gets paid. So all we do is focus on what's the business and lawsuits, we're just gonna make sure that it's a bad business decision to come after any of our clients.

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**SR:** That makes a ton of sense. I hadn't ever thought about it quite that way, maybe because I'm a sponsor and I'm more focused on sponsor level, and a lot of the stuff really does matter, so we try to structure all those things like you're saying. But from a limited partner perspective, it's not necessarily if somebody's gonna attack the investment head on and reach through the investment to you, it's coming in the back door, so to speak, and the rest of life that we live in a fairly litigious society.

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**SS:** Yeah, and so that's why we say like, great, at least have one LLC. If you're not gonna do anything else, I say, like, at least have an LLC. Because your business often looks more legitimate to the IRS because it looks like you have a business that's running in here, right, you're less likely to get it audited. And that if you happen to have some lawsuits in your personal life, like say, you're a doctor or whatever, you don't have to care about that. And at the bare minimum, you should have that, have that LLC that's gonna own all of your syndication investments. Now we have clients that are saying like, Well, actually, I would like to be able to have additional security and that too, right? I want to know that even if the operator's deal blows up, that it can't blow back on me from either my investments or I wanna place my investments with those operators anonymously, and so you can use some revocable trust structures that are super cheap to be able to place those investments and have the anonymity on your ownership of your asset holding company and the ownership of the asset itself.

So there's layers to it, but really that's a conversation that you should have with your advisor is,

what's the minimum I should do? And then like, great, do you wanna do anything else that's above that 'cause there's options. If you're like, No, I actually feel okay about that, cool, then just do the minimum and you can build it if you need to upgrade later on, 'cause your net worth increases, cool. Then upgrade later on. But for us, we have those individual conversations, 'cause they have to do it like, what is your risk? And we always advise people, I'm like, Here's what we see as best practices from what our clients are doing, so that way... 'cause a lot of the... I just wanna know what everybody else is doing. Everybody else is going to do that and I'm the only dude that's out here thinking something different. We have over 2000 clients and working off of these states and every type of real estate, we know the financial modeling that goes behind the types of investments that our clients are making.

From my personal experience, being an investor as well as the other real estate investors that work inside Royal Legal Solutions, but we also know, like, profiling out like, here's what we see most people doing. This is what makes sense to most people that are doing the thing you're doing.

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**SR:** Do you have any guidelines based on net worth, and I know that asset protection, some of it is unique to individuals, but you said earlier, 5% or less is actually unique. But is it 1 million dollars, zero to one million, maybe you have the bare minimum, then one to five, you have the next step, and then maybe a top tier at 10 million and above? Or where would you put those lines as folks are evaluating their own situation and what links they need to go to.

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**SS:** Yeah, so for a bulletproof type of, basic bulletproof structure for my attorney, well-crafted, well-maintained, they're typically looking at costs that are under \$1500 for a setup. Underneath like \$500 a year to maintain. \$500 to like \$800 a year to maintain. Fully maintain it, right? Well, I always ask people that's like to close the other, the gap of whatever else could happen in your life, 'cause once that thing happens, you're screwed. There's nothing you can do to protect yourself. Is it worth \$1500 to protect your \$200,000 to make sure if something horrible happens, you don't have to worry about losing it. What does that mean to you if you end up with a lawsuit and that can threaten that \$200,000? How likely are you to pay out whatever it takes to make the lawsuit go away to make sure that you don't lose the \$200K because in this country, you get sued for as much money as you want to. How much is that worth to you? It's probably worth more than

\$1500 to be able to say, Great, I can just take that whole pile of risk off my plate and don't have to worry about it.

But there's also something a little deeper in here, Sam, which is not just like the one consideration of what's the best asset protection and what does that go with, risk profile or whatever, right? There's a deeper consideration here. It's like, 'What are the predictable ways that people get wealthy, what systems and processes do they put in place? What is the infrastructure that's put in place predictably that relates to people having that net worth? What happens is, what you'll see time and time again is, the people that most predictably reach to the top – whether it's gonna be in business, investing, whatever the case is – they're cognizant and aware of what are all of the buckets of the things they need to do, and they start really small in each of those buckets. Anyway, they say, 'Great, I'm gonna do a little in each bucket because I know that process needs to run, I need to, so in this case it will be like, I'm gonna dip my toe into asset protection and tax strategy, not because it's gonna be this monster mover for me today, it's because I know that behaviorally, I need to be thinking about this. I need to have a rhythm and guidance and community of people, hopefully you're surrounded by a mentor, hopefully that you're with, that's gonna help guide you through what are the appropriate next steps you need to be taking on each of those buckets.

It's the question everybody asks but I think in a lot of ways, it's the wrong question because what we're really after is durable financial freedom through real estate investing. And what does that need to look like? Well, then there's a system and process that you follow to do that and that you grow incrementally at whatever level you're at. But you put some energy, some money into each bucket, so that way it's not just totally off the radar. Because what happens if it's not, then you're growing your net worth and you're focused on your net worth build, you just don't ever think about tax or you never think about asset protection.

No one worries about that side. But if you did a little bit of investment into that side of it, you would get a huge amount of gain because 80-20 principle tells us I only need 20% to get most of all of the game that's gonna happen there. So why don't we just diversify our energies into being like, cool, what's that 20% that I can do? What's the 20% that's appropriate for me? If it's the zero or zero or one, like this binary decision making in my mind it doesn't make any sense. The only thing that makes sense is what's the 20% I need to be doing in that area to make sure I'm covering off on it?

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**SR:** That makes a ton of sense, put in the least amount of effort to get the most amount of return. Right. Keep scaling that as you grow, I know speaking personally, asset protection has become more important over the last couple of years since our business has grown substantially. It really comes down to laziness. Will I dedicate the time? It's not even that much time, but will I take the time to sit down, wave through some organizational documents for even 10 minutes, it's not like it's gonna be that long of a chore, it's just, it doesn't sound fun. What sounds fun is innovating and finding that next deal to go walk, you know all those things. But it's really important, as you said, if you're gonna ascend the ladder. If you're gonna achieve financial freedom, you have to do the little things along the way. Inevitably, you'll stub your toe, if you stub your toe without the proper shields in place. That can be life-altering.

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**SS:** Yeah, it's a life-altering toe stab. The other piece of it too, I think, is that we realize that people actually won't do this on their own. They won't do even a small amount of work on their own, that it would take to be able to appropriately maintain the entities that we would set up. I'm like, great, well, that's actually not serving our objective. Our measure of success in our company is like, how many people do we get to have financial freedom, right. What do we have to do to do that? So, what we did is we developed what we call like a piece of mind program that's under 50 bucks a month. And what it does is it gives you unlimited access to our customer support team for any questions that you have and it gives you at least two meetings a year where you're gonna meet with the attorney team and talk about, cool, let's review anything that you've done here in the last six months or last quarter, right? What are you gonna be doing here in the next quarter or the next six months, and then let's make sure we clean anything up that you screwed up in the last six months? Like, perspective plan what's gonna happen in the next six months. So, that way you have somebody to talk to that holds you accountable to doing it, and when you have somebody else that's holding you accountable, it doesn't suck as bad. And you're like, oh cool, I'm just gonna go meet with Bob. It's my, every six months I spend 30 minutes or once a quarter I spend 30 minutes to an hour with Bob. We just hammer out all that crap that I don't wanna look out on my own. And Bob just walked me through it. And after an hour I don't have to think about that anymore. And then I'm gone for the next piece of it. And that's actually made it where people are much more on top of all of the things they don't like, and then I'm cool, but it's a really small time investment. So, it's a way that we've been able to create a better support system for people that

otherwise would be like, I don't wanna do that on my own, and I don't really wanna do it at all.

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**SR:** So for less than a cup of coffee a day. Since that's how we all measure things, apparently.

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**SS:** It's pretty drastically less. It's almost like half a cup of coffee a day.

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**SS:** It's fantastic. Well, Scott, as we're getting towards the end here, you've done a lot of different things in your career. Clearly, you're a motivated, driven person, and you started a lot of different things, you have a lot of investments, you've been in real estate, but over the last six months as we've started to come out of covid and the business climate ever-changing, what's something that you've done that has improved your business substantially that you could point to, maybe share with our audience?

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**SS:** Yeah, really the biggest thing has actually been inside of more community-based interaction with people. So, being able to get people through the group coaching that we do multiple times a week, and having me with direct access to all of the people that we're serving has allowed me to be much more responsive to, like, here's the exact needs of my people, of the people I'm serving. And it's actually hugely awesome in so many ways, 'cause I get to hear it directly. I don't have to actually guess about what things are going on in the market. Everybody comes into the meetings and there's a way that we channel to break up groups and facilitate questioning that comes through the source up to the top of like, here's the top thematic concerns of the group. And then I'm able to go research those, if I need to. And I'm able to speak directly, here's how I'm thinking through that kind of critical issue.

And so now we have this ultra, the supercharge, highly responsive community, and as a business owner, it's the best thing ever. It's like people are texting me, they're like, oh my God, I can't believe I missed or coming up here, or they'll call to say I'm so grateful that you're doing this because now I don't have to think about what are the things I need to think about, because I have this whole community. They're gonna crowdsource all the questions for me. And then you're

gonna answer Scott, or you're gonna pull in the expert that can answer for it. I don't have to do anything if I don't want to. But if I have questions, I have a way to be able to interact with that. I would say anything that's out there that's looking to grow their business inside of a dynamic atmosphere that we have right now going on with markets and assets, etcetera, being a part of really highly connected groups is definitely the best way to stay on top of it.

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**SR:** Definitely seems like with Web 3 and some of these other emerging trends, that building that community is one of the best stickiest paths to success if you're, because a community is only gonna be based around something that's providing value. But if you can start gathering those people and bring value, that's gonna drive a lot of value for you as well as long-term value in that equation. So, Scott, really appreciate your time today. How do you like to give back?

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**SS:** You know, we have it here actually, and I'm going to drop that in the chat, it's [r1spod.com/res](https://r1spod.com/res) and that will link so directly, I think to the show here. I'm gonna drop that in the chat for you. That's [r1spod.com/res](https://r1spod.com/res) I'm gonna be updating the link to that actually, right now, so by that time this airs it will be fully up for everybody. But what that is, is our collection of 12 e-books, videos over four hours. It's all e-books that are on all of our top strategies of matter like the Seaforth case as corporations, corporations, how people are doing tax asset protection, retirement planning, whole life insurance policies. We got books written on all of these four top strategies that we see real estate investors using that we would normally... I don't know how much I could charge, it would probably be over \$500,00 to be able to get all of that content if you're selling it, and we give it to everybody for free, 'cause we believe and give all the information. That's our servant leadership. Our servant leadership is that we actually give all the information away for free and we give it away to everybody, so that way they can do what they really want with that at that point, whether they wanna use us to help execute it or they wanna do it on their own. Whatever way that happens, all the information comes and is given to everybody there, and you can get all of that if you just go to [r1spod.com/res](https://r1spod.com/res). Download that vault of materials.

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**SR:** Fantastic, thanks for sharing that, Scott, we'll make sure to link to that in the show notes. So for those of you who are listening and wanna check that out, look in those show notes. And you should be able to find those resources.

Scott, thank you again for your time. Thank you to our audience for joining us today. I'm your host, Sam Rust, signing off.

**0:26:13.0**

**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](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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