

REI WEALTH

Issue 13



SENSEFINANCIAL.COM
WISE FINANCIAL STEWARDSHIP

Monthly

Trembling

Treasuries

**Effective
Communications
Campaigns**

for Probate Businesses

**"Weathering
the Storm" -**

Global REI Survival Manual

**How to Build an
Extraordinary Real
Estate Business**

in a Sea of Ordinary

Interview with
Dmitriy Fomichenko
of Sense Financial

TABLE OF CONTENTS

SELECT A TITLE BELOW TO VIEW THE ARTICLE

20 COVER STORY

Interview with Dmitry Fomichenko,
Founder & President of Sense Financial Services LLC

Plan for the future. Save money and invest wisely. Don't get into Get Rich Quick schemes - they don't work. Educate yourself and learn how to invest for the long term. Real estate for example, offers the ability to build significant wealth over time if you do it right.



07

TAKING TITLE

by Garrett Sutton

EFFECTIVE 12
COMMUNICATIONS CAMPAIGNS
for Probate Businesses
by Leon McKenzie

35 TREMBLING TREASURIES
by Rick Tobin

HOW TO BUILD AN 26
EXTRAORDINARY REAL ESTATE BUSINESS
in a Sea of Ordinary
by Sharon Vornholt

42 WHY YOU SHOULD STOP RENTING
and Buy a Home Now
by Lex Levinrad

DEAL OR NO DEAL 31
(with Ben Leybovich) - Video Training Series Module 1
by RealEstateU

47 "WEATHERING THE STORM" -
Global REI Survival Manual
by Ziv Magen

INTERVIEW WITH DMITRIY FOMICHENKO, FOUNDER & PRESIDENT OF SENSE FINANCIAL SERVICES LLC

BY LINDA PLIAGAS



How long has Sense Financial been in business?

I started Sense Financial 3 years ago in October 2010.

Why did you start Sense Financial?

In short, because I saw a need and was able to provide the solution. My background includes conventional financial and retirement planning. I started my career in financial planning in 2000. I met with families one on one to help them create a budget, plan to get out of debt, save for their children's college education and to plan for their retirement. At about the same time, I was introduced to real estate investing. In 2001, I purchased my first investment property.



Over the next several years, I realized that conventional investments such as the stock market and mutual funds were very unpredictable. At the same time, my real estate investment portfolio was growing rapidly. I made a number of mistakes and lost money on some of my real estate deals, but overall, my returns were significantly better than that of the stock market. I wasn't comfortable recommending conventional investments to my clients and started devoting more of my focus to real estate.

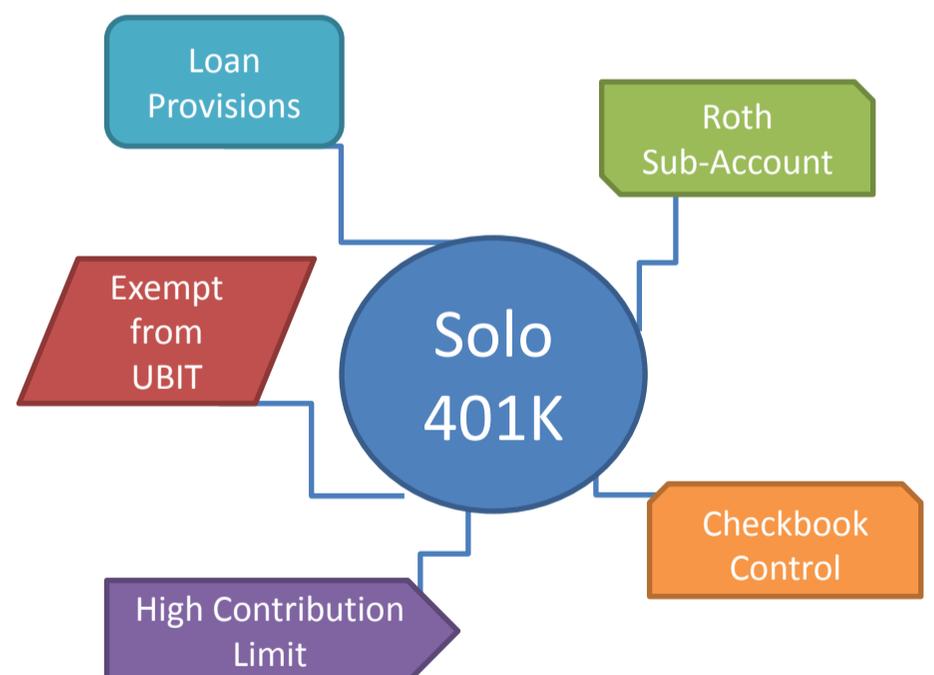
In 2004 I went to work full time for a real estate investment firm and started teaching my clients how to invest in real estate. I soon received offers to teach classes in real estate investing at several local community colleges. Over the years, I mentored hundreds of investors and instructed over one hundred classes/seminars.

One thing I heard from my clients was that while their real estate portfolio was growing, their retirement account was losing its value in the stock market. I had heard that it was possible to invest in real estate using an IRA or 401k, so over the next year, I researched how to invest in self-directed IRAs and 401ks, and consulted with the top experts in the field. That is how Sense Financial was born.

How has the Solo 401k revolutionized self-direction?

A Solo 401k (also known as Individual 401k or Owner-Only 401k) is a simplified version of the 401k Plan, and is designed for sole-proprietors or small business owners who don't employ full time workers. Most investors qualify for it, even if they have a full time W2 job working for a company. All that is needed is the presence of self-employment activity, which could include consulting, network marketing, a referral business, etc. Many real estate investors that manage their own properties use this activity to qualify.

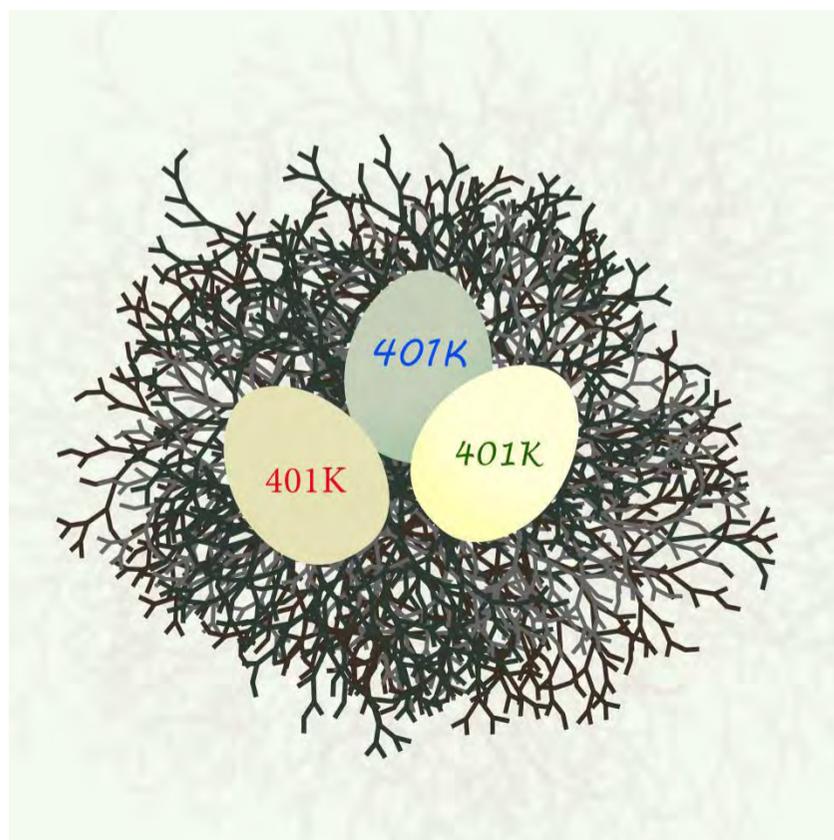
The reason a Solo 401k is so attractive is because of its unique features and benefits, not found in a self-directed IRA. Here are few:



Loan Provision: The Solo 401k Plan also contains a provision which allows the participant to borrow from the account at any time and for any purpose. A Solo 401k loan can be made for up to 50% of the account or \$50,000, whichever is less. These loans can be used for any purpose.

Roth Sub-Account: The Solo 401k Plan comes with the Roth sub-account, allowing plan participants to make after-tax (Roth) contributions into the Roth bucket of the Solo 401k Plan. All investments made using a Roth Solo 401k are completely tax-free. That means that no income tax on the rental income received from the property and no capital gains taxes on the sale of the property. The potential return on investment using a Roth Solo 401k could be infinite, especially if leverage is used!

High Contribution Limits: Plan participants are allowed to contribute up to \$51,000 per year into the plan. Those over 50 years of age can take advantage of the additional \$5,500 catch-up contribution. If the spouse of the business owner is participating in the business, he or she could also participate, which would make the total contribution to the plan up to \$113,000 per family. This makes the Solo 401k Plan a great tax-sheltering vehicle.



Checkbook Control: Because a Solo 401k Plan is set up under different IRS rules than an IRA, it does not require a custodian to hold the plan assets. With a Solo 401k, clients are designated trustee of the plan, which allows them to control their retirement account directly. A checking account is opened in the name of the Solo 401k Trust and funded with contributions, or a Transfer/Rollover from other qualified plans such as IRA, 401k, 403b, etc. Investments and transactions are as simple as writing a check. This eliminates the unnecessary delays and fees that are associated with custodial accounts.

Exempt from UBIT: When an IRA uses mortgage financing to buy leveraged real estate, this triggers Unrelated Debt Financed Income (UDFI) – a type of Unrelated Business Taxable Income (UBTI) in which taxes of about 35 percent must be paid. But, with a Solo 401k plan, you can use leverage without being subject to the UDFI rules and UBTI tax. This exception offers major tax benefits to buy leveraged real estate.

Are your clients mostly local or do you service clients around the country?

Our headquarters are in Orange County, Southern California. Initially all of our clients were local. We sponsor several real estate investment clubs and work with investments providers who help us spread the word. Over the last couple years, I've been asked to contribute to several blogs and have been writing for them ever since. Now people from all over the US that are looking for retirement solutions, are able to find us online. We get about 50% of our business from the web, and most of these clients are from out of state.

Tell us about important developments in the IRA industry and how are they affecting investors?

With our national debt level growing un-proportionally high compared to the median household income, more people are concerned that the US government may follow the example of other countries, where governments used private pension funds to meet deficit targets. It happened in Portugal, Poland and Cyprus. Private pension funds were seized to cover the debt gap. Many ask the question: Is my retirement account safe from our government? Unfortunately, if your retirement account is being controlled by major financial institutions, it becomes very vulnerable. More and more people are now switching to Solo 401k Plans, where the client acts as a trustee of the

Qualified Plan and the need for the custodian is eliminated. This is the only structure that makes the retirement account impervious. After the shocking events around the globe and after our own government shutdown, we noticed a significant increase in our business where clients are switching from IRAs to Individual, trustee-managed Solo 401k Plans.



What advice would you give to someone that wants to start planning for retirement?

Plan for the future. Save money and invest wisely. Don't get into Get Rich Quick schemes - they don't work. Educate yourself and learn how to invest for the long term. Real estate for example, offers the ability to build significant wealth over time if you do it right. With a Solo 401k, real estate is one of the types of investments available to you. Taxes are one of the biggest obstacles to the growth of your wealth. Learn how to shelter your investment income and gains from taxes. You will significantly increase the chances for reaching your financial goals by doing so.

What are the biggest misconceptions about IRAs?

Many people have been conditioned by major financial institutions to believe that traditional investments (stocks and mutual funds) are the only investment choice in the retirement account. But the fact is, this is the limitation put in place by financial institutions and they dictate to you these investment options. The IRS allows a whole spectrum of investments, including real estate, precious metals, trust deeds, private lending and many more!

What is the best and worst part of running Sense Financial?

I love helping people! It fills me with joy when my clients are satisfied. I would say that this is probably the best part. When my clients call or email me to express their gratitude and satisfaction - I feel fulfilled. I am an engineer by education and I like creating systems. I have several ideas for improving things, expanding in other markets, etc. However, I can't do it all myself and have to delegate things. Finding the right team members can be challenging. I select people very carefully. I have also experienced companies that grow too rapidly, which was detrimental. That is one of the reasons why I want to have controlled growth. So the worst part of running Sense Financial is probably the fact that I can't implement all my ideas immediately.



Where do you see Sense Financial in five years?

That my company has achieved controlled growth and that the people added to my team have been carefully selected and share the same values of integrity and customer service that I have.

Is there anything you would like to add?

We understand that many people are concerned about retirement. And we know that the self-directed retirement accounts we offer, such as the Solo 401k, enable our clients to take control over their future. Our goal is to provide our clients with IRS-compliant retirement accounts and to ensure 100% satisfaction. I am happy to report that we are able to achieve this!

