

✔ WEEK 7: Taxes, Debt & Beating the Matrix

🎯 Learning Objectives

- Learn how the tax system rewards certain behaviors
- Understand the difference between **good** and **bad** debt
- Identify basic tax strategies to keep more of what you earn
- Explore how the wealthy legally reduce what they owe

🔍 Let's Break It Down

👛 What Are Taxes, Really?

Taxes aren't evil—but the way they're applied depends on **how you earn**.

- Employees get taxed first, then spend what's left
- Business owners & investors spend first, then get taxed on what's left

The game is **not rigged**—you just need to learn the rules.

🏛️ The Tax Code = A Playbook

The IRS code is full of legal ways to pay less if you:

- Start a business
- Invest in real estate
- Save for retirement
- Donate to charities
- Track your expenses

These are **write-offs**: legal ways to reduce what you owe.

💣 Good Debt vs. Bad Debt

Good Debt 💡

Mortgage

Business loan

Bad Debt 💀

Payday loans

Maxed-out credit card

THE AXE METHOD – Week 7: Taxes, Debt & Beating the Matrix

Real estate investing Buy now, broke later buys

Good Debt builds income or assets.

Bad Debt funds lifestyle and charges high interest.

Real-World Example

Two people earn \$60,000/year:

- Employee pays tax on all \$60K
- Business owner deducts \$10K in write-offs → only taxed on \$50K
The second person **legally keeps more** just by understanding the rules.

Guided Activity

1. List 3 things you pay for every month (e.g. internet, phone, software)
2. If you had a small business, could those be write-offs?
3. What's a side hustle or micro-business you could start?

Mini Glossary

- **Write-Off:** A legal deduction that reduces your taxable income
- **Capital Gains:** Profits from selling an asset like stocks or real estate
- **Depreciation:** A way to reduce taxes by tracking the “wear” on assets
- **AGI (Adjusted Gross Income):** Income after deductions

Weekly Challenge

Watch a short YouTube explainer on IRS Form 1040. Write down 3 things you never knew about how income is taxed.

Journal Prompt

“How can I use the rules to reduce stress and grow wealth legally?”

✓ Recap

- Taxes are a system—with rules you can learn and apply
- Business owners and investors get better advantages
- Good debt can build your future—bad debt traps you
- You don't need to cheat the system—you need to **know it**