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SPEAKERS

Seth Hicks, Trisha Talbot

S Seth Hicks 00:00

Let's say you've got, these are overly simplistic numbers, but that's the purpose. I want to make it simple. You've got $100,000 asset, and you've got $100,000 in your private bank, you can effectively purchased that property outright through your private bank. And you would also make a loan to the borrower or to the entity that's on title. And you would make sure that payments come back to your bank that replace that $100,000. That's what we call getting the money back, and making sure that that money just doesn't evaporate, because sometimes money has wings and is ready to fly off, especially in windfall situations. And so if you don't have a specific plan in place to make sure you're getting the money back, you may wonder where it went in 10 years. So this is a technique to get the money back and also protect the asset.

T Trisha Talbot 00:58

This is the Providers Properties and Performance podcast. The podcast that brings together leaders in healthcare and investment real estate to consider the possibilities in future at the intersection of practicing medicine, and healthcare real estate investment returns.

T Trisha Talbot 01:13

Welcome to the Providers Properties and Performance podcast. I am your host Trisha Talbot. As a healthcare real estate adviser to providers and investors, the best solutions occur when the two collaborate together as partners in delivering better patient care. Providers can deliver care to their patients when and where they need it. And investors realize the returns to build and manage facilities. We explore changes in medicine and wellness, the future of healthcare and using real estate as a strategic and financial tool.

T Trisha Talbot 01:40

I find today's episode to be fascinating and very practical for the physician investor. Today's podcast is an interview with Seth Hicks of Private Banking Strategies. Seth describes how this company helps high net worth folks like positions be able to protect their assets for generational wealth building and become their own private bank. Since selling commercial real estate can result in a large sum of proceeds, let's hear how Seth describes for us examples to make this work.

T Trisha Talbot 02:10

Hey, Seth, welcome to the Providers Properties and Performance podcast.

S Seth Hicks 02:14

Thank you, Trisha. Appreciate you having me on.

T Trisha Talbot 02:18

So I'm going to start by explaining a little bit about what you do. You're a private banker, and you also are an asset protection expert and an attorney. But tell the audience a little bit about your background and how you got to where you are what you're doing right now.

S Seth Hicks 02:34

Sure, sure. I've practiced law for about 25 years. I've practiced in multiple jurisdictions and focused and emphasized real estate transactional work. I worked in a large firm in Dallas for a number of years, securing large big box banks transactions, let's say, I purchased the Galleria or refinanced a large development. And so I took that expertise and then spun out into a boutique where we did real estate transactions, commercial business transactions, and even did some trial work and litigation on occasion. So got about going on three decades of experience helping people protect their assets and structure transactions so they keep what they make.

T Trisha Talbot 03:24

And tell us a little bit about private banking. We'll start there.

S Seth Hicks 03:29

Sure, yeah, Private Banking Strategies is something that I suspect that most of your audience has never heard of. And it's something that we're wanting to introduce or reintroduce to America, which effectively helps people take the banking equation back in their own life. And when they do that, they're able to protect their assets, and keep what they make, and effectively have a lot better tax advantages with the strategy as well.

S

Seth Hicks 04:00

So my audience, they're physician owners, and a lot of them are physician owners, or they're healthcare real estate investors. So, you know, when they sell their property, they ask the next question of either they are reluctant to sell their property because they don't know what they would do with the proceeds or you know, they don't have another property to roll it into but the time in the market is right.

S

Seth Hicks 04:00

But we utilize whole life insurance, a carefully structured whole life insurance policy to function as a private family bank. And it has a number of benefits and values, including asset protection and tax free growth within your bank, financial privacy, being able to use the same dollar more than once. And that's where people start to go, how do I use the same dollar more than once? So I look forward to getting into that some. There's seven pillars which we try to focus on with Private Banking Strategies, but that's some of the core benefit and value of private banking.

T

Trisha Talbot 05:02

So, you know, they asked, you know, well I can't sell because then I'm gonna get hit with this huge tax liability. So a popular transaction, you know, you're familiar with sale lease backs where a physician could sell their property, they might get a couple million dollars, they'll, you know, want to, if they're expanding their practice into another site, they can reinvest some of it and in another building, but then, you know, they could take some of these proceeds and buy this life insurance that you're talking about, and help them internally fund, you know, mortgage payments and such. So why don't you walk them through that?

S

Seth Hicks 05:40

Sure, sure. We counsel folks. And one of the tag lines that I like to accentuate is, we help you keep what you make. And so if someone experiences a windfall, whether it's the sale of a building, the sale of a business, or a cryptocurrency investment sale, which we've dealt with a lot in the last five years,people are focused on wanting to keep and actually take home what they have accumulated in that windfall.

S

Seth Hicks 06:10

And one of the ways that you do that is you put it into a private vault that's asset protected, and in many states, the whole life insurance policies that we structure, are asset protected by the legislature, meaning they are completely off the table, from creditors and from attack if you have a liability.

S Seth Hicks 06:33

And doctors obviously, being one of the higher liability professions, it's something that most of our doctor clients are concerned about is in the event of a liability or excess verdict type of situation. They don't want to lose their home, they don't want to lose what they've worked hard to create, and they certainly don't want to lose their family security.

S Seth Hicks 06:54

So you would take a windfall amount, like I said, from sale of the business, sale of the property, or cryptocurrency there's a you know, the permutations are endless. And you would begin to fund your own private bank and a whole life insurance policy. And the good thing about that is that that is a financially private transaction. It also avoids big box bank bail in potential, and that there's something where people should their ears should perk up when I say bail in.

S Seth Hicks 07:26

Some people go, what does that mean? Well, you and I spoke briefly before we started recording about the Dodd Frank Act and bank bail ins, the Dodd Frank Act is misnamed as a Consumer Protection Act, Trisha, and what it is misnamed, why it is misnamed is because it effectively changed from a bail out system.

S Seth Hicks 07:50

If you remember, in 2007 and 2008, we had a mortgage crisis and there were some large financial institutions, they called too big to fail, which the federal government bailed out with taxpayer money, and taxpayers were up in arms. And so they passed the Dodd Frank Act, which said, we will never build out a financial institution instead, we'll bail in. So if you have a bank that becomes insolvent, it actually has the ability to bail in on deposits, and your deposits, my deposits that you're keeping in that big box bank.

S Seth Hicks 08:28

People go well, that's absurd. My money in the bank is my money. It actually isn't the bank statement that you get every month is an IOU from the bank. So what you would do with your own private bank is take that same cash that you've got sitting in a big box bank, and you'd fund your own private bank where you are financially private. And life insurance companies are not beholden to the Dodd Frank Act, and they're not beholden to the IRS pursuant to Internal Revenue Code 7702. If folks want to look that up, it effectively excludes taxable events on money in and out of these policies, and effectively creates a bulletproof vault, that people can rest easily at night knowing that their money is not going to be bailed in on but, you know, I kind of go down a rabbit trail if people want to hear more about Dodd Frank Act, they can Google it and go down that rabbit trail, but it is a red pill, rabbit hole that surprises a lot of people.

T

Trisha Talbot 09:33

Well, you know, before you were talking about an example of of a client that, you know, actually lost a malpractice suit and you said had to start over at 60.

S

Seth Hicks 09:43

Correct. Yeah, it was really tragic situation where this doctor had worked hard and accumulated, you know, a nice life for him and his family, and he had good insurance coverage as well, but he was hit with an excess verdict, and effectively wiped out his entire wealth accumulation that he'd been building for over 30 years.

S

Seth Hicks 10:10

And needless to say, it's devastating. And it was easily avoidable if you're structured in the proper way. And if you've got, you're taking advantage of the laws that are on the books, and you're creating a system, where you don't subject yourself to that, because who wants to work hard and earn and amass wealth for your family, all to have, you know, just drift away from you? And although that's an outlier, I mean, it's not statistically probable, the folks that it does touch, it's devastating.

T

Trisha Talbot 10:45

Right. And so he had nothing in place. No safeguards?

S

Seth Hicks 10:49

No, he came to us after that happened, and had learned about private banking after the excess verdict and had to start again. But you know, the folks listening in our audience, they don't have to start again, they can start now. And that's the good thing.

T

Trisha Talbot 11:06

So they have this life insurance policy. So walk somebody through, you know, if they wanted to strategically borrow money from it, to invest in, let's just say, another piece of real estate, but for whatever they want, but walk somebody through that?

S

Seth Hicks 11:21

Sure, yeah. You effectively fund your bank with annual premiums, and that has a certain cash value, and there's a certain proportion and structure, which where you maximize your cash value in your bank. And you're able to take that dollar that you have funded your bank with, and pull it out and invest it. Whether it's commercial real estate, or whatever the purpose is. So for some it might be retirement, if they had a large enough windfall, and they wanted, they're close enough to retirement age, you're effectively unlike 401K's, 403 B's and other qualified government plans, you don't pay taxes in and out.

S Seth Hicks 12:06

So you know, that's kind of a segue for retirement type things. If you lump sum that money in there, you've got the ability to pull it out in a structured way where you've got to retirement, that you're not paying taxes on that when it comes out.

S Seth Hicks 12:22

Whereas if you've got a 401K, you might as well take 30% and today's current tax rates, and that's not your money, you cut 30% off of that. And then you're paying taxes, whether you take it out now, take it out later. And you've got penalties.

S Seth Hicks 12:40

Penalties if you're too early, penalties if you're too late. Well, private banking is not like that, you've got no penalties, you can take it, you know, right, as you fund it, you can fund your bank and you can take it right back out. And then like we also spoke about, you know, you would actually use commercial mortgage instruments, just like a third party financing, or third party bank would if you're going to invest in real estate, and you would make sure that your bank receives the money that it loans back. And every dollar that comes back into your bank, increases your cash value again, and is able to be put to work again.

S Seth Hicks 13:16

So just in a simple transaction, let me

T Trisha Talbot 13:19

Yeah, walk through a transaction because I think that'll help.

S Seth Hicks 13:23

Sure. Let's say you've got, these are overly simplistic numbers. But that's the purpose. I want to make it simple. You've got $100,000 asset, and you got $100,000 in your private bank. You can effectively purchase that property outright through your private bank.

S Seth Hicks 13:43

And you would also make a loan to the borrower or to the entity that's on title. And you would make sure that payments come back to your bank that replace that $100,000 That's what we call getting the money back. And making sure that that money just doesn't evaporate, because sometimes money has wings and is ready to fly off, especially in windfall situations. And so if you don't have a specific plan in place to make sure you're getting the money back, you may wonder where it went in 10 years. So this is a technique to get the money back and also protect the asset, because you will have that lien in place.

S Seth Hicks 14:26

So you fund your policy, you fund your premiums with $100,000. You take that same $100,000 right back out and you purchase this piece of real estate. And then you've got cash flow on that. You've got rents, and you effectively pay back your mortgage to your private bank through those rents. And your cash value increases with every dollar, dollar for dollar that you pay back.

S Seth Hicks 14:50

And so you go out and you look for another opportunity that exists and you acquire a second property and you do the exact same thing. Now depending on how much money you have got in your private bank will depend on how many assets you can acquire with only your private bank money.

S Seth Hicks 15:07

Now, of course, you can use third party financing and we could use the principle of leverage, you could take that same $100,000 and you could spread it over five properties with 80/20 financing. So you got 20,000 down on property 1. 20, 000 down on property two, and three, and property four, and property five, and you're using bank financing for the other 80%. And your cash flow just increased fivefold, right?

S Seth Hicks 15:34

And so now you've got five times that rental cash flow coming back into your bank. And you can effectively take out the third party financing one property at a time in a very rapid fashion. So that you've used the principle of leverage and your own private banking system to accelerate your ability to capture the equity in those five properties. And it doesn't matter if it's a medical facility or apartment building or single family homes. It's the same principle for all of those assets. I know your folks are focused on medical, commercial, but same principle works throughout.

T Trisha Talbot 16:13

Right. It's fascinating.

S

Seth Hicks 16:16

Does that makes sense?

T

Trisha Talbot 16:17

It does make sense. Yep.

S

Seth Hicks 16:20

And here's the good thing about this as well, as I mentioned, the tax free aspect of it, there's no taxable event, when you are paying money in and taking money out. And that's internal revenue code 7702 if folks want to look it up and dig into that a little bit deeper. This is why folks like John F. Kennedy and Ray Kroc, who was the franchisor of McDonald's, and JC Penney, and so many others have utilized this tool to create wealth, because it's got some very, very sweet tax advantages to it.

S

Seth Hicks 16:56

You've got tax free growth with inside your bank that compounds and grows every year, without any taxable event. And now get this, whatever you don't use at the end of your lifetime. I don't want my my wife or my kids to get a big fat estate tax bill where everything that we've accumulated gets cut in half, I want them to get as 100%. And this is something that allows that to happen.

S

Seth Hicks 17:25

Everything in your policies, and the death benefit that is paid to your beneficiaries is paid completely tax free. And here's a story to drive that principle home. Everyone's probably familiar with the artist formerly known as Prince or when I grew up, he was just Prince but he changed his brand to the artist formerly known as Prince. He passed away in the mid 2000 teens, and his estate was worth about $200 million.

S

Seth Hicks 18:03

And he was a resident of Minnesota and between the State of Minnesota and the IRS, they took over $100 million of his estate, from his heirs and estate taxes, over 100 million. So they got less than 50% of what he had accumulated and worked for. Now, contrast that with a structure that's properly set up, and you've got your own private banking system. You're going to pay zero estate taxes, if you have 200 million, it's all going to your heirs, it's all going to beneficiaries. And I don't think anybody no matter what profession or how much you've accumulated, wants to pay more taxes. I don't know anybody that wants to pay more taxes, do you?

T Trisha Talbot 18:51

So what is the maximum amount that someone can take out in life insurance, a whole life insurance policy?

S Seth Hicks 18:59

It's relative to your financial position and your wealth. So it's really

T Trisha Talbot 19:05

Like a calculation?

S Seth Hicks 19:07

Yeah, it's kind of a it's kind of a ratio and a calculation. I mean, if you've got a substantial wealth you can have you can create substantial policies, but we normally don't have run into the issue of getting a lot of pushback. Well, if you're going to try to go with multiple millions and annual policies every year, then you have to have support for why you need that much because they're obviously going to be paying out multiples of that in death benefit if you happen to die in the next day, but they're very good at calculating when people die. Believe it or not, these actuaries are amazingly good at it. So it's a good way to get a calculation on how healthy you are.

T Trisha Talbot 19:55

I'd love to see what goes into that equation to spit out the outcome of the number that they.

T Trisha Talbot 20:04

So, Seth, I'm gonna move into the Q&A part of the podcast here and ask you a few questions to get to know you a little bit.

T Trisha Talbot 20:12

What was your first job?

S Seth Hicks 20:14

My first job was to practice law. I graduated from Pepperdine Law. And then I took a position in a large firm called Winstead in Dallas, in the real estate section so that I mean unless you're talking about you know, being a lifeguard.

T

Trisha Talbot 20:31

it's whatever you want. Yeah.

T

Trisha Talbot 20:35

What would you be doing for a living if you weren't first an attorney and then now doing this asset protection and private banking?

S

Seth Hicks 20:46

You know, I really love what I do. I love helping people create family wealth and create generational legacy wealth. I don't know what else I would be doing. I really enjoyed this. I might, you know, NASCAR racing looks really fun. So if I if I had a chance to race NASCAR, I might give that a shot.

T

Trisha Talbot 21:06

Where did you grew up in Texas?

S

Seth Hicks 21:09

North of Dallas, Fort Worth area in North Texas.

T

Trisha Talbot 21:14

What or who are you reading or listening to right now for news, information or inspiration?

S

Seth Hicks 21:20

Wow. Well, you know, I guess what you'd call faith based. So I probably spend most of my time in one book. And that's generally what I'm looking at. And I've got a you know, a great resource of other other things, but I'm usually focused on on one book. And then I've got five kids. So that takes a lot of my time. When I'm reading, I want to make sure that I'm really in the right place so. I don't put my head too much in the news or the media too much. But I'd probably say I'm all you know, alternative media. I'm not much of the on the mainstream media. And most of our clients are kind of faith based, Patriot type of folks.

T

Trisha Talbot 22:14

What are the age range of your kids?

S

Seth Hicks 22:18

They're 7, 6, 5, 4 and eight months.

T

Trisha Talbot 22:25

Oh, my goodness. That's a lot. That's a lot of fun.

S

Seth Hicks 22:30

It's a ton of fun. It really is a ton of fun. It's a ton of work. It's it's the best self development program I've ever been involved in. The best patience builder and grace learner. I've learned a lot.

T

Trisha Talbot 22:48

It's amazing the mirror that you know, the reflection of yourself that you see in your kids coming back to you. Good and bad, but they're an incredible mirror.

S

Seth Hicks 23:02

You know, when you're in Costco and you get that mirror and you're like, your wife just looks at you and shakes her head. Like you did that you did that. And I'm like, yeah I did.

S

Seth Hicks 23:20

They will give it to you right there.

T

Trisha Talbot 23:21

Oh, yeah. No, I know.

S

Seth Hicks 23:25

And being from Texas, I'll you know, all the first three are boys. So I told my wife, I said, Look, you know, you can either have them very well potty trained, or you can, you know, be messing with peeing in their diapers or whatever. So I'd have them peeing on trees and peeing on rocks everywhere. And that's great. And then but when you get you know, you get to church and you pull out in their peeing on a tree and people are driving by she's like, look what you tell them like, hey, it's a payoff.

Trisha Talbot 23:59

That's hilarious.

Seth Hicks 24:03

That's the Texan. That's the Texan in us. It's redneck.

Trisha Talbot 24:09

Gosh. Oh, that would be funny to see. What is one thing you do every day for healthy self care?

Seth Hicks 24:17

You know, I'm usually pretty active. I try to hit the gym three or four times a week, if not more, and I'm a soccer coach to the kids. So we're playing soccer. We're gardening. I'm at the gym. That's usually my my exercise.

Trisha Talbot 24:34

And do you think leaders are born or trained?

Seth Hicks 24:37

Wow. I think some are born and but most are trained. I would say there's a training even for the ones that are born leaders. I would say yeah, like I mean, you could look at you could look at King David for example. If everybody knows of him. He was born to be a leader but he was are trained by what he went through, wasn't he?

Trisha Talbot 25:04

Very true. Wonderful. Well Seth this has been a great interview. Thank you for taking the time.

Seth Hicks 25:10

Yeah, thank you Trisha for having me. I really appreciate it.

Trisha Talbot 25:15

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