



Perfecting Your Practice Podcast

EPISODE 4.5: Are you making these tax mistakes?

Welcome to the *Perfecting Your Practice* podcast, where we will talk about finance for the healthcare professional and medical practice owner.

This series is brought to you by Bankers Healthcare Group, the leader in financing solutions for healthcare professions. Since 2001, BHG has worked with more than 100,000 licensed practitioners to help them reach their financial goals. *Perfecting Your Practice* is designed to talk about ways you can invest in your career and practice in order to set yourself up for success.

Now, here's your host, Keith Gruebele, Senior Vice President at BHG.

Keith: Hey, everybody, welcome back to *Perfecting Your Practice*, the podcast with BHG. This is Keith Gruebele, your host. I am joined today not by one but two very special guests, which is exciting for me, especially with these two in a room. They're such a wealth of knowledge that we get to share here. It's going to be a fun session.

Hope you've enjoyed the series so far. We're looking forward to sharing a lot more with you. I'd like to introduce first Jessica Page who is the BHG Senior Tax Manager and also a CPA. So, Jess, why don't you say hello and introduce yourself.

Jessica: Hey, everybody, hi, Keith. As you said, my name is Jessica Page. I joined BHG fairly recently and I'm super excited to be here. It's a pretty amazing company. Prior to that I have been in public accounting for about 10 years, and actually spent three years also working for a bank. So very excited to be here.

Keith: A lot of history there, a lot of background. That's awesome. Well, thanks for sharing your expertise with us today.

We also have or welcoming back Gene Marks. Go ahead, Gene.

Gene: Keith, first of all, you guys must be crazy here, having two accountants on this podcast. I mean, do you want anybody to listen to this podcast? I know. Whose idea was this?

Jessica: It's riveting.

Gene: Yeah. Jess, you and I are going to make this riveting, all right?

Jessica: That's right.

Gene: This is Gene Marks. I am also a CPA. Jess is a much better CPA than me. For me, like if it's close enough, it's good enough. That's not the way you want to be if you're CPA. But I still keep the certification. I do a lot of writing. I write every day for the Washington Post. I also write for a bunch of other places like Forbes and Inc. Magazine and



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Entrepreneur. I run a 10 person company that's out of Philadelphia. We do technology and management consulting and other CPA-related stuff.

So, we're talking taxes, aren't we?

Keith: That's fun for me. We're talking taxes, but this gets really fun because we have ...

Gene: You're a sales guy. There's no way this can be fun.

Keith: This is great for me because we have a CPA who is also a small business owner, and then we have a CPA who specializes really in maintaining the taxes and managing them and seeing them. So you get to see both perspectives as how the small business ties together and the opinions and the actions and how they actually go into play from theory into practice. So, I think this can be really fun for us to get back and forth with each other.

Jessica: All right.

Gene: Well, we'll see about that. Go ahead.

Keith: My first question, and I think it's one that everybody asks, everybody wants to know, but really specific to healthcare. What would you say is the biggest tax mistake that healthcare professionals make today?

Jessica: I think it's a similar mistake to what a lot of small business people make and it's a lot of times comes down to record keeping. No one likes taking the time to keep their records in order, and by doing that, you end up leaving a lot of valid deductions on the table. At the end of the year, your tax advisor is probably not going to be happy when you tell him you don't have those records. But things like mingling your personal and business expenses and not keeping those clear records can really cause some issues and some loss deductions at the end of the year.

Keith: Wow. So, Gene, I'm sure that you may be guilty of some of those.

Gene: Oh, yeah. I mean, I take offense to that, Keith, actually. My records are pretty darn good. But you're absolutely right, Jess. I mean, as record keeping is huge because keeping track of that stuff and letting personal and business stuff overlap is just this sort of cardinal sin of accounting. Another thing that I see a lot of my clients making and I used to make back in the day but it's just really not involving a tax professional in your business.

I mean, listen, you're in the healthcare field so you're a specialist in what you do. Hopefully you're very good at what you do and that's what your expertise is. Listen, okay, I'm not that great at taxes, but Jess is great at taxes and there are a lot of people like her around the country that are also great at taxes. If you're going to run a business,



you want to focus on what you do and bring in outside experts to help you do what they do.

Keith: Find the specialist to help build around you and build your practice.

Gene: Yeah. Then people ignore that. So they not only keep lousy records but then they don't involve anybody from the outside who knows that they're doing. Then they got like a big mess. They got to file their taxes and some of them find they owe money, whatever. You got to make that investment.

Keith: Awesome. Hey, Jess, when do you think is a good time to engage an accountant? Maybe an outside party or to hire somebody in house.

Jessica: Yesterday.

Gene: Yeah.

Jessica: Seriously. The earlier, the better.

Keith: So, there's no key point in the business or anything.

Jessica: When you're actually first starting to think about getting into business for yourself, you're buying into a practice, starting your own, it's really not a terrible thing to take some time, invest a little bit of the money, and get an advisor so that you structure it correctly, that you got the right records to begin with. So yeah, I think the earlier the better.

Gene: Jess, what do you think is a good qualities of an accountant? if I'm interviewing for somebody to be an accountant for my business, what kind of stuff should I be looking for?

Jessica: It depends on what stage your business is in and that's another point that I want to make is that your needs are going to change as your business grows, as your personal wealth grows. The type of advice that you need is going to change as you progress through your career. But you need someone who can listen. So someone who can listen to what your goals are, what problems your facing in your business right now, what challenges you see coming down the road. Someone who really is in tune with where you see yourself going and how you think you can get there.

Gene: That's great. While we're beating up on Jess, I have another question to ask you. Where would you go ... I know. We're going to pile on. But no, I'm curious to know. If you were looking for an accountant, where would you go to look?

Jessica: Personal references mean a lot. Ask around. Ask your colleagues. Ask other doctors in the area. I hesitate a little bit to say just go on Google because you never know what you're going to find. But if you're stuck, start somewhere. Interview someone and get a feel for what they provide, and if you like that and if that's not quite what you're looking



for, you can say, "Nah. I need something a little more involved. Someone with a little more expertise than my local bookkeeper." So move up a little bit. Look for another set firm a little bit bigger in your area.

I think local is usually a good idea, especially if you're starting out a smaller practice, you want someone who understands your market and the specific challenges you might be facing. So try to stick with someone local. But word of mouth is usually the best way to find someone.

Gene: Right.

Keith: So when this now goes back and forth to you guys. When you're meeting a client for the first time and let's just say you are the successful CPA and you want to come again, what kind of questions do you normally ask a client? What do you think ... I'm putting myself in a position if I'm a healthcare professional and I'm taking your advice, I'm going out and shopping for a CPA, what should I be prepared to answer? What kind of questions is a CPA is going to want to know? How do I start building that rapport and relationship with them?

Gene: Such a great question because a lot of times it's you're wondering what should the client be asking the CPA, but really CPAs need to be doing a good job of interviewing their clients and making sure they qualify the right people and that they kind of mesh together. So, what I look for when I meet clients, first of all, is I like to get a sense of what their know-how is about their finances.

I mean, it's funny. I was interviewing Daymond John a couple of months ago from Shark Tank, and here's a guy who build hugely successful business on Shark Tank, all that kind of stuff. He was saying in the interview about how he made all sorts of accounting mistakes and it almost bankrupted him at one point in his career. So, you can be a really good business person, you can be very good at what you do, but you need to have some type of sort of financial IQ.

So that is the first thing that I do is I would ask questions to the client as to, "Do you understand what your cashflow is? What kind of accounting software are you using? Do you have a general ledger?" If I'm getting astute answers from a client, then I can sort of step it up a little bit to provide a little bit more value-added stuff and services to them. But if I have a client that's just like, "Hey, man. I have no idea what a general ledger is or a general store is. I can't tell a difference." Then I'm going to be ... The first thing I'm going to do ... I know I got somebody I got to really do a lot hand holding. So that's what I do would do ...

Jessica: I would say don't let that scare you though. If that's the point you're at, don't be afraid to go in and admit that to a CPA and an advisor that, "I need some help. I've gotten myself in too deep." So, don't let that scare you and keep you from going ...



- Gene: That's such a good point because you're right. If you're going to see your doctor, I mean, the doctor says, "Okay. What aches and pains?" You really want to tell the doctor what's going on.
- Keith: Because it's a real issue.
- Gene: Yeah. It's the same thing with your accountant. Don't be afraid to be stupid to your accountant because let the accountant then decide what level of service that they think they're going to need.
- Jessica: Exactly.
- Keith: I love that. I tell people, "The only dumb question is the one that you don't ask." Really kind of drop your guard and get in there. The reality is that most healthcare schools, most times a healthcare professional graduates, there's not really any specialized courses on running your business, on running your healthcare practice. So, I think that fear of finance is innate because we were never taught anything.
- Gene: Yeah. It's amazing when you're ignorant about something, you just haven't been trained in it. You're just afraid of it. Some people just make the mistake of trying to cover it up because they're just embarrassed to show that they don't know. That's not necessary to do. Believe me, we have, as accountants, have a huge amount of respect for you, the healthcare professional, and what you do and what you know. So you don't have to impress me anymore. If you don't know a debit from a credit, that's completely fine because it's not part of your thing.
- Jessica: You'll find your advisor is one of your number one advocates, too.
- Gene: Correct.
- Jessica: Everyone wants you to succeed.
- Keith: That's awesome. When you're working with clients, Jess, well, now it's obviously internal clients. I know that we did a long, scouring search to be able to come upon our relationship and bring you aboard, which we're really happy about.
- Gene: You found her on Craigslist, is that right?
- Keith: Yes. I Google searched her. She mentioned Google.
- Jessica: Google search. Yep. Yep.
- Keith: But one of the things that's always amazing to me is, and I know this when I come up to the Syracuse office and I see you, or if I'm running past other executive offices, you seem to be on the phone constantly with "your internal client." How often is too often to talk to your accountant?



Jessica: I would say there's no limit. I mean, clearly you don't need to call every day, right? You probably need to focus on doing your job. But anytime something comes up, your situation changes a little bit, you're thinking about buying something, you're thinking about doing a transaction, you're thinking on your personal side, you're thinking about investing in something, call them up. It may be a five-minute conversation. It may be the easiest answer to give you in the world. It may be something that there are some serious things to investigate before you go through with it. But just call.

Gene: If I can respond to that, actually, from the accountant's point of view, for goodness sake, pick up the phone and respond.

Jessica: Please.

Gene: Right now, this is literally by coincidence, I had a question of my accountant. I emailed him a question. I'm thinking of bringing on a new employee. I have a question about our retirement plan. I emailed him. I just checked my email like 20 minutes ago, the guy still has not replied to my email. Chris, if you're out there, reply to my email. He's a very, very good accountant, but sometimes it takes a while to get back to his clients. Listen, this is the 21st century now and you can reply.

So, you're absolutely right. From a client perspective, you should not be hesitating on bothering your accountant because there's no question too dumb, but come on, guys, if you're a CPA, if you're an accountant, respond, be communicative.

Keith: Absolutely. Other question I had for you is as far as starting out, so okay, I've decided I'm going to find a CPA. I'm going to interview a CPA. Now I know some of the questions I should be asking, what I should be finding out, but people often say, "Do we need to audit? Is an audit the best idea? How do we go through that?" So if you're starting from scratch at someone, would you say start with an audit? How do I handle for my books? How does that transition work for me if I'm a small business person and I'm bringing somebody on? Walk me through some of those steps.

Jessica: It's really funny because when you say audit to me, a tax person, I immediately go in a different direction. I'm thinking IRS audit.

An audit, a full-blown audit, probably not required right away. Especially if you got somebody competent preparing your books, bookkeeping service or internal accountant preparing your books, you are reviewing them and they seem in line with what you see happening in your business. At the end of the year, at that size, your tax advisor will not audit, right? They're not there to audit your books, but they'll ask you if they see anything that seems out of line because they got to put together a full return.

Keith: Awesome.

Jessica: I don't know if you see ...



Gene: I do. I see the world is kind of changing a bit. I mean, there is audits, which is the highest level of thing you get. There's reviews, which is a little bit less than an audit, and then of course compilation, which is just accountants are putting together financial statements but they're not providing any procedures on them. Back in the day, lenders required some form of those financial statements, but I just think the world is changing. Yes, they are still pertinent, and yes, some lenders do require them. It depends on circumstances and what kind of finances you want. But a lot of lenders nowadays are using other data because they can get more real time and better data to help them evaluate the risk of giving out loans. So, it may not be completely necessary to do that.

However, having said that, if you're a certain sized business, if your revenues are more than a few million dollars a year, I think at least getting a compilation every year or every other year. If you have a really good CPA, I think it's a great service because then you have an outside person preparing your financial statements that hopefully has experience in your industry and has other clients that are sort of like you. If they're good when they're preparing your financial statements, they'll make comments to you and give you some thoughts and some feedback. I think it could be very, very valuable for your business and your cashflow.

Keith: Awesome.

Jessica: Since we've said the dreaded A-word. I do like to mention when I am talking to people that should you find yourself subject to an audit, please don't panic. That's what your tax advisor is there to help you through. So call him up right away, get them on the phone, get them the paperwork, all that sort of thing. Just please don't go it alone and don't panic.

Keith: Awesome. No, I think that's great advice. I think people, again, what we don't know is what we fear most. We see somebody saying, "Hey," the dreaded A-word, as you said, "Let's jump in there and take a look." It could seem fearful, but really if everything is going well and you're managing a lot of the tips that you guys have given us, you really should have no issues at all, which is awesome.

Keith: Let's talk a little bit about the saving side. So the big concern with taxes constantly is, "Oh, god. I have to write a check at the end of the year. Oh my goodness. I'm in a bad shape." How do I go ahead and start saving some money on my taxes? How do I get ahead of those issues? How do I manage my tax better, I guess?

Jessica: Sure. There's always going to be the pretty standard advice. Like we said before, the record keeping, make sure you're not losing deductions. Retirement savings is always a good thing to get into because you can do a lot of tax planning around that. I think one thing ... We can get to some other tips, Gene, if you have some, but I think one thing to remember, and I get this question a surprising amount from people, is, "Oh, man. I don't want to have to pay so much in tax. How do I generate deductions?" So instead of how do I buy things to ...



- Gene: Pull out of thin air, right?
- Jessica: Exactly.
- Gene: Give me some deductions.
- Jessica: Yeah. There's this thought for some reason that wouldn't apply anywhere else in your business, but there's this thought that spending a dollar to gain 70 cents somehow makes sense. So, I really like to impress upon people your business decisions come first.
- Gene: I love when people do that. "Oh, yeah. I decided to buy that because it's a tax deduction." You're like, "Well, dude, you're spending all this money on it to get a tax deduction. I mean, don't spend the money at all." That's my advice, by the way, is stop spending so much money.
- Keith: Really?
- Gene: Yeah. When people say about, "How do I have enough money to pay for my taxes or other things in my business," on easy way is to not spend so much, right?
- Keith: I think that's pretty blunt and true. I mean, everybody sees that we start making some good money and as their careers evolve, especially as a practice evolves, it starts generating a lot of revenue and it's very easy to lose sight of the little tips like saving a little bit more for retirement, putting some away, kind of saving for that rainy day or for that tax issue or to get past those obstacles.
- Gene: I have a client who is a construction company and he puts up drywall around the city of Philadelphia. Sometimes successful business, the guy for the past 25 years operates out of the basement of his house. He can be rocking and rolling everything. A fantastic year. You wouldn't even know it. He drives the same Chevy that he bought back in the mid-80s, and he socks the money away because he knows particularly in his business, things go up and things go down. So he's had as many as 80 employees at one time and it dropped to 15 employees when the market falls. It never worries him because he's always putting the money away. He doesn't spend beyond what he needs to live. It's important to know that.
- Jessica: You want to make sure you don't hamper your growth at the same time. I mean, if there's opportunities that come along, spend the money if it really makes sense for your business.
- Keith: Mm-hmm.
- Jessica: It's just focus on the business and on the growth opportunities you have and not just the tax side. There's always tax implications. So if you're thinking about buying a new big piece of equipment to expand your practice in a new area or something, call up your tax



advisor and say, "Hey. I've got some flexibility. Do you think I should buy it in Q3 of this year or Q1 of next year," because who knows what Congress is doing at the end of the year.

Gene: It's true.

Jessica: But don't be afraid to make those investments. Just make sure your business needs are driving.

Gene: I always say this to my kids that the better grades that you get in high school, the more options you have when it comes time to apply for college.

Keith: Right.

Gene: The more cash that you can put away in the bank, the more options you will have as a business owner to make smarter business decisions like should I buy this now or wait a year to do it? It's important to remember that.

Keith: No, I think that's great advice. I mean, not just to be closed minded to say, "Hey, be frugal, be stingy," but also to be growth-minded and understanding that by providing a good amount of savings. You can go ahead and fuel that growth and keep moving it forward.

Gene: See, you are more than a tax accountant, Jess. This is like really good advice. Nothing even to do with taxes.

Keith: No, I think this applies across all specializations, right? But I think a lot of other people, as we've spoken about, have seen a little bit more business, understand it a little more. From a healthcare professional, this can sound like scary stuff. I think over the last couple of minutes you guys are helping drop that guard a little bit and demystify it. So I really appreciate that. Hopefully we're giving as much value to everyone else as I feel like I'm getting right here in this room.

Jessica: Excellent.

Keith: Yep. But thank you both for coming in, for spending some more time with us. If you all need to follow any more information, would like any more information, stop by Bankershealthcaregroup.com. You'll be able to find more information on us and information from Jess and Gene.

Thanks again, guys, for popping in. We look forward to chatting again real soon.

Gene: Good speaking.

Keith: Have a good one.



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Jessica: Take care.

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