Episode #211: How to Pay Zero Taxes Like Jeff Bezos and Elon Musk

Video Transcription

Hey, there. My name is Kevin Nuber. Thank you so much for watching today's, "Money Script Monday" video, where I'm going to be showing you exactly how to get tax-free income, just like Elon Musk and Jeff Bezos.

If you have been watching the news anytime recently, you've probably read about how the richest people in the world — to the tune of hundreds of billions of dollars —had their tax returns released to the media, and it was discovered that they paid very little income tax at all.

Everybody was outraged, everyone's waving their hands in there about how the two richest people on the planet were paying very, very little taxes. They assumed that there had to be some sort of crazy tax loophole and using some complicated strategies in order to do this, but the truth is what they did was actually very simple. And in fact, if I were them, I probably would have done it too. Today, what I'm going to show you is that so can you.

I want to first start off by showing you exactly what Jeff Bezos and Elon Musk did in order to accumulate wealth and receive the income from it completely tax-free. And then, I'm going to move on to show you three different ways that you can do it too, and everyday strategies that you might already be doing, and you just might not realize it. Let's go ahead and talk about exactly what Elon and Jeff Bezos did to do this. Imagine, in order to do this, they had to only create a multi-trillion-dollar company from scratch and build it up into the biggest and most powerful companies on the planet. It's no small feat what they've accomplished.

But by doing that, they accumulated this massive amount of wealth in the form of stock that they own in their own company. Now, come time to receive income, they have a choice: Are they going to receive income in the form of salary like the rest of us, where if they do that, they're going to get taxed at a 50% income tax rate, or maybe even 60%, depending on what state you're in? They're going to lose more than half of that in the form of an expense in the form of taxes. Or the other way that they can do it is that they can take that compensation in the form of stock options. What they chose was the latter.

So, they've built their wealth, their net worth is completely tied to the stocks that they own and the stock options that they take as compensation. Well, as that stock grows, and it gets bigger and bigger, they're not being taxed on it because they're not actually selling the positions. They're not going to get taxed on this unless they actually sell it. But why would they sell it? If they sell it, they're going to get taxed at an incredible rate, and they don't want to do that. They're smart people, they're savvy people; they don't want to pay anything that they don't have to pay.

Instead, what they do is it's very simple. They go to a bank, ask the bank for a loan, borrow from that bank, and use their stock, their holdings, and their options that they have as collateral to secure that loan. They might pay 2% to borrow that money rather than paying 15% or 50% in the form of income tax.

That is how they are getting their money completely tax-free. It's very simple. There are no tax loopholes. In fact, if I could speak for myself, I would do it the same way if I were them too. The only difference is the scale and the scope that they're able to do it. It's simply that they're worth the hundreds of billions of dollars, so they can just do it on a much larger scale.

Now that I've talked about exactly what they did in order to get tax-free income, I want to transition and show you exactly what you can do. I'm going to show you three different ways that you can do this too. In fact, you might already be building wealth in these areas in order for you to get tax-free income in some form, now or in retirement.

The first way is the most common way that you might already be building up wealth, and that is in the form of your house. You buy a house, you have to do a down payment, you pay your mortgage, you're paying down the principal, you're buying new homes, and over your life, you build up more and more value in your home.

First, you have to purchase a home. Second, you have to build up that equity through principal payments and the asset growth itself. Now, you go into retirement, and you suddenly realize that, “Hey, I have all this money inside of my house and I really don't have access to it, I can't get that money out.” So you go to a bank and you get a reverse mortgage. You use your house as collateral, you borrow from a bank, and they give you income from the equity on your home completely tax-free.

This is something that millions of Americans do every single year using the biggest asset they have: their house. Now there are some downsides to this. It's not that simple. If you're too young to do a reverse mortgage, you actually have to qualify for a loan, and the time you might need the money the most you might not be able to actually do that; so, there's limitations. Second, there are some downsides of doing reverse mortgages that many people are just scared about, and that could keep them from wanting to do that. There's always some sort of string attached.

The second way that you can do this is through just regular investment accounts, similar to how Bezos and Musk did it themselves. You first have to fund and buy some sort of investments, whether it's mutual funds, stocks, or bonds, something you have to buy. When they grow, they might be taxed, or they might not be taxed. It just depends on what type of investment you have.

But it must be a non-qualified account, as you can only do this with non-qualified accounts. Most people accumulate wealth in qualified accounts, which is one of the downsides. Then, it's simple. Once it comes time that you want that money, instead of selling those investments that might have gained a substantial amount of growth over that period of time, instead of cashing them out and paying taxes, you're just simply going to go and borrow money from the investment company on margin and get a tax-free loan, instead of having to pay taxes.

Super simple. Many people can do this right now. Again, there are some downsides. There's risk in these investments. And the other thing is the amount you can borrow is limited because these investments can go down if the stock market crashes, and you can suddenly have a margin call, where you have to pay that money back right away. This is not for everybody, and not everybody has access to something like this.

The third way that you can do this, and this is accessible to almost anybody, is through cash value life insurance. Cash-value life insurance, specifically indexed universal life insurance, IUL, is a very favorable way that anybody can get started.

I first got started with mine at $300 a month when I was 24 years old. That was a long time ago. You know, I've been able to build up quite a bit of wealth inside one of these policies. But you can do it at an older age at whatever amount that you can contribute. The key is it has to be maximum funded.

Now, what this means is this is not your normal insurance policy, this is not the normal policy that you go out and buy. It has to be specifically designed with the intent of doing exactly what we're talking about. It has to have the minimum amount of death benefit, so the costs are as low as possible, and you have to pay the maximum premium every single year so that you can build up wealth inside one of these vehicles.

By doing this, you grow your money completely tax-free. I've never paid a dime of taxes on any of the wealth that I've grown within my insurance policy. When it comes time to access the money, you can do it completely tax-free. It's simple. You use your cash value as collateral, you borrow money from an insurance company, and the money you borrow is totally tax-free. They're going to charge you 3%, 4%, or 5% to loan the money. As long as your cash value grows at a higher rate than that, you'll never have to pay back the loan. You can see that there are some easy ways that you can do this too.

We've talked about the way that Jeff Bezos and Elon Musk did it to a scale and scope that none of us probably can ever achieve, but I've also shown you ways that you can do it yourself. But there's a common thing amongst all of these, and that is that you first have to build up wealth. If you can't start up a multi-trillion-dollar company, then you can start somewhere over here. Some of these are easier than others. The insurance policy is the easiest because it requires the least amount of capital, but you first have to build wealth.

The reason is once you build that wealth, the second thing that you have to do is you have to be able to use it as collateral. You have to be able to use that asset as collateral. As long as you can do that, whether you're Jeff Bezos or Elon Musk, or whether you have one of these types of accounts, including an insurance policy, then you can collateralize it, and you can borrow against it, and you can get income completely tax-free.

I hope you enjoyed this presentation, and I hope that now you can see exactly how you can get tax-free income just like Jeff Bezos and Elon Musk. Thank you.