MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 84 Transcript

Announcer (5s):
Welcome to the maximize business value podcast. This podcast is brought to you by mastery partners, where our mission is to equip business owners to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over 100 business transactions, which fuels our desire to share our experiences and wisdom. So you can succeed. Now, here's your host, the CEO of mastery partners, Tom Bronson.

Tom Bronson (35s):
Hi, this is Tom Bronson and welcome to maximize business value. A podcast for business owners who are passionate about building long-term sustainable value in their businesses. I am super excited today to welcome Susan Bryant, back to the podcast. She's the principal at MB group, a certified public accounting firm. This is Susan's unprecedented third visit to the hot seat. I'm excited about that because once again, it's time to talk about year end business and tax planning. And Susan is my go-to person for that. So Susan's a different type of CPA.

Tom Bronson (1m 16s):
Unlike many CPAs who visit their clients once a year at tax time, Susan makes it a practice to really get involved with her clients. In last week's podcast episode, we talked a little bit about the difference between accounting and finance with Craig back. Accounting. Of course, if you recall is looking backward, it's sort of a history book of the numbers, so to speak and finance is looking forward and planning for the future Susan and her firm and B group Phil, both the accounting and finance roles with their clients. She takes a sort of pseudo CFO role in the businesses that she works with.

Tom Bronson (1m 58s):
And I can tell you, because I know many of her clients, they count on her as a trusted advisor. So as I mentioned earlier today, we're going to talk about year end tax and business planning as it relates to building long-term sustainable value in your business. So welcome back to maximize business value, Susan.

Susan Bryant, CPA (2m 20s):
Well, thank you so much, Tom, for having me on again, it's such a privilege to be here with you and it's always great to talk about taxes.

Tom Bronson (2m 29s):
I know it's such a fun topic, right? Especially math, but three times, three times on my podcast, I have to tell you that is, that is astounding to me because, you know, I normally don't ask for people to come back for repeat visits and here I've had,

Susan Bryant, CPA (2m 46s):
Oh, I am very special. This is almost like hosting SNL or something for like

Tom Bronson (2m 52s):
That's right. You're JT hosting SNL. Right. So awesome. So tell us a little bit more about the MB group.

Susan Bryant, CPA (3m 0s):
Fantastic. Yes, the MBA group, we are a CPA firm we're based out of Plano. Our mission is to really transform organizations. We do that by really getting into their accounting structures, their routine functions, and really changing things for the better. So that ultimately this transformation ends up check, changing the financial trajectory of the company and for the lives of the owners, that's our goal. So that sounds pretty lofty, but it is really important for us to stay focused on, on that. I mean, ultimately these business owners, this is the biggest asset that they own.

Susan Bryant, CPA (3m 40s):

This is their retirement. And so, and we feel great responsibility to help them build it and to work with folks like you to really make sure that they stay on track in all facets of their business. So we really want to, we want to change things for the better

Tom Bronson (3m 55s):
That's it, you're absolutely right. I mean, for most business owners, their business makes up 90% of their net worth. And so maximizing how they make money and the value of their business is something near and dear to my heart. And I've always loved that about the way you operate with your clients. I've seen you in action with your clients, and I just think that's wonderful. I'm really thrilled about what the NB group is doing. So let's jump in the deep end. Now, full disclosure, the podcast is being recorded at the end of October, 2021. So we don't yet know what the tax laws are going to be, but there's a lot of wrangling going on in Washington right now about new tax laws.

Tom Bronson (4m 38s):
We don't know the outcome yet. Is there anything a business owner should be thinking about doing right now to protect his or her wealth and estate?

Susan Bryant, CPA (4m 49s):
It's a really great question. I know there have been, I mean, estate planning attorneys are extremely, it is right now based on what is anticipated, but, but you're right. We don't know. And it really kind of boils down to sort of what the effective date of some of these changes are going to be. There have been a lot of discussions about, oh, we're going to change the capital gains rate. And, you know, the latest rumblings have been, it was September 13th with the date, any transaction before that is the old treatment, September 30th, 2021, the new treatment. And then other components of this tax law has been, it'll be effective 2022. My personal opinion is, is that I think, you know, this will be an extremely political and, and probably polarizing tax law.

Susan Bryant, CPA (5m 34s):
So if there were any changes that were implemented that are effective in 2021, it would be felt by the constituents of these politicians in, in 2022, which would jeopardize potentially their reelection. So I think if I was going to make it a little bit, let me get my

crystal ball out and make some predictions. I really think that the bulk of any significant changes will be effective 22. So they won't feel the constituents, the taxpayers won't see those changes really affect their pocket book till 2023 and thereby bypassing, you know, the effect on the reelection.

Tom Bronson (6m 11s):
Right. Interesting. Yeah. I've heard, I've heard that theory as well. And, and, but does that, does that mean that business owners should just stop their planning and wait until they see what happens?

Susan Bryant, CPA (6m 23s):
No, I don't think so. I think that, you know, I think one of the things is, is that we just have to be aware of the potential changes that might be coming down the pipe. So, you know, there have been discussions about, and obviously larger tax brackets, you know, so in terms of like this most highest tax bracket being 39.6%, S-corp pass through entities being subject to additional taxation. So, you know, the Medicare surcharge tax. So that's like another 3.8% that would be, you know, regardless of whether you're active or passive in a business, you're going to be subject to that. So the limitations on the QBI deduction, there's that potential like graduated tax rate on C corporations.

Susan Bryant, CPA (7m 3s):
I mean, there are a bunch of things. So if I was a, if I, as a business owner and I had a significant amount of net income, I would definitely be reserving some extra cash for the potential impact that those tax law changes would have on my liability. I think from a planning perspective right now, we plan for what we know, but we reserved for what we don't know.

Tom Bronson (7m 27s):
Wow. I mean, how do you keep up with this stuff?

Susan Bryant, CPA (7m 32s):
Right. Well, you know, in the last 18 months we've had a significant amount of legislation, the cares act, you know, on top of, you know, the legislation from last

December, you know, PPP loans, PPP, loan, forgiveness, IDL loan, you name it, that employee retention credit, like this is a tremendous amount of things. And, and what's interesting is right now, as we spend a lot of time, not only talking about tax planning, but are we taking advantage of every single possible other tax program that might be available under these special pandemic, you know, legislative items?

Tom Bronson (8m 8s):
Oh yeah, yeah. I know you and Janet both take a lot of time to go out and, and get, you know, continuing education about various things that are coming, but it's just, it's so tough to speculate on what's coming down the pipe. But I think as a Senator, it's, it's probably the most top of mind consciousness conversation I have with business owners today.

Susan Bryant, CPA (8m 31s):
Yeah. I mean, everybody's really petrified. I mean, the change in the capital gains rates, I mean, that's scary, it's scary stuff. I mean, huge. I mean, even, even in the top income tax brackets for S-corp, I mean, you're talking about potentially like 46.4% ordinary income tax rates on some of these extremely profitable business businesses, you know, in their owners. I mean, this is, it really is going to call into question a lot of things like entity planning and structuring, how do we organize things so that we can best be in the most advantageous position to reduce taxes?

Tom Bronson (9m 7s):
Yeah. And, and so for our listeners, if you're not having these conversations, this, these types of conversations with your, you know, CPA, your tax planner, you need to be having these conversations right now. I do hear commonly, currently business are sell me. I have to sell my business before a year end. Well, it's too late if it's not for sale already. Right. If it wasn't for sale a year ago, you probably aren't going to get a transaction right now. So, so know the best, the best thing is to just get the advice of smart people like Susan and, and just be ready for what's coming because, and we don't know, I mean, do your best to plan and we don't know.

Tom Bronson (9m 49s):

All right, I'm not fun. Current tax changes. Let's, let's keep walking down sort of the tax planning path for a bit. What, what advice would you give your clients as we move toward year end to minimize taxes?

Susan Bryant, CPA (10m 6s):
Oh, that's a big question right there. So I think there's a lot of things to look at. So it's not just one thing, you know, there are a variety of items that we really have to sort of examine the starting point for the basis of any type of planning is, is do we have solid accounting records that enable us to have good information, reliable, accurate data in order to be able to accurately predict how we think we're going to end up for the year for an accrual basis business, a little bit easier for cash based business, a little bit more difficult, right? So projecting cash is hard, but there are ways and there's tools to enable us to do that. So that's sort of the starting point beyond that. That's when we start exploring and we have what we refer to as our tax planning checklist, which is about 50 items that we go through for every single client.

Susan Bryant, CPA (10m 53s):
And talk about how this strategy could relate to the business owner and their particular situation, whether that accomplishes their personal financial goal, or it reduces taxes. I mean, there's just a bunch of things that have to be considered. So this could be anything from pursuing R and D tax credit, employee retention, credit, you know, accelerating expenses, deferring income, entity, reorganization, paying your kids, retirement planning. I mean, you know, there's something on IC disc. If you're selling stuff off shore there's captive insurance policies. They're whew.

Susan Bryant, CPA (11m 35s):
I mean, literally in multitude of items that we began to consider, the one thing that I tell a lot of my business owners is is that tax planning requires cash. So consumption of cash and how much of your income you're actually consuming and spending personally will dictate what type of tax planning opportunities are available to you.

Tom Bronson (11m 57s):

Okay. Yeah. So, well, that's it. I mean, if you, if you don't have cash, it could be difficult to, to perhaps, you know, advanced pay certain expenses and things like that. So, so cash is king in a small business, right. But I, and I'm really astounded by the number of small businesses that, that are hit with a cash crunch, but didn't see it coming. Right. You know, we advise our clients always to do, you know, cash planning and cash forecasting. And we have a cashflow mechanism that we use with our clients to kind of predict where the cash is going to be so that we can see a problem coming months down the road, as opposed to suddenly having that, you know, a cash emergency, if you will, there shouldn't ever really be, unless there's some unusually event, there really shouldn't be any cash emergencies, business owners should see this stuff coming.

Tom Bronson (12m 55s):
And

Susan Bryant, CPA (12m 56s):
That's why it's so great to work with Tom you in particular, you know, and really have mastery partners, you know, as one of those key people around the table, working with a client, because it's not, it's so many different perspectives and professional re you know, opinions and bringing tools and knowledge and expertise that really, I mean, derive the benefits of the client. I mean, huge amount of benefit for these client.

Tom Bronson (13m 23s):
I get that. I get a commercial on myself right in the middle of my podcast. That's awesome. So, so now you, you mentioned you have meetings, you're scheduling meetings, tax meetings with your clients at this time a year, you've already kind of run down the things that you talk about, but do you do this with all of your clients or do you make it available to all of your clients?

Susan Bryant, CPA (13m 42s):
Yes. All of our business owners, we send an email and we'd let them know that we are currently scheduling tax planning meetings. And so we hold tax planning meetings between November the beginning of November and like mid December. And then it's usually, that's like usually about a seven week period that we just had. That's all we're

doing is texting the meetings. And this is really sort of our final opportunity to influence the outcome for the year, right. To change and alter what we, that tax burden will be through these, these strategies. The sooner, the better, usually for our more complex clients who are higher income earners, the sooner we can get started the better, because we sometimes need a runway to implement some of the strategies and somethings just take awhile to get moving.

Susan Bryant, CPA (14m 29s):
And, you know, and the more, the larger tax burden, the more money you make, the more complexity you're likely facing. So it takes a little bit of time to try to understand how is this work, you know, what are my additional filing obligations going to be? You know, how I funded and just all the different, other types of things that sort of go are necessitated in the process of executing a strategy.

Tom Bronson (14m 53s):
So it's kinda like, you know, exit planning, you know, you, you can't, you wake up one morning and decide it's time to sell your business and, and be successful at doing that. You have to plan in advance for that kind of thing. So same kind of thing for tax planning at year end. It's not the kind of thing you tackle the week after Christmas.

Susan Bryant, CPA (15m 12s):
No, no, definitely not. No, no. As a matter of fact, you're going to be hard pressed to find anybody working during that week. That's probably not going to be good. Yeah. We've got to start sooner rather than later. And right.

Tom Bronson (15m 25s):
Probably the only thing, probably the only thing you can do at that point is make an online donation to the red cross or your favorite charity of some kind. So yeah, that's, that is not called tax planning. Now it's reactionary. We want you to not be reactionary in your tax planning.

Susan Bryant, CPA (15m 42s):

They proactive, you know, we just acquired a client actually to Firenze and their CPA was updated their books once a year. Okay. And this was so far past the year end that there was no planning that was even possible. So we're in the process right now. Like we got to get the books caught up, like how much money have we made? I mean, right now there's like no visibility into how much income am I even expecting. So you can't do any type of planning. So, you know, th the, there just has to be reliable, accurate information on a routine basis in order to really make this planning as effective as it can be.

Tom Bronson (16m 22s):
Yeah. Well, and you, you send them out for a lot of business owners. Don't really look at their financial statements on a regular basis. Again, it's one of our practices with our clients. I want them to have their financial statements no later than the 15th. And for most small businesses, they ought to get it off by the, you know, the fifth or the eighth every month and spend time to review it. Because if you review it while it's fresh, you can make corrections and things that are errors. You can, you can plan for what's going to happen in the future. But so many business owners just don't look at their financial statements on a regular basis, or they just look at them when their CPA prepares them at the end of the year.

Tom Bronson (17m 4s):
And that's just not a proactive stance. I don't think in fact, I, I didn't mention this to you earlier, but since you brought up an example of a client, I met with a prospective client a few weeks back who runs a, about a $75 million business. And when I said, you know, how, how frequently do you review your financial statements? Oh, I really don't. I don't, I don't pay any attention to them. I'm like, what? I hope you have somebody in finance, who's doing that, right? I mean, you got to pay attention to the financial statements, and

Susan Bryant, CPA (17m 41s):
I'm going to tell you, I'm going to get on my soap box just a second, because we had a client similar situation. We weren't doing the accounting, but it was trusted another firm who was doing part of the, they just do accounting work. They don't do any tax work. And they needed the texture repair, $25 million company. They had a, an individual who was in charge of the finance and, and given the title, CFO, no accounting experience

never been a controller, not a CPA, nothing was in charge of billing and collections only. There was no general ledger, no bank reconciliations. The accountants, the attacks time was sort of just like piecing together a bank activity to formulate a tax return.

Susan Bryant, CPA (18m 23s):
This is, and then of course, what do they want to do? Sell their company. And when what's the first thing the investment banker asked for, let me have your financials for the last three years. Right. And they're like, we don't have anything

Tom Bronson (18m 34s):
By month

Susan Bryant, CPA (18m 36s):
By month. Right? Exactly. And there's nothing. And I mean, this is, I mean, you're right. These are significantly. These are, these are not just small companies. These are large companies. This accounting function is so important. I mean, it's just fundamental mandate. We're supposed to be talking about tax planning, but you mean it's like chicken and the egg here, you know what I mean? You can't plan if you don't have data, but I mean, make sure that you've got the right accounting knowledge there. No, don't give somebody a title. They don't have the credentials, make sure that you are really looking to make that the individual is responsible for these books and records. They understand. And they, they have the professional skillset to actually take care of and be a good custodian of, of the basically what is your largest asset?

Susan Bryant, CPA (19m 22s):
I mean, they're, they're going to be the ones who are going to determine your financial future here

Tom Bronson (19m 26s):
And it's, but that's not to mean that it's not okay to have a bookkeeper, right. Who is kind of lower level. But, but my recommendation is that you get a firm like MB group behind you, who can be that CFO person, because remember bookkeeper is now on the accounting side, they're the record keeper of the history book. And, but they're not

looking forward and planning for the future. And so that's why you need a CFO level person or a CPA firm that offers that type of level of service. And so, so big, big fan of, of being able to do that.

Susan Bryant, CPA (20m 6s):
Yeah. I mean, and I'm with you, you mean you got any, not every small business can afford to pay, you know, a CFO level person to do their bookkeeping. Of course not. You know what I mean? And I can guarantee you as CFO level person doesn't want to do bookkeeping. Right. So that's just how it goes. But yeah, no, I don't think there is any harm whatsoever and making sure you've got based on what needs to get done the right person in that skillset. Absolutely. But it is really important to have someone coming back behind who has, who's looking through a different set of lenses if you will, and really making sure that things are in order completely, you know, really doing that second book and is, is really considering things from a completely different perspective versus just the past, but really kind of looking, looking forward and

Tom Bronson (20m 47s):
Fresh eyes always gives you an opportunity to uncover something that's kind of in a blind spot. So, so, so I love that for business owners. So when you, when you have these meetings and when you meet with your clients, how important is it to be involved with kind of other advisors that are advising business owners, like, you know, their, their potentially their wealth manager or their estate planner, their attorney, is it important for you to interact with those types of people as well?

Susan Bryant, CPA (21m 14s):
Oh yes. Absolutely fundamental. Like those connections are not, not just important, but like necessary. They ha they have to happen. You know, there are transactions that occur in someone's brokerage accounts or potentially in their retirement accounts that would influence their tax liability is really important to, you know, in some cases, you know, clients are sort of sometimes like, well, I didn't know. I had to like make an introduction. We, we tell clients, you have to tell us that we need to have that direct communication with your financial advisor period, because we've got to be knowing, getting information on a routine basis.

Susan Bryant, CPA (21m 54s):
We know what's, what's happening right up until the last minute really, or the year. And, and we're being proactive in doing tax planning the right way. They're doing things at our direction as well. We're saying, okay, this is what you've done. We had, this is what they owe. Let's make sure we don't liquidate this type of stuff, use this money instead we're coordinating and collaborating. And for the best interest of the client,

Tom Bronson (22m 16s):
I love that, you know, a lot of times, I guess, and I've been guilty of this myself in the past, you know, I waited until the year-end tax statements come from my brokerage firm. And I go, what, and look at that game that I had on some sale, then I've realized, well, if I had looked at this in advance and perhaps with my CPA, we could have had some offsetting losses in order to, you know, balance that out. But when you look at it in February, it's too late,

Susan Bryant, CPA (22m 44s):
It's too late. I know that's right. There is pretty much a hard date that 1231 date. I mean, same thing for like you've mentioned before charitable contributions or donor advised fund, you know, making those types of payments, prepaying expenses. I mean, all of these things, I mean, 1231 really is the day. I mean, you buy a new equipment, new car or whatever you gotta do before the end of the year in order for it to help you on your current year taxes. So yeah. I mean, it's a little bit of a mind, mind, paradigm shift for people, you know what I mean? Cause they're thinking, well, I don't, I don't know if we really worry about it until four 15 when I have to pay my taxes. And that's just not the case. I mean, this year it can only affect things right now.

Susan Bryant, CPA (23m 24s):
So yeah, it's just, it's, it's just a little bit more info informing and providing that information. I mean, I think it's just, people just haven't been taught, you know, they haven't been educated and that's, I mean, that's the great thing about podcasts. Like this is that we can now convey this information and more people can get on the right track.

Tom Bronson (23m 44s):
I am so about educating business owners, you know, that cause you've been on this many times and not only this, but our, all of our other educational opportunities, the blog posts and our webinars and

Susan Bryant, CPA (23m 57s):
Mastery class. And just, I mean, we, we put out a massive amount of things. Yeah. So, so get on these things early. There is no, December 32nd. I love that I'm stealing that

Tom Bronson (24m 12s):
I have to give credit. I was having a conversation with another business that, or an owner that worked for a very acquisitive business. So they bought lots of companies and they said that their normal strategy was to close on December 32nd every year because yeah, you get where I'm going with that. So I stole that from somebody else. I'll have to remember who it was. So before we take a quick break, one last question about taxes. Are there any actions that you wouldn't recommend that a business owner do who might be focused on tax reduction?

Susan Bryant, CPA (24m 47s):
Yeah, so things I wouldn't do, I wouldn't, I wouldn't not schedule a meeting. I wouldn't be like, no, I don't want to pay a thousand dollars to not have my tax planning done. Like do it. You know what I mean? Don't be afraid. Just know that that value is there. You're going to save the tax dollars. So I wouldn't shy away from paying fees, deductible fees in order to get the value. So that's, that would be number one, you know, that comes up a lot, you know? Wow. That's, that's, that's going to cost me money. Yeah. But it's going to pay, it's going to, it's going to save you more money than it's going to cost you. So, I mean,

Tom Bronson (25m 23s):
And just to that point, I can't remember what the number was, but it was astronomical when you had these meetings with your clients last year, what was the number of tax savings that you guys came up with? It was astronomical

Susan Bryant, CPA (25m 36s):
$5.3 million last year. Huge.

Tom Bronson (25m 41s):
Yeah. And I don't know how many clients you have, but on average they're recovering their fee for doing this. So don't, you know, invest in those things that can help you. That would, that was going to be my advice too, if there's something that you shouldn't do, it's not have this meeting. Here's the double negative right there. Yeah.

Susan Bryant, CPA (26m 1s):
Yeah. I mean, it's just really, it's interesting to me, you know, sometimes I feel like, you know, clients and a lot of cases is like, well, do I really want to spend money on like this retirement strategy? Really? I think about it. And I've been really contemplating like really how to best convey to them the value of some of these things. Like for example, we have a client who we just did some tax planning yesterday, we're getting ready for the meeting. And we decided we want to add the spouse to the defined benefit plan. So we can contribute probably about $150,000 just this year. Now we have to make a commitment for several years, but kicks this money into a long-term bucket, retirement bucket can't don't have access to it anymore.

Susan Bryant, CPA (26m 41s):
So I mean, there's some downsides, but for the most part of your high-income earner, you got access to a lot of cash. Probably not that big of a deal. So we went and looked and we said, okay, we put this hundred and $50,000 away for her. This taxpayer just happens to be a New York. We will say $50,000 in federal taxes. But we were also say $50,000 in New York state income taxes. So by paying $150,000, we save a hundred. That's crazy. Now we're going to invest it. Pre-tax. And even if we guessed at the rate of return, I mean like, and paid taxes later, probably at a lower income, we are still saving so much money. I mean, it's insane.

Susan Bryant, CPA (27m 22s):
The return on that type of strategy. Crazy

Tom Bronson (27m 25s):
That's right. So what you're saying is that business owners shouldn't rely on social security,

Susan Bryant, CPA (27m 32s):
Right? Yeah. Yeah. I don't know about that one. Yeah. That's a problem. Probably not a good that's probably not.

Tom Bronson (27m 40s):
It's not, let's not walk down that path. Let's take a quick break. We're talking with Susan Bryant principal at the accounting firm, the MB group, we're taking a quick break. We'll be back in 30 seconds.

Announcer (27m 50s):
Every business will eventually transition some internet employees and managers and some externally to third party buyers, mastery partners, equips business owners to maximize business value so they can transition their businesses on their terms. Using our four step process. We start with a snapshot of where your business is today. Then we help you understand the way you want to be and design a custom strategy to get you there. Next, we help you execute that strategy with the assistance of our amazing resource network. And ultimately you'll be able to transition your business on your terms. What are you waiting for more time, more revenue, if you want to maximize your business value, it takes time.

Announcer (28m 31s):
Now is that time get started today by checking us out at www.masterypartners.com or email us at info@masterypartners.com.

Tom Bronson (28m 43s):
We're back with Susan Bryant and we're having more fun than any human should be allowed to, but we're talking about year end planning. So before the break we focused on tax planning. So now let's switch gears and talk a little bit about business planning too, and strategies there. Many business owners just don't take the time to think

strategically and plan their upcoming year. What are some of the things a business owners should really take the time to think about before year end as it relates to future years?

Susan Bryant, CPA (29m 17s):
Okay. This is a great question. And probably the thing that I think most business owners need to work on, not even just at year end, but probably a couple of times a year and not. We just got to get out of sort of the, you know, the whole, the fire drills at the office, the emergencies the proposals had to be sent out. Right. All that stuff. We've got to just abandoned that for just like a few, few hours, a few times a year. And what I think really should happen is there should be, it's an iterative process, right. But I think there's a few things that we have to address first off, just doing a basic SWOT analysis, you know, strengths, weaknesses, opportunities, threats. Let's talk about all that. Well, based on the business right now, right?

Susan Bryant, CPA (29m 58s):
And then really our big initiatives, like what is it we really want to accomplish? You know, getting back to the whole, why, why do we do this? You know what I mean? What is our big, why? I think more than ever businesses really need to be focused on talent, growing talent, growing leadership. How do we do this? Those, I think those are big things. You know, the culture, the culture of the organization that got to stay focused on those things too. At the same time, I think from a financial perspective, they've got to talk about what is it we really want, like, have we made enough money? Do we have enough money? Is the business worth enough? How do we make it worth enough? So we can exit desirably right. Fund our retirement or whatever, or move on to the next project or whatever that looks like.

Susan Bryant, CPA (30m 39s):
You know, how is that aligned with what the other owners want? You know, is everybody on the same page? Are we still on the same page here guys? Like I want out in three years. Oh, well, no. I thought it'd be we're in for 10. Like those are big differences. So, and then kind of revisiting some of the key, key things, you know, just, you know, has our business grown so significantly that we need to talk more about the buy-sell, you know,

are there any changes we were making hers ownership? You know what I mean? Like, are there any key people now or it's like, we just can not let go of these people. We got to get, get them involved and really get them invested in the company. I mean, I just think that those are the types of things they gotta be thinking about like big things

Tom Bronson (31m 21s):
And, and do that before a year. End boy, I want to unpack this a little bit because stepping away and being strategic on your business, you're right. It's, you're in a fire drill every day, right? I mean, I'm there, you're there in your business when you're sitting behind your desk and there's client calls come in and employee questions and, and somebody is out sick for the 12th time and you've got to deal with HR stuff and all that. So we're all business owners and we all get that, but you really have to take time to step back and think strategically. Now I know that, I think I remember this correctly, you guys use ELs right at the end being okay.

Tom Bronson (32m 1s):
Which is, which is a, it forces you into kind of these quarterly meetings and then an annual planning session. And, and that is a great, it's not the only model. I mean, there's all kinds of other models out there. You know, the Verne Harnish's model, you know, Donald Miller's model. I mean, there's lots of different models out there, but, but it kind of forces you into doing that. So I'm a big, big fan of stepping back and getting the strategic.

Susan Bryant, CPA (32m 30s):
I think one of the other things is that that strategy session really does, is it makes you become intentional. When you say it out loud, I want to get to revenue of X million. I want net income of a percentage of net of revenue. That, that type of stuff, when you become more intentional, like all of a sudden it's more tangible and you can, you can measure it, you can manage it. And not only you, but now you can motivate your team to also see like, oh, that's where we're going. Oh, I didn't. Well, I had no idea. That's what you wanted. Like, well, we could have gotten that much revenue. Cause I knew about these six deals that I didn't know what you were doing. So I mean, this clarity towards what is the goal.

Susan Bryant, CPA (33m 11s):
And then, so I would also say that those things, the EOS model and also the malls they make you be intentional.

Tom Bronson (33m 17s):
Yup. Yup. Do you involve your employees and kind of those decisions that you've made or is it really just at your management level?

Susan Bryant, CPA (33m 25s):
No, I think there, there has to be a combination of both. So like for example, you know, we're talking about developing a scorecard or something and, and I tell people this and like go talk to your employees about how they want to be measured. You know what I mean? I mean, you have to have all the answers, but you do have to be able to ask the right questions. Right. And chances are pretty good. Your employees are going to pick a harder measurement than you ever would,

Tom Bronson (33m 51s):
Right? Yes. Because we're all harder on ourselves than anybody else would ever imagine being of course, except that time that I worked for that guy who I thought it was a sadist, but that's another story. So you're right. Everybody should have a number. Everybody should have a number on the scorecard that they're responsible for. I didn't, I don't know. That's taken us, sorry to go down that little path. But since you mentioned that, you know, the getting out and planning, I had to give a little plug there for us. Cause I'm just a huge fan of that. You know, you mentioned also it's a good time to look at that. Buy, sell agreement. How many times I see business owners who have a 20 year old business and their buy-sell was written 20 years ago in the, in the valuation doesn't work anymore.

Tom Bronson (34m 34s):
It's underfunded. If something happens, man, you need to be having those conversations with your, with your CPA, with your, with your insurance professional, about making sure that those things get updated. You know, we gave an example on a, on a one of our webinars a few months ago that there was a business that was worth

about $5 million, five partners, you know? So they're each, you know, basically valued at about a million dollars each well. So they got an insurance policy and they thought, what are the odds of, you know, any two of us, I guess we're going to get it one collectively, right? So it'll pay out. And, and it was a bad situation for whenever it was done fast forward, the businesses where $50 million in two of the business owners were killed tragically in an automobile accident.

Tom Bronson (35m 21s):
And the other owners had to figure out how to come up with the balance to pay off the estate, right? Because they hadn't been updating those things that is a great year end thing. And the other

Susan Bryant, CPA (35m 33s):
Great you're in thing, just put it on the list. Right. But this we're just going to talk about it. I mean, it's a quick phone call. I mean, none of this stuff is going to take you 12 hours or two weeks. It's a phone call to the person that, you know, and trust know to just double check me and make sure we're covering.

Tom Bronson (35m 49s):
And although it's not required here, you know, you need to think about what the value of your business is. We recommend a business owners all the time that they should be getting an opinion of enterprise value. Now we do those. We actually have several flavors of those are really low end down and dirty a view, but we've also got a very detailed view that we can do on valuations. But, but you should be getting an evaluation on your business. Every, at least every couple of years, our clients get one every year, because we want to look at the progress that they're making. And it gives us trigger points to go talk about things like our buy-sell and, and, and when the right time is to potentially sell. So, so, so that's a good piece too, but,

Susan Bryant, CPA (36m 32s):
And on that same note, Tom, my other thing would be is, is that some business owners sort of have this inflated view of what they think their business is worth because they have such a great emotional attachment to it. Well, it has to be worth this much

because to them, I mean, they're, I mean, it's like their baby, right? They've, you know, it's like the teenager that's now driving, right? Like, oh my gosh, I've raised this thing into this amazing. But a lot of times they just don't have a realistic idea. And so, you know, their plans and timelines get dashed by this late. Well, how could it not be worth that, oh, I have to work on this and now it kicks out your timeframe and like everything starts to change. So having that valuation then just keeps you realistic and centered and, and back to sort of being intentional on, I know what I'm doing, I know where I'm going.

Susan Bryant, CPA (37m 21s):
I am on the right path. It just makes all the difference.

Tom Bronson (37m 25s):
You're being very generous. When you say many business owners, I mean, unless they've had evaluation done before, I'd say 90% of 95% of business owners have no realistic opinion about what their business is worth. And that is by the way, the number one deal killer or businesses that don't transact that, that want to exit their business. But there's an unrealistic expectation of what the enterprise value is. And so, so if you, but here's the thing. If you can get realistic about it, if you can get a evaluation or understand at least how businesses in your sector are valued, then you can really understand what the business is worth today.

Tom Bronson (38m 6s):
And you talk to your financial advisor and your CPA and your lawyer, your attorney, your estate planner on here's where I want it to be. Well, if you know where it is, then you can make a plan to get where you want to be. But otherwise it's almost like running a race without a finish line, right?

Susan Bryant, CPA (38m 23s):
Yeah. Well, and to that same end. And the other thing is is that if you know how much it's worth and how much you're trying to grow it into you, you can also be proactive on the tax planning side for when you were exiting the business and save yourself gobs of taxes, the backend. So I mean sort of it's like, it, it, it helps you both ways. You know what I mean? It helps you to actually get to the point where you can try, you know, make

that transaction successful and then you save the taxes on top of it. So we, again, it's being really clear on what it is you want and just making a plan to get there.

Tom Bronson (38m 54s):
I'm always amused at a business owner says, oh, I'm going to sell this business for $20 million. Cause that, and I said, well, why where's the magic in that number? How did you come up with that? And then, well, ultimately after they, him and hall it's because that's the number that they need to retire on. And I say, well, have you had that conversation with the financial people around you to make sure that that's the right number? Oh, I'm good with numbers, right. Oh, okay. Well then you must be talking about, are you talking about pre-tax or post-tax on that transaction, perhaps you need to have a yourself surrounded with

Susan Bryant, CPA (39m 33s):
It's interesting. I think this really brings up sort of this whole kind of mentality. I mean, I think we are all subject. We need re-examine ourselves on this, you know, even as professionals, you know, is this, this whole DIY culture, you know, we can Google anything and therefore we can do anything. Right. And I, I mean, I think that that's a huge fallacy and it's really important as business owners to recognize that there is no replacement for expert advice when it comes to your business.

Tom Bronson (40m 1s):
Yeah. I wonder, you know, when I, when I talk to my kids about doing something, Hey, I can't figure out how to do this. Dad just go YouTube it all right. There's going to be a YouTube. And I can't tell you how many times that saved me. We had a, we had a situation where my daughter was in an automobile accident, but we couldn't, we didn't the electronics no longer work to open the trunk. Oh. But, okay. Well I went and found a YouTube video to figure out how to open the trunk. Right. And so, because otherwise we could not figure it out. And there was a lot of stuff in the trunk, so YouTube is great, but I don't think that there's a great YouTube video on how to do tax planning at the end of the year and, and how to exit your business when the time is right. Maybe we should collaborate and do something like that.

Susan Bryant, CPA (40m 42s):
Okay. Yeah. That's going to be one heck of a really long YouTube video.

Tom Bronson (40m 46s):
Yeah. Yeah. This is 37 hour video, Tom and Susan shows. So I don't, I'm not sure that they would allow us to post something like that. Now, the other thing that's kind of near and dear to my heart, I'd be interested to get your take on this as a, as a financial professional. Do you recommend that your clients budget for the upcoming?

Susan Bryant, CPA (41m 10s):
Well, definitely 100%. Yes. I mean, yes. I mean there's as definitive. So the more, the more planning you can do, the more intentional you become, the more thought you give to, well, this is what I want my revenue to be. This is what my segment, my cost of goods sold or cost of services to be my margin, what topics, this is a recurring. And one of my overhead looks like the more you can predict what opportunities you're going to have to either pay yourself more and meet your personal financial goals or reinvest in your business, avoid pitfalls that you were mentioning earlier. Or if you're going to have some type of shortfall that you're going to have to get some financing, your needle, lending, credit, whatever. I mean, there are, there are so many different facets to what that looks like, but if you don't create a roadmap, I mean, this is sort of like, you know, driving without GPS these days, right?

Susan Bryant, CPA (41m 58s):
Like I'm going to Nebraska. How do you get there? I don't know. I'm just going to start driving north Dallas. Yeah. You know what I mean? Like the budget is the roadmap mean it is the, it is the pathway and it allows you to, and even if it's not perfect and you know, actual doesn't match budget. Exactly. The thing is, is that you are more likely to attain those goals. If you've actually mapped out where you want to go,

Tom Bronson (42m 25s):
It's, it's about being intentional about where you want to be. Right. But again, it's that whole conversation that the question that you answered a minute ago, articulate, once you articulate that it becomes real. Right. And okay, well now how do we get there?

Right. I'm doing, I'm having many, many conversations with our clients right now about planning for upcoming year. You know, I've had a client call yesterday. What I need to think about where I want to make investments. Well, let's find out what kind of investment investment you can make first. And then let's talk about, you know, what investments that we're going to be there. Let's talk about how we're budgeting our revenue. What's going to happen with our, with our cost of goods, sold or expenses, you know, kind of where are we?

Tom Bronson (43m 9s):
And then we can figure out ways to, to invest the, the expendable income, if you will, in order to make the top better in order to make the value of the business better. So I'm, I'm a big fan of now Charles Koch and full disclosure, one of the perhaps greatest business people on the planet, you know, he and his brother, you know, bill Koch industries, which is the largest privately held company, I think in the world. And, but he says don't budget. But you know, he, his businesses, billions and billions and billions of dollars in many, many different operating units, he fears that budgets allow people to kind of hide behind the reality.

Tom Bronson (43m 55s):
And I'm paraphrasing here. It's a great book, but, but for, you know, for Charles Koch, perhaps in a business that's running like that, perhaps, I mean, they do plan. They do think about those things they do, but they just choose not to budget. And, and so, but for the rest of us mere mortals, I agree with you, Susan, I'm a big fan of budgeting. It, it helps us think about how do we get there. Let's, let's decide where we want to be and then make a plan to get there. And so a so big, big fan of budget. How about corporate and tax structure? Is this a good time to be thinking about things? Like if you're a C Corp, maybe you should convert to an S-corp or an LLC or a partnership or, or whatever, how frequently should a business owner examine their structure and are there reasons that they might want to move from one structure to another for tax reasons?

Susan Bryant, CPA (44m 50s):
Yeah. Maybe not even move, but even just start another one, even. So those are, you know, it's like, and this is what I refer to, it's playing in all the sandboxes. You know what

I mean? So, I mean, that's okay too. So yes, I think it's an excellent time to do this. And I'm probably more specifically as the potential legislation arises. That's really where you start to say, Hmm, are we in the most tax efficient structure based upon our operations, or are there any opportunities for segregating our operations or creating some type of alternative business that functions? I mean, is there something we could outsource to a sister entity affiliated some kind marketing branding, contract management, staffing, whatever it is, right.

Susan Bryant, CPA (45m 38s):
So there are a multitude of different ways that this can be created. You know, I think that business owners get into this, you know, there's this sort of like, I'm an escort, I'm a C Corp and, and it's sort of just a mentality, right? That's, that's sort of the, the bad approach that approach, the good approach is, is that what is possible? Just because something was done like that before doesn't mean that's the best way going forward. So, yeah, I think it's a great, I think it's a great conversation to be having at least every year to say, is this still the right choice for us? You know, there's texts things that expire, you know, just about every year. Like, I mean, we'll be coming up at the end of 2025.

Susan Bryant, CPA (46m 19s):
The QBI deduction will sunset right. As of right now, so, okay. Well, will it become more attractive to be in an a C corporation once that QBI deduction goes away, The qualified business income deduction that was, that was created as a result of the TCGA in December, 2017,

Tom Bronson (46m 46s):
That was pretty sweeping tax changes.

Susan Bryant, CPA (46m 49s):
Like the biggest tax reform since like when I was seven.

Tom Bronson (46m 53s):
Exactly. Yeah. That was only like what, six years ago? Seven years.

Susan Bryant, CPA (46m 57s):
I know. I know. Right, exactly. You know, I just graduated.

Tom Bronson (47m 1s):
Right. Exactly. Exactly. Now, are there any timing considerations, should you think about doing this stuff early? Or is there a potential hazard to making changes in your tax structure really close to a transaction?

Susan Bryant, CPA (47m 19s):
Oh yeah, definitely. I mean, this stuff has to be well thought out this, again goes back to the whole strategy thing, right? So, I mean, there, there are all sorts of calculations and considerations have to be done. If you are moving from an escort to a C Corp C Corp to an escort, if you're considering, you know, any type of change like that. So it really needs to be well thought out. Yes, there are some limitations with respect to like, well, I was a C Corp and now I'm switching to an escort, you know, can I H what timeframe am I allowed to do that in same with making changes between like a cruel basis. And I want to switch to cash basis. There's special provisions for how that has to be handled. None of this is, is like, okay, well, let's just change.

Susan Bryant, CPA (48m 2s):
This all has to be very well thought out and has to be coordinated in connection with all the other planning that you're doing. So, I mean, none of these planning opportunities, or really planning techniques operating in a vacuum, it's not like tax planning and all siloed tax planning, retirement planning, financial planning, these things are all required. That's why sort of this team of people is so important because it really requires all these people working together to make sure every single one of those goals, we are contemplating the effects on each of the strategies.

Tom Bronson (48m 34s):
Yes. Yes. So, you know, you mentioned kind of a cash versus a cruel, especially from a, from a tax planning standpoint. I I'd be interested to have your take on this. I generally, especially for small businesses, I tell them they should probably be filing their taxes on a cash basis, but they should always run the business on an accrual basis. So you can see

what's happening when there's a general rule. Does that, does that apply or am I just all wet here?

Susan Bryant, CPA (49m 5s):
Oh, you are 100% accurate. So the most, the most accurate way to evaluate performance is an accrual basis set of books, because you are aligning revenue and costs expenses in the same period, which can yield for you. Okay, well, this is how much money I actually need, even if I haven't collected yet. This is what the performance is. And that's really the key of vehicle basis books. Now, you know, we're talking about a small business, are they going to be a hundred percent gap compliant? You know, where it's like, I've tracked all my prepaid expenses. I accrue everything. I mean, they're probably not going to get into the minutia and into the weeds on full gap compliance, but in terms of like making sure they're hitting the big stuff, like you're actually doing your invoicing in the right month, right?

Susan Bryant, CPA (49m 50s):
So if it's a September transaction updated it September 30th, right? If it's an October transaction, it's not covered revenue, it's dated October 31st, same with, you know, making sure that bills when they come in and they're in the right period. You know, sometimes people aren't aware of the fact that the date even matters. And so it is important to make, you know, get people educated on, you know, how AR AP works, how it influences, how it comes out on the reports and that that accrual basis financial statement is going to be the best indicator of what type of money you will eventually from a cash standpoint you have in the bank. Right? Yep. You're exactly on the cash side, mean cash basis is just typically more.

Susan Bryant, CPA (50m 33s):
It's just going to be more flexible in terms of us being able to change the way we want the taxes to be reported. Right? So we have a lot more abilities to influence cash from a payout standpoint than we do from what expenses were incurred. You know, if they were incurred and we can't accrue them, they're not incurred. You can agree with them. So, and also I think from a cash basis, the point is nobody wants to pay taxes on revenue.

They haven't collected. I mean, that's like, oh, that would mean, that sounds, that sounds awful to me.

Tom Bronson (51m 8s):
People that do that.

Susan Bryant, CPA (51m 10s):
Right. The horror, I mean like, yeah. So I think there's like a couple of different things that we'd like to think about, but 100% people just use the accrual basis, you know, books, and don't shy away from that. Now are there industries where it doesn't make sense? Like doctors and dentists where the insurance receivables, like they don't even, I'm not going to, they don't even know how much they're going to claim they bill it. And they click 20% of it. I mean, there are some industries where maybe on a revenue side that just doesn't make that much sense. But I mean, those are specific things that have to just be discussed with your accountant. You know, that's a guidance you gotta be seeking out. Yeah.

Tom Bronson (51m 47s):
Yeah. Well, I love it. I love it. So one last business question, and then we'll start to wrap up here, Susan, this has been a lot of fun though. This podcast is all about maximizing business value. What's the one most important thing you recommend business owners do before year end to build long-term business value. Hm.

Susan Bryant, CPA (52m 13s):
Oh gosh. That is a really big question.

Tom Bronson (52m 17s):
You can't give me 57 parts. I want one thing.

Susan Bryant, CPA (52m 23s):
Well, okay. I am going to say that. I think that they need to make sure that they have a relationship with an accountant who wants to help them to influence the future. Do yourself a favor and work with someone who wants to help you affect what is to come,

not just prepare tax returns or bank do bank reconciliations. That's not going to help you navigate, you know, all the things that I had. So I think that would be my one piece of advice.

Tom Bronson (53m 2s):
I love that. I think that is wonderful advice for business owners and there's lots of CPAs that operate that way. And B group is certainly one of them, but, but there are many more that do. But unfortunately there are a lot of them that don't operate that way too. So, so understand the difference between these things and, and they go find somebody that, that really is invested in improving the business longterm. All right. I'm not going to let you off the hook though, that even though this is your third visit to our podcast, I've asked you this before, and now I'm anxious to find out if your answer has changed.

Susan Bryant, CPA (53m 40s):
I remember when I said before,

Tom Bronson (53m 42s):
I can't either. I meant to go look it up this morning. In fact, when you were coming on, I was scrambling to see if I could find the transcript and I couldn't find it, but I will give an answer to this later. What personality trait has gotten you into the most trouble through the years?

Susan Bryant, CPA (53m 58s):
Well, I don't know if this is what I said before, but I'm, I'm generally very outspoken. So I, I just can't hold back when I have an opinion, I just have to say it. I mean, it's just like the truth has to be told. So I just, I would probably say that's gotten me into a lot of trouble, but I will also say that I think that it is, it's also created a lot of opportunity, I think for me, cause I think people want to hear it. Sometimes people need to hear things, even though they don't want to hear that. So it's probably a, it's a strength and a weakness like it's both.

Tom Bronson (54m 34s):

Well, that's it. I, that same, same situation. It actually gets me in trouble with clients because I just tell them the truth and it makes them angry with me sometimes. But usually, you know, when cooler heads prevail, they come back and go, you know what, you're right. How do we fix this now? So, but sometimes you just kind of have to hit them between the eyes where the two by four, right. You haven't been that way with me. I mean, you're always a straight shooter, but you haven't had to hit me in the head with a two by four, even though you are my CPA. So

Susan Bryant, CPA (55m 6s):
That's what I haven't had to do that yet. Okay. Well, I'll go look for a reason why I need you to get that.

Tom Bronson (55m 13s):
How can our viewers and listeners get in touch with you?

Susan Bryant, CPA (55m 17s):
Yes, you can reach me via email at sbryant@mbgcpa.com. You're always more than welcome to call me at my office. (469) 865-1040, extension 1, 2, 3. It's just that easy. So, or you can find me on LinkedIn connect with me there, Susan Bryant and I would welcome the opportunity to opportunity to really chat with anybody about tax planning or just taxes in general business, business planning, you know, and how, you know, especially working with Tom clients to you, you know, and, and introducing people to you and really collaborating because wouldn't it be great if we could make these businesses worth even more?

Tom Bronson (55m 56s):
Oh yes, I am so passionate about doing that. That's like, what, what is it? What is the title of my book? It is maximize business value. I had it hidden over here underneath some tax document. So thank you. Thank you for being our guest today. This has been so much fun and thank you for sharing your knowledge so freely with our listeners.

Susan Bryant, CPA (56m 19s):

Okay. Thanks so much for having me on Tom. All right. I'll be looking for number four soon.

Tom Bronson (56m 23s):
Yes. We're going to have to have like a competition now. So you can find susan Bryant at mbgcpa.com or on LinkedIn, or of course you can always reach out to me and I will be happy to make a warm introduction to my good friend, Susan Bryant. This is the maximize business value podcast, where we give practical advice to business owners on how to build long-term sustainable value in your business. Be sure to tune in each week and follow us wherever you found this podcast and be sure to comment. We love your comments. We respond to all of them. You might even think about giving a suggestion for a future podcast. Is there something that you are just burning to learn about?

Tom Bronson (57m 6s):
Let me know, and we will make that a subject of a future podcast until next time. I'm Tom Bronson reminding you to plan for year end plan in advance while you still have time, as you maximize business value,

Announcer (57m 26s):
Tuning into the maximize business value podcast with Tom Bronson. This podcast is brought to you by mastery partners, where our mission is to equip business owners to maximize business value so they can transition on their terms on how to build long-term sustainable business value and get free value building tools by visiting our website, www.masterypartners.com that's master with a Y masterypartners.com. Check it out.

Tom Bronson (58m 11s):
That was perfect. I wouldn't make any changes.