

*A FINANCIAL STRATEGY TO
REIGNITE **THE** AMERICAN **DREAM***

HEADS
I WIN

TAILS
YOU LOSE

PATRICK H. DONOHOE

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A Financial Strategy to Reignite the American Dream

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*I dedicate this book to my three children: Hannah, Meghan,
and Jack—I love you more than anything on earth—and
to my wife Synthia, the greatest blessing of my life.*

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FOREWORD

BY TOM WHEELWRIGHT

Taxes are the biggest bill people pay. The average person's tax bill is up to 50 percent of their income when you add up income, sales, value-added, employment, and the many other forms of tax. When you calculate the time it takes to earn that money, it adds up to years for some and decades for most.

Taxes don't just take your money—they steal your time.

It may not surprise you, but the well-informed individual—typically entrepreneurs, business owners, and investors—pays a fraction of that, and some even pay zero.

This imbalance really upsets people...maybe even you. If it does, I want you to take a deep breath, shake out your

body for a moment, sit back down, and try on a new way of thinking. Ask yourself this question:

HOW can you legally pay so little, even zero, in taxes?

In my book, *Tax-Free Wealth*, part of the *Rich Dad Advisor Series*, I answer this question in detail and educate the reader on my views of tax law. The book provides a map to lower your taxes and build massive wealth. Education is the key to navigating this map so you can pay less in taxes and regain years of your life.

Financial education is what fundamentally separates the rich from the poor—the lack of it is why most people pay so much in taxes, why many fall short of building wealth, and why few ever achieve financial freedom. Having spent over 35 years in the financial sector, specifically in taxes, I am a firsthand witness of the importance of education.

I started at a ‘Big Four’ accounting firm, worked for a Fortune 1000 company, moved to an international accounting firm, and then formed my own practice that specializes in tax and wealth strategies for business owners and investors. On top of that, I get to travel the world as a Rich Dad Advisor, speaking alongside my mentor, friend, and client Robert Kiyosaki. Together we teach audiences in dozens of different countries about money, mindset, and financial freedom.

My experience makes me confident that anyone who wants to live a more abundant life can—including you. But you must first understand that it comes with a price tag: education.

Taking the time to inform yourself and focus your efforts can make your dreams a reality. Whatever motivated you to pick up this book is a sign that you want this for yourself, so congratulations on taking the first step in seeking out someone who can teach you.

Once in a great while, a person comes along who can explain financial concepts so clearly that all of a sudden, what had been a mystery becomes obvious. For many people, Robert Kiyosaki was that person when he wrote *Rich Dad Poor Dad*. For me, that person was Patrick Donohoe when he first explained what you're about to learn in this book.

Patrick draws on a lifetime of experience to explain the importance of a healthy financial philosophy, mindset, and the ins and outs of strategies that are outside of the mainstream understanding.

As an author myself, I have genuine respect for all that it takes to develop and produce a book that has value and truly serves its audience. Patrick's *Heads I Win, Tails You Lose: A Financial Strategy to Reignite the American Dream* does that exceptionally well.

Many years ago, my good friend, Kim Butler, introduced me to Patrick. Since I was from Salt Lake City and Patrick lives in Salt Lake City, she thought we might share some common interests.

Patrick sat down with me to explain how to leverage a mutual insurance company as part of one's personal wealth strategy—similar to how banks, corporations, and wealthy people use them. It wasn't until then that I realized how beneficial his specialty was to an investment portfolio.

I remember clearly the conversation when Patrick explained that most people use insurance companies to protect themselves from losses like death, disability, and illness—events that are statistically not likely to happen while you are insured. He continued to teach me that there is another way to use them with a guaranteed outcome.

Banks, big corporations, and notable individuals figured out how to use these types of companies to help them grow their liquid assets tax-free and still have access to their money for other uses like investments or purchases.

As soon as Patrick started talking about taxes, I was hooked. I have since learned, after many conversations with him and through research of my own, the various

ways to use what he teaches as part of a comprehensive strategy to build wealth and achieve financial freedom.

The other thing I really like about Patrick is he is an educator of the many aspects of wealth building—investing, tax strategy, business strategy, estate planning, and entrepreneurship; he’s not a one-trick pony.

If you want to understand how to make your financial dreams a reality, you are in the right place. Patrick is able to explain how to incorporate his strategy and product expertise in clear, understandable language, so even a hardheaded accountant like me who knows the numbers can understand.

Since our first introduction, Patrick and I have become good friends. We have worked together on many educational projects, cruised around the Caribbean with our wives learning about real estate, and have been partners in several ventures. In every case, Patrick has been a terrific partner and loyal friend. He is a terrific example for young entrepreneurs to emulate. His ethics are outstanding, and he is always fair and generous with both his time and his money.

Patrick tells me that he looks up to me. What he doesn’t realize is how much I look up to him. If you want to learn from a great entrepreneur, terrific teacher, and amazing

person, I encourage you to pay close attention to what Patrick Donohoe has to say.

TOM WHEELWRIGHT, CPA
AUTHOR AND ENTREPRENEUR

CHAPTER 1

ORIGINS OF THE AMERICAN DREAM

“The American Dream is independence and being able to create that dream for yourself.”

—MARSHA BLACKBURN

Allow me to rewind the clock a few hundred years to the origins of what has become my financial philosophy—what I consider the American Dream.

One individual epitomized the pursuit of the foundational American ideals and coined a phrase that still echoes today. It is rightfully the backbone of this book and a motivation for you to realize the opportunities ahead.

*“That being all equal and independent, no one ought to harm another in his **Life, Health, Liberty, or Property.**”*

—JOHN LOCKE

The iconic phrase, or rather sequence of words, was conceived in late 17th-century England amid a period of widespread social revolution. Some consider the events that unfolded one of the epicenters of revolutionary thought that eventually led to the American Revolution and, subsequently, the greatest period of human ingenuity, industry, and prosperity up to that point in history.

In 1689, English philosopher John Locke published his *Second Treatise of Government*. In it, he claimed that no man or government has any right or claim on another’s life, liberty, and property. The inspiration behind the phrase is as old as time, yet so simple. The philosophy traces back to Socrates, Plato, Aristotle, the Stoics, and the Epicureans. Such rights were the bridge to what the Greeks called *eudaimonia* (ultimate fulfillment), which is evident in Thomas Jefferson’s replacement of the word *property* with *happiness* in the Declaration of Independence.

Locke and others fought courageously for ideals that they would never end up experiencing. They hoped that the *inalienable* rights they trumpeted would be protected in the framework of future society. Locke was convinced that the inevitable result would be prosperity.

FINANCIAL FREEDOM AND PROSPERITY

Today, the result of Locke's dream occurs daily, but very few recognize the link between the rights of life, liberty, and property, and humanity's undeniable prosperity.

We're not reading and writing by candlelight, traveling on horseback, being warmed solely by a fireplace, fending off life-threatening diseases, or questioning where our food will come from tonight.

The advances of our world are all traced to these three simple words. They create the ideal environment for human genius to be exercised to conquer the inefficiencies of the world.

This book is a focused education on how to incorporate these fundamental principles into your finances and your life. The teachings are an aggregation of experience that I have been fortunate to gain over the course of more than a decade in business, working with people in every walk of life.

You will learn the details of unique financial strategies and tools that embrace these fundamental principles. They will result in personal financial freedom and the opportunity to make the greatest impact on your family, your business, your community, and your nation.

LIFE: YOU ARE YOUR GREATEST ASSET

“If money is your hope for independence, you will never have it. The only real security that a man will have in this world is a reserve of knowledge, experience, and ability.”

—HENRY FORD

Our life is the foundation of wealth, and all other rights and principles are corollaries to it. Our life belongs to us, and likewise, the life of another is theirs and cannot be claimed by us. Life is the context in which we experience everything, and without it, nothing else would matter.

When the environment of life is free, the dynamic sets in motion an innate ingenuity to nurture, improve, and subsequently optimize our physical world. This same motivation carries directly to the same stewardship over our most precious and valuable asset—ourselves.

The result?

Our personal drive to grow and progress will grow stronger. The desire to discover how to be the most valuable to others will intensify. The exchange for that value is not only material wealth but the remuneration of fulfillment and freedom.

“You don’t get paid by the hour. You get paid by the value you bring to the hour.”

—JIM ROHN

Unlike other assets that are finite in nature, there is no end to your degree of understanding, knowledge, education, training, and capacity to be the greatest value to the greatest number of people.

Your capacity to build wealth is unlimited.

Investment in you takes precedence.

“An investment in knowledge pays the best interest.”

—BENJAMIN FRANKLIN

Each of us has a unique genius inside waiting to express itself for the benefit of others; it is an asset waiting to be discovered, enhanced, and made even more valuable.

LIBERTY: THE GOAL OF FINANCIAL STRATEGY

“They who can give up essential Liberty to obtain a little temporary Safety, deserve neither Liberty nor Safety.”

—BENJAMIN FRANKLIN

For well over a hundred years, the meaning of liberty has arguably decayed as we have delegated more and more

responsibility to third parties to care for our well-being, such as government, investment firms on Wall Street, and banks.

The financial education of society today is starting to fit snugly into that popular quote by Benjamin Franklin.

The typical American narrative of going to school, getting a college education, establishing a high-paying job, funding a 401(k), and retiring at 65 is not freedom, and it is diametrically opposed to the American Dream.

The slow and steady permeation of these ideas began in the educational system, made its way to the factory-style work environment, then to the promises of retirement, and finally to the bequeathing of wealth into the hands of Wall Street and the financial services industry.

Today, the more funding pre-college education receives, the worse the outcome is.¹⁵ Despite record profits for universities, there is record student loan debt. Entry-level wages remain stagnant, and underemployment is in the double-digit range.¹⁶

15 <https://www.forbes.com/sites/prestoncooper2/2017/07/13/new-york-fed-highlights-underemployment-among-college-graduates/#11bbc61240d8>

16 <http://time.com/money/4658059/college-grads-workers-overqualified-jobs/>; <https://www.statista.com/statistics/205240/us-underemployment-rate/>

The broken education system and the mindset of factory-ism has bled into the modern workplace, where careers are the function of making money by following orders and where hierarchical management is the law.

The carrot of a future retirement comes from the desire for liberty. It has become an elusive reward, and for most, it's just enough motivation to repeat the cumbersome daily grind.

Many are convinced that the American Dream is retirement, which means “to be taken out of service.” The concept of retirement with a state-paid pension comes from Otto von Bismarck, the statesman who was the first Chancellor of the German Empire between 1871 and 1890. Bismarck is remembered for statements like, “Politics is the art of the possible,” and, “Laws are like sausages; it is better not to see them being made.” He’s also the architect of the modern social welfare state, including old age pensions. In Bismarck’s day, few people lived to the age of 70, when old age pensions started. Life expectancy in the 1880s was less than 60 years. Today, retirement age is generally 65, and average life expectancy in the US is 81 years for a woman and 76 years for a man. In Bismarck’s time, someone who was 70 was considered very old and was probably not capable of working. In our own time, most people at 70 are still physically and mentally active. The equivalent retirement age of today would be 93.

The notion of retirement today is not grounded in the principles of liberty and freedom. There exists a dependence on third parties like Wall Street, banks, and the government for our financial welfare. Wall Street must look out for our best interests and subsequently perform and make money. The US government must be fiscally responsible and avoid wasteful spending above and beyond their means. This expectation is, unfortunately, not the world we live in, and it's a risky proposition to assume it will change.

The dynamic of financial freedom is accomplished in two ways. First, by taking back control of your wealth, which requires eliminating the dependence on third parties and educating yourself to invest in what you understand. Second, it is by investing in yourself to make more money because you are more valuable to others, which initiates the discovery of employment or business that aligns with your genius, passion, and calling.

"If you do what you love, you'll never work a day in your life."

—MARC ANTHONY

PROPERTY: THE ROLE OF RESOURCES

The pursuit of property isn't buying a condo or investment real estate. It's the magical outcome of combining the resources outside of us with those resources inside of us.

When the intention aligns with true capitalism, service, and value provided to another, wealth happens.

Fortunately, we live in a country that allows for such pursuit without much restraint. The environment is ripe and full of opportunities for all.

The physical world we experience has always had the potential to be what it is today. The material to make a computer, a television, a car, or an airplane has always been here. When humankind was free to pursue it without the fear of recourse, their minds began solving the matters that kept humankind in the dark for millennia.

Today, the average American lives better than kings of old.

Humanity has solved inefficiencies in health, food, shelter, clothing, transportation, communication, and entertainment by combining the internal resources with those resources externally.

What you bring to the world is unique and infinite in scope. The world is full of challenges awaiting your mind to come up with solutions.

“I’ve learned that fear limits you and your vision. It serves as blinders to what may be just a few steps down the road for you. The journey is valuable, but believing in your talents, your abilities, and your self-worth can empower you to walk down an even brighter path. Transforming fear into freedom—how great is that?”

—SOLEDAD O’BRIEN

KEY TAKEAWAYS

- Humankind instinctively seeks growth, and the ideal environment for growth is freedom. No matter how much we try, we can’t stand still: “Our human nature compels all of us to move and change throughout our lives. At the same time, nobody who thinks about life wants to experience it as a vegetable. We want to improve and continue to develop mentally.”¹⁷
- You will always be your greatest asset. Invest in yourself first to be more valuable to others. That is true wealth.
- Everyone has a unique genius they bring to the world and has a stewardship to share it.
- Control over your financial life equals freedom.

¹⁷ *The Master Key System*, by Charles Haanel.