

Business Planning and Financial Strategies

PRESENTED BY BRIAN WILEY & JEREMIAH BATES

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THE TYPES OF BUSINESS ENTITIES

Common types of business structures.

- **Sole Proprietorship**
- **Partnership**
- **Limited Liability Company (LLC)**
- **Corporation (S-Corp, C-Corp)**

TYPES OF BUSINESS ENTITIES

Sole Proprietorship

- Owned and operated by a ***single individual***
- Owner is personally responsible for ***all debts and liabilities***
- ***Pass-Through*** Taxation (Entity)
- ***Profits/Losses*** are reported by the Sole Proprietor on individual tax return
- **Non-registered, unincorporated**



TYPES OF BUSINESS ENTITIES

Partnership

- Owned/Operated by *two or more* individuals who share the profits, losses, & responsibilities
 - Liabilities are *unlimited* amongst all general partners
 - ▶ Limited partners have limited risk, but usually limited decision-making abilities
- Profits and Losses:
 - Partnerships distribute *profits & losses* among the partners according to the agreed-upon terms outlined in the Partnership Agreement
- Pass-Through Taxation:
 - Profits and losses reported on owners' individual tax returns
 - ▶ The partnership itself does *not* pay income tax



TYPES OF BUSINESS ENTITIES

Limited Liability Company (LLC)

- Owned by *one or more* members
- Members are *not* personally liable for the debts, obligations, and legal liabilities of the LLC
 - Personal assets are separated & protected
- LLC's are a *Pass-Through* Entity
- Generally taxed the same as Partnerships



TYPES OF BUSINESS ENTITIES

Corporation

- **A legal entity that is *separate & distinct* from its owners (*shareholders*)**
 - **There are different types of Corporations:**
 - ▶ **S - Corporation**
 - ▶ **C - Corporation**



TYPES OF BUSINESS ENTITIES

C-Corporation

- **C-Corporation:**
 - Allowed *unlimited number* of shareholders
 - Offers *limited liability* protection
 - **Double Taxation:** the corporation pays taxes on its profits, and shareholders pay taxes on dividends received on personal tax returns
 - Allowed to issue different *classes of stock* to shareholders
 - Allows for *flexibility* in ownership structure and attracting investors

TYPES OF BUSINESS ENTITIES

S-Corporation

- **S-Corporation:**
 - ***Pass-through*** entity
 - Corporation does **not** separately report its ***profit/losses***
 - Limited to **100** shareholders
 - Offers ***limited liability*** protection
 - Shareholders **must** be U.S. citizens or residents, certain trusts, estates, or eligible tax-exempt organizations
 - Allows only for a ***single class*** of stock

BEING TAX-EFFICIENT

Your investments' largest headwind.

HOW TO BE TAX-EFFICIENT

The Biggest Yield for Your Effort: Tax Savings

- Maximize Business Deductions
- S-Corp Election
 - Pay less in self-employment taxes
- Contributions to Qualified Retirement Accounts
 - Save for retirement and take advantage of favorable tax rules

S-CORP ELECTION

- Business owners can split income into *two parts*: Salary & Distribution
- Only salary portion is taxed for Social Security & Medicare
 - Self-Employment Tax = 15.3% (12.4% SS + 2.9% Medicare)
- Must pay yourself “reasonable” wage
- Possible reduced Social Security payments in retirement



QUALIFIED RETIREMENT CONTRIBUTIONS

Efficiently invest in your future.

QUALIFIED RETIREMENT ACCOUNTS

- **If you're an owner/operator:**

- Traditional IRA
- Roth IRA
- Solo/Individual 401(k)

- **If you have employees:**

- SEP IRA
- 401(k)
- SIMPLE IRAs

CONTRIBUTION LIMITS

- **Traditional / Roth IRA**

- \$7,000 (\$8,000 if over age 50)

- **Solo / Individual 401(k)**

- Up to \$70,000
 - \$77,500 for those age 50-59 and 64+
 - \$81,250 for those age 60-63

- **Health Savings Account (HSA)**

- \$4,300 for individuals; \$8,550 for families

CONTRIBUTION LIMITS

● **SEP IRA**

- Up to 25% of net income, with a maximum of \$70,000
- Some SEP IRA plans allow individual contributions up to the IRA limit

● **401(k)**

- Employee salary deferral: Up to \$23,500
- Total contributions (employee + employer): Up to \$70,000

● **SIMPLE IRA**

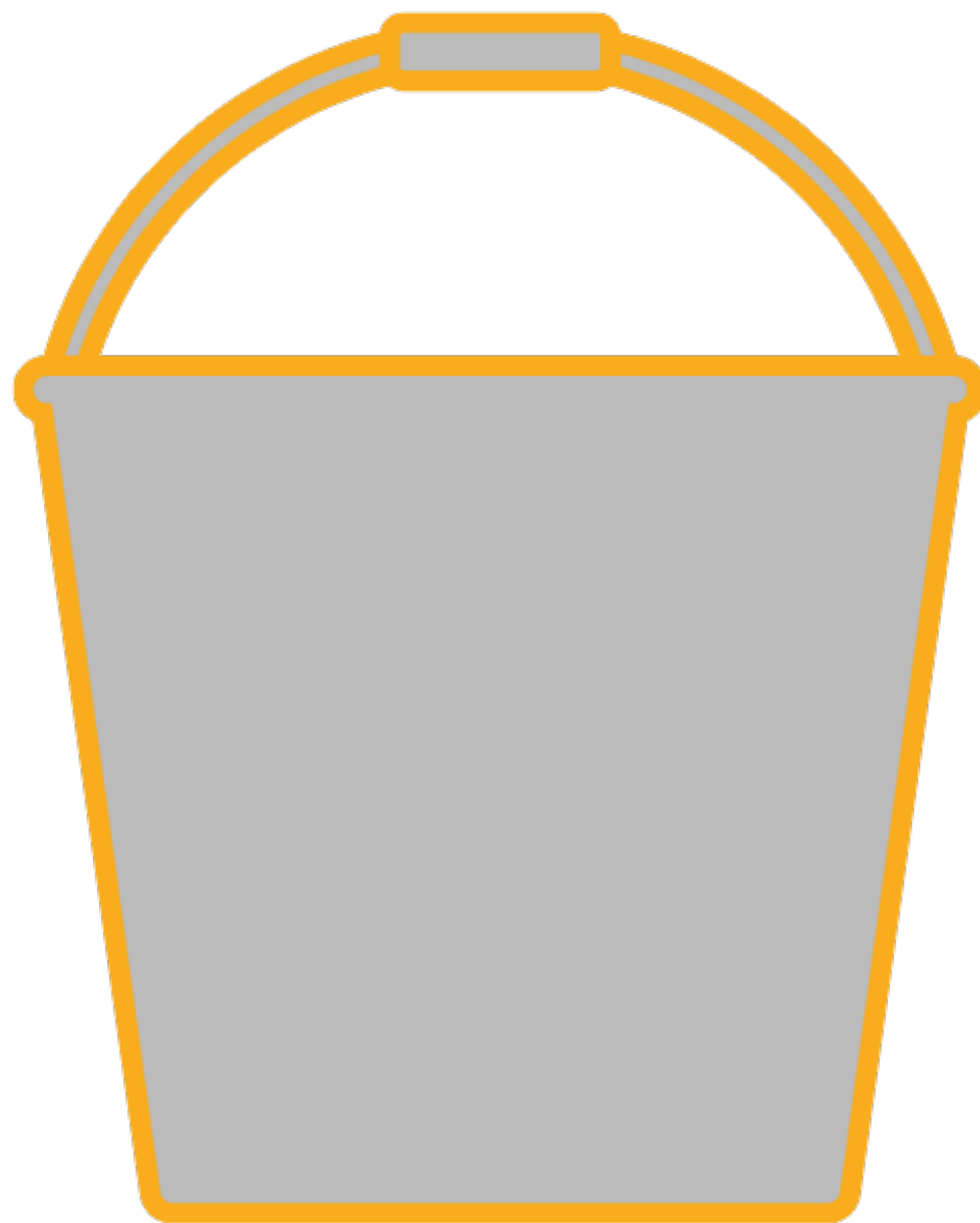
- Employee contribution up to \$16,500 (\$20,000 if age 50+)
- Employer match up to 3% of compensation
 - 2% employer contribution for all eligible employees (even if they don't contribute)

INVESTING FOR THE LONG-TERM

The goals and timeline determines your strategy.

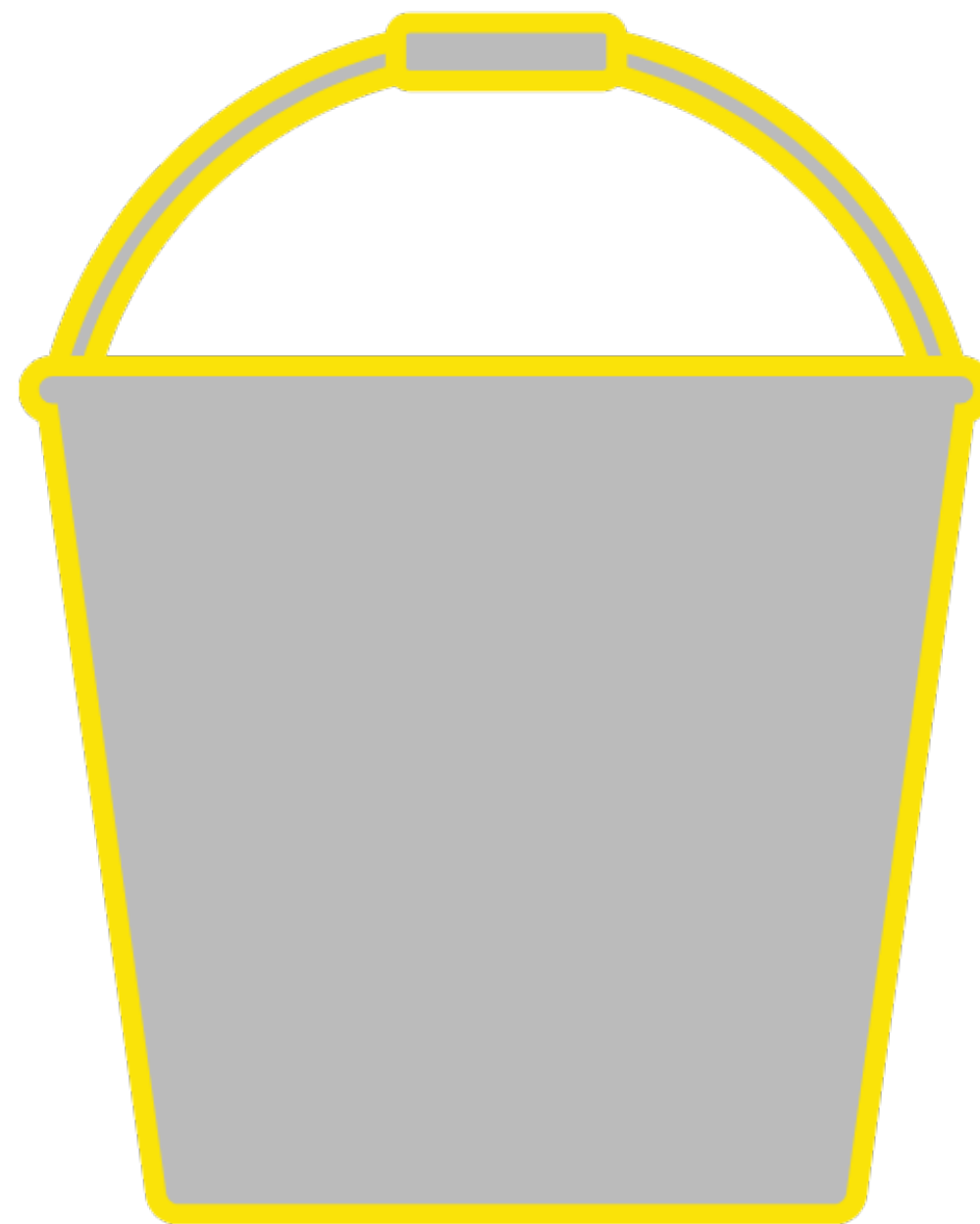
THE BUCKET STRATEGY

Short-Term



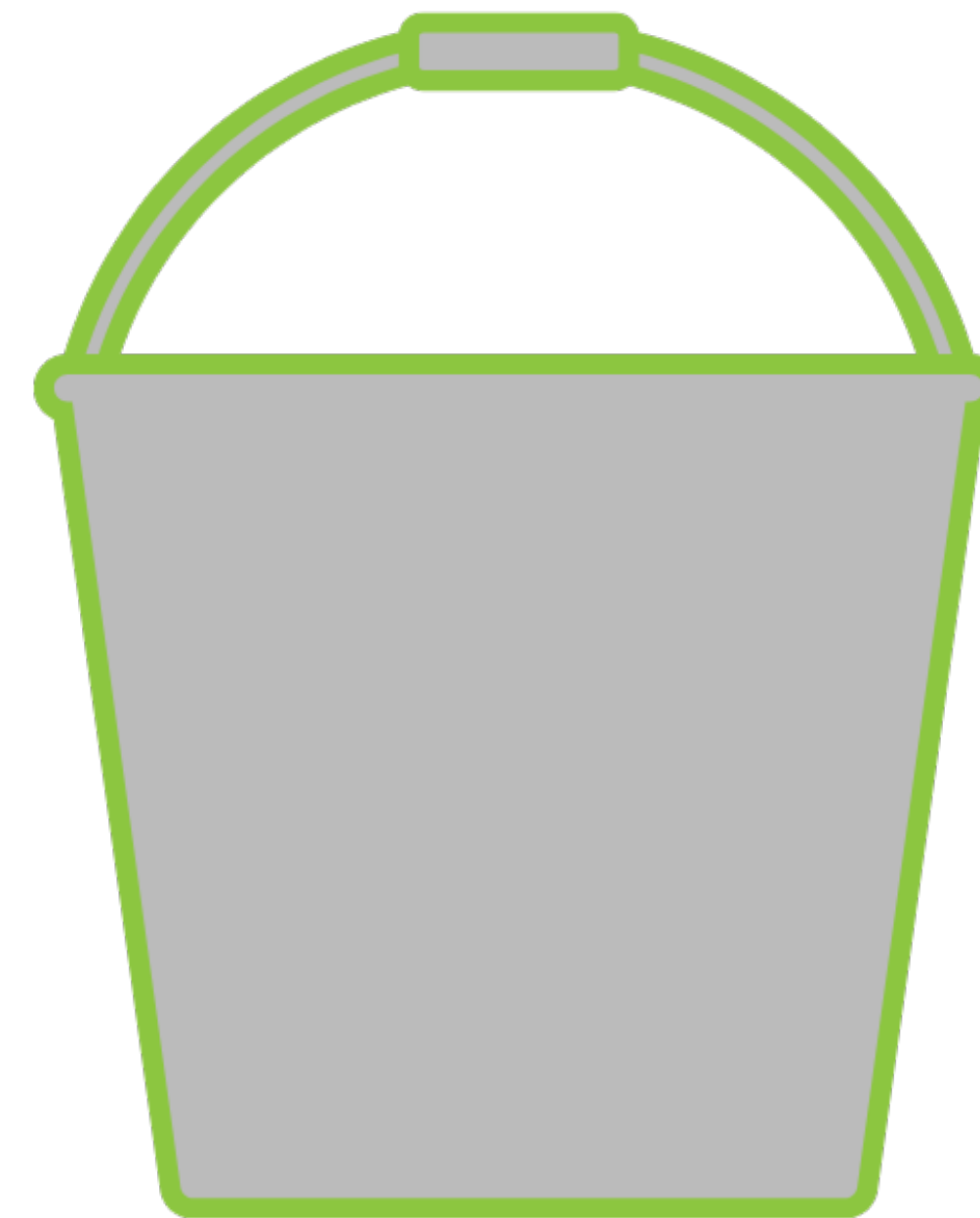
Stable
1 – 3 years

Mid-Term



Income

Long-Term



Growth
10+ years

THE IMPORTANCE OF INSURANCE

Protecting your business and personal future.

BUSINESS PROTECTION

- **Proper entity structuring**
- **Errors & Omissions (E&O) Insurance**
- **General Liability Insurance**
- *Make sure insurance covers your needs*

PERSONAL PROTECTION

● Life Insurance

- Term vs. Permanent Life
- Consider current lifestyle, debts, and other family needs

● Estate Planning

- Wills vs. Trusts
- Beneficiary Designations
- Business succession planning

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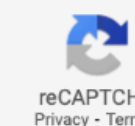
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Ask the Experts

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- ☐ Yes.
- ☐ Yes, but please also send me a message.
- ☐ No, I prefer a private response.

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