

Life Lessons - 5/1/2000

by [Sandy Botkin](#)

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It has been said that we are the sum of our moments. Upon reflection, however, there are probably four defining experiences that have shaped what my destiny has become.

The first and perhaps most important experience began innocently and unexpectedly. I was working for the government as an attorney. As with most employees, we usually had more month than money (sound familiar?). My checkbook balance was down again for the third straight month despite numerous attempts to cut expenses and reduce our standard of living. **When I confronted my wife, Lori, about cutting down on her spending, her reaction on that day was most unusual. She said, " I'm not over spending, you are under depositing!"**

At first, I felt that this was the most ridiculous response to a very serious situation (where was John Grey's famous book, Men Are From Mars, Women Are From Venus" when you needed it). However, it caused me to take a hard look at my paycheck. This was a very sobering experience. After all the deductions for federal taxes, state taxes, social security, and other deductions for medical etc., I had less than 50% left over. Moreover, I realized that I also had other non-deductible expenses that I incurred every day for the job such as commuting, dry-cleaning, better clothing, and lunches with colleagues. When I took all these items into account, I was left with less than 40% of my gross check! No wonder we couldn't make ends meet! This is obviously the problem why many Americans are getting deeper and deeper into debt. There is no question that I could never get rich in America unless I get my tax affairs down to the legal minimum.

I realized, being a CPA-Attorney, that we had two tax systems. One was for employees such as myself. Here I can deduct part of our interest, property taxes, charity, 401(k)/IRA, state income taxes- until we have some kind of tax reform and then we won't even get these items. The other system, however, was for self-employed people. By being self-employed, either full-time or part-time, I can deduct part of my house, my spouse, the equivalent of my children's education (no kidding), my vacations, my car, and I can set up a pension plan that would make my government pension seem paltry by comparison. In fact, having a part-time self employed business would allow me to flip flop what I took home. I could actually take home over 60% of my paycheck instead of loosing that much to the government and to job related expenses.

This became even more compelling when I realized how valuable tax savings were. For example, if I reduced my total taxes by a mere \$4,000 per year with a side business and invested the money in a conservative mutual fund for 10 years, I would have an extra \$87,000 for my kid's education. Moreover, if I invested this small tax saving for 25years, I would have almost a whopping extra \$1,000,000 at retirement! I realized that this would surely change my life not to mention my daily state of mind.

Interestingly, we Americans worry greatly about our paltry social security and whether we will get an extra \$200 per month when the government has taken our pension. If we can take advantage of all the deductions provided us under our current tax system, we can take

our pension back! It thus became a question of not whether to start up a side business but rather which one.

The longer that I stayed at IRS, the more I realized that most people were not getting the tax planning knowledge that was available. Moreover, I knew that people were going to be in real trouble with the IRS in the future (I guess I was very prophetic regarding the IRS hearings). The average documentation required by IRS was non-existent. There was a huge myth that, "my accountant takes care of my taxes." Nothing could be further from the truth. Accountants were very beneficial, but they were not giving out all the information that most people needed. They simply took the data that taxpayers gave them and messaged it into a tax return.

In all fairness, it really isn't the accountant's fault. With Congress changing the tax laws yearly, it became almost impossible to really keep up with the changes, advise clients adequately, and complete all the ever increasingly complicated tax returns. This was clearly the fault of inept congressmen, not the accountants. Thus, I started lecturing nationwide on tax planning for business professionals and showing people how to properly document their records as to keep IRS off their backs forever. This led to the creation of my tape series, "Tax Strategies for Business Professionals," and " Tax Strategies for Home-Based Business." It also led to my producing the tax reduction diary.

The moral of all this is simple: If you don't have a side business, start one! If you have a business, you need to learn as much as possible about the tax and bullet-proofing techniques available to your business with our Tax Strategy System.

My second major lesson happened in 1991. I was staying overnight in a hotel in Minnesota because of a seminar that was being held that next day. I get a call at four in the morning from my dad informing me that my mother just died. Being an only child, this hit me harder than anything has done since that date. I cried for two hours straight. My new dilemma was whether to cancel the program and fly back home to comfort my dad or perform the seminar. I decided that my students paid for the program to go on, and I was not going to disappoint them. I then proceeded to give the finest seminar of my life and interestingly, no one ever knew what happened the night before.

The lesson learned from this is to "roll with the punches." Life will always present challenges and obstacles for us to handle. We can just stand there and let these challenges overcome us and frustrate us (as my children have taught me on many occasions), or we can react as a surfer to the wave, simply surf over the crest. **It is not our successes that make us stronger but it is in our adversities and the way that we handle them that determine who we are.**

My third lesson occurred in 1995. I had what was arguably the best tax-planning program in the nation. No one had anything even remotely close. There was no book published by anyone that had the quality, depth, and clarity that my system provided. I was frankly, getting quite cocky. My attitude was that I had the best program and it was working. Thus, why change it? All of a sudden, I starting noticing competitors coming out with programs that were quite good. They may not have been as good as mine, but they were good. I realized an unshakable truth. I let my program stagnate. My father couldn't have put it any better: " In business you either grow or die." It's that simple. I, therefore, radically changed my system by adding clarity and several important chapters that should have been there all along. Furthermore, I constantly, change my system and improve it every six months. The moral of the story is simple: learn to grow or die. Tony Robbins coined this concept well

with his acronym CANI (constant and never ending improvement). This has been taken to heart in my life.

My final lesson arose accidentally. As a lawyer and accountant, I always believed that I should get paid for everything that I do. If I speak, write articles, consult, refer a product to someone, I believed that I should get paid. I had a client that asked me for a favor. They wanted me to write articles for them that would appear on their web site and would be used in their newsletter. They also wanted me to do this for "free." I was aghast. How could anyone ask me to do something that I was used to getting paid for. They argued, quite convincingly, that they purchased a large amount of my tapes every month and writing one article every once in a while won't kill me. Accordingly, I did this for them. I also sent them business that they never paid me for as well.

Sadly, this company eventually declared bankruptcy. However, despite numerous creditors not being paid, this company found a way to pay me everything that was owed me and referred me to several companies as future clients for me. A favor deserved a favor, and they wanted to pay me back for extending myself on their behalf.

Since that time, I have always tried to add as much value to my program as possible such as writing articles, adding airline discount certificates, providing tax tips for their web sites and sending them business etc. Although the customers that I did favors for rarely paid me in cash, I did get repaid many times over in other ways. I have had companies give me free publicity that I couldn't have bought. I have had customers pay me back with lots of referrals. Moreover, as a result of my new philosophy of adding as much value as possible to whatever I do, I have never had a distributor stop selling my products. In fact, competition is almost non-existent since I have adopted this philosophy.

I cannot overstate the moral of this lesson: Never stop trying to add value and benefits to your customers. It could be as simple as to send them thank you notes, articles of interest to them, tips or just simply quarterly phone calls asking them, "what more can you do for them." This philosophy determines everything that I do from how I deal with my kids, to how I deal with my employees to how I deal with my customers. I should note that it even works miracles on bosses too. Try asking your immediate supervisor, "how can I be of benefit to you in your job." After watching their jaw hit the ground, you will be amazed at the results.

In short, life is a mystical miraculous chain of never-ending adventures and challenges. If we react with the right knowledge, with flexibility towards those frustrating and challenging moments, and with a sense of constant growth, improvement, and learning, we can achieve anything that we believe in and make our lives a lot less taxing!

Sandy Botkin, CPA and Attorney is one of the most well known national lecturers in the field of tax reduction and bullet proofing techniques for small business. Sandy is a former attorney with the IRS and was one of 8 attorneys who trained the IRS attorneys for the Corporation Tax Division of the IRS. Sandy is the author of his renowned series, "Tax Strategies for Business Professionals," and "Tax Advantages of a Home-Based Business (US and Canadian edition)." He is also the producer of the only known bullet-proof tax diary in North America. He can frequently be heard on several nationally syndicated talk shows (American Scene Magazine and Business Soup Talk Radio) discussing business and tax matters, and he can be heard lecturing for the Tax Reduction Institute of Germantown

Maryland and at the Summit 2000 programs. You can get some good tax resources for any small business by accessing his web site at www.taxreductioninstitute.com. I asked Sandy to write an article about what caused him to start lecturing in his field and what were the reasons for his successful results.