

3 PRINCIPLES OF WEALTH: Building, Protection and Management



Building, Protection and Management

Developing substantial wealth is based on principles that need to be understood and followed. Most people actually approach the above principles in the order of building, protection and management. Unfortunately that is one of the largest errors one can make.

Although it seems like a natural fundamental that you need to have or build wealth before you can protect and manage it, that view is very short sighted. To build and keep real wealth requires a plan (management) and a structure (protection).

If you build wealth without already having a plan to protect and manage it in place then a good portion of the wealth could be lost in taxes or to others. Furthermore, wealth should never sit and must always be working. Substantial opportunities could be missed by not managing your money effectively.

If forced to choose an order then it is best to have management in place, have a structure implemented to protect the wealth as it is built and then go make the money. Still, the better view is to look at all 3 principles concurrently and provide greater emphasis on each principle at particular times.

The Wealth Code Decoded™ is a service that details strategies from simple to complex that will help you securely build riches, legitimately protect it from taxation and ‘others’ and competently manage it to maximize its growth. It is more than just mere information, the service educates and informs while training you to approach wealth in a new more successful and effective way of thinking. Specifically, it helps demonstrate how to make more money immediately with what you have to work with by attacking how the wealth is managed, determining in advance how to structure the wealth to maximize protection, while concurrently increasing the rate of wealth growth and reducing the risk.

Management

Wealth can be better built and protected if management is put in place first. Too often individuals and companies come to us after they have built some wealth and then urgently try to protect it from the tax man or others. In order to properly build and protect wealth, there must be a plan. In order to have a plan, there must be management to develop and implement the plan. Management will determine the structure (which is fundamental to protection) with which to build the wealth.

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The first and most important member of the management team is the CEO (Chief Executive Officer). This individual makes all the top level decisions and calls all the shots and/or delegates to others whom can make certain decisions. Ultimately only one person can fill this position and that is you, so you do not have to look for this key person.

As CEO, you need to assess what strengths you have and where you need to add expertise. That expertise will come with a cost as skilled individuals are in demand and can provide net value. Our firm has been involved in correcting countless situations where a couple of hundred dollars were ‘saved’ and thousands upon thousands were lost. As CEO, you should expect to make money as should everyone who helps you.

The management team you build around you should make you more than you would have by yourself and can increase the speed at which you build your wealth. Management’s plan must also protect your wealth.

Protection

Protecting wealth requires planning before the money is made. An essential element of protecting wealth from the government tax agencies is understanding ‘characterization’ or how to best classify revenues, expenditures and transactions. Another key factor to protecting your money is understanding the legal structures available and how they can shield you from taxes and creditors or claimants. It is essential to understand structures and mechanisms like holding corporations, trusts, Registered Retirement Savings Plans, joint ventures, partnerships, licences, contractual arrangements, capital and dividend flow throughs, capital roll-overs and income splitting and income deferral, just to name a few. Another major element is knowing the costs, not just direct but also indirect and contingent. Finally, planning exit strategies in advance for known and unknown contingencies is an important aspect to wealth protection.

To give just one example of how to protect your wealth, creating a corporate entity is one of the most basic yet most versatile vehicles available to achieve this end. You do not have to be in business to incorporate. Incorporating simply means to create another new and separate “owner” for your wealth, whatever form that wealth happens to take. It involves limited initial expense, but provides tremendous opportunities for tax savings, whether through income-splitting with a spouse and/or children, or through tax deferral (which takes advantage of the time-value-of money). In the case of active businesses, corporations offer even more valuable protection, in that they shield your personal assets from the effects of bankruptcy and lawsuits.

Protecting wealth can provide incredible opportunities to more quickly and safely grow wealth. Having management and protective structures in place allows you to focus on building the wealth more rapidly.



Building

Wealth can be built in so many ways that I will focus on some quick basic principles of building passive investment capital. First and foremost is to understand risk. Second is to understand net versus gross return. Third is to understand the investment's characteristics: RRSP, non-RRSP, capital, income, interest, dividend. Fourth is to understand when tax is payable and how much. Fifth is to understand transfer and conversion costs. The list is endless and depends of your circumstances.

Remember that wealth is governed by principles that can allow it to grow faster and more safely. Strong management is essential and will likely require paid experts like lawyers, accountants, brokers and advisors that should be worth their expense. Strong management will allow you to both better protect and to more quickly build your wealth.

Be smart, plan to be rich!

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