



## Perfecting Your Practice Podcast

### EPISODE 5: Most Important Factors of Medical Practice Finance

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 professionals. 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, Chris Panebianco, Chief Marketing Officer at BHG.

Chris Panebianco: All right, we're back for another episode of Perfecting Your Practice podcast - four times in a row.

Jessica Page: Nicely done, Chris.

Gene Marks: Well done!

Jessica Page: Nicely done.

Chris Panebianco: We've carried these podcasts over the last few weeks, and Gene and Jess, they know that I have a hard time saying those simple words.

Gene Marks: You do. You do.

Chris Panebianco: But I'm really trying. I don't know what happened so quickly, but we're already in Q3. It seems like yesterday it was January. My special guests here are experts in the topic we're going to cover. Most people probably aren't thinking about taxes right now. It seems like we just paid them, but obviously it's the middle of summer. Today, we're going to talk with some people who beg to differ, that it is not too early.

Gene Marks: Couple of angry accountants. Talking about taxes.

Chris Panebianco: Yes, and there is a wall ... for those of you who can't see us, there's a very big wall between me and these two. They're going to keep me awake on this one.

Gene Marks: You're the marketing guy and we're the financial people. This is going to be a struggle.

Chris Panebianco: This is a start of a bad joke ...



Jessica Page: Yeah.

Chris Panebianco: A marketing guy, a tax accountant and a CPA and a columnist all walk into a bar ...

Gene Marks: All walk into a bar.

Chris Panebianco: Yeah. So, again. I'm going to ask you guys this time. Why don't you tell me a little bit about yourself.

Jessica Page: Sure. My name is Jessica Page. I'm a CPA, spent about 10 years in public practice and now I work with BHG as the senior tax manager.

Chris Panebianco: Awesome.

Gene Marks: And I am Gene Marks, also a CPA, hardly earned and ... hard-worked and earned. And I spent nine years at KPMG back in the day and now I run my own company that's a technology management and financial consulting firm. And I also write in a bunch of different places, including The Guardian.

Chris Panebianco: The Guardian.

Gene Marks: So, we were talking about calling me Sir Gene Marks.

Chris Panebianco: Sir Gene. I promise not to say that again, but it just rings ...

Gene Marks: It just rolls.

Jessica Page: It rolls so well.

Chris Panebianco: I'm hoping that if I keep doing this, when he does get knighted, he's going to give me that call. "Chris, come on buddy, I need some branding."

Jessica Page: Come to the ceremony.

Chris Panebianco: So guys, yeah, tax season is over, but some folks might have asked for an extension, they're planning to file in October, so they should-

Jessica Page: Tax season never ends, Chris.

Chris Panebianco: It never ends?



- Jessica Page: Let's just throw that out there.
- Gene Marks: It's our lives.
- Chris Panebianco: I'm in trouble, aren't I?
- Gene Marks: Yes.
- Chris Panebianco: This is going to be a long-
- Gene Marks: Taxes - it's never over. It's kind of like in Syracuse, where the winter is never over.
- Chris Panebianco: We have two weeks. This is the first time we've been back that the grass is green. So, again, why don't you guys - what's the first thing they should do? If it never ends, what should we do?
- Jessica Page: It's a great time. We're halfway through the year - you're probably just closing your books on June. So you're halfway your calendar year, it's a great time to take a look. How are you doing compared to how you thought you would be at this point? Are you on track revenue wise? Have you made the investments you thought you were gonna make? It's not a terrible time to call your advisor too and say "Hey, can we just go through, we're halfway through the year. Can we take a look at where I'm at?" You probably have touched points with them quarterly anyway, but this half-year point is a good time to check in.
- Chris Panebianco: My guys getting a call tomorrow. He ignores me.
- Gene Marks: Well, you're the smartest business people that I know and I don't care if you're running a one-person business or a thousand-person business, you're always thinking ahead. Taxes are - I don't know if you know this or not, Chris cause you're in marketing - but taxes are expensive! They take up a lot.
- Chris Panebianco: Every year, they are expensive. Yes.
- Gene Marks: Yes. I mean, when you add it all up, the sales, local tax, federal tax and all that, you're coughing up 20-30% of your income - is going to one government or another. It's a big deal and the people that I know, that really know what they're doing, they've learned the hard way, and they plan stuff out - exactly what Jess is saying, we're in the middle of the year right now. You should be meeting with your accountant now. You should be looking at how the first 6 months of your year went and making sure



your accountant, he or she, is completely up on where you are and makes some suggestions and recommendations.

Gene Marks: One of them that I thought with tax reformer, we talked taxes months ago, you and I Jess. I forgot what your answer was to this but now, tax reformers are the big impact on tax rates for both pass throughs and C corporations - they've reduced rates though, whatever. I'm curious what your thoughts are, cause we're telling our clients right now - it's down to your accountant. I haven't run through the numbers, as you are right now. If you're a pass through, you're an S corporation or partnership. Have them with the new tax rates where you are, and then have your accountant do the exact same thing and pretend you're another entity. If you're an S corp, pretend you're a C corp. Or if you're a C corp, pretend you're a pass through. Then, see where it all comes out.

Jessica Page: Yeah, absolutely. It's a worthwhile exercise. I've actually run through it myself. It's a little more complicated, of course, than it sounds like it should be, right? It should be simple, here's the rates as one; here's the rates as the other. In the new law they passed, there are a lot of exceptions, restrictions on the different deductions you can get - they tried to equalize the different entity types. They put a lot of rules in place and it does make the calculation a little bit complicated. I wouldn't suggest, necessarily, trying to do it [inaudible 00:05:42]

Gene Marks: Right.

Jessica Page: Definitely have your advisor take a stab at it and then still just maybe hold off a little bit. We're expecting that they're gonna write some regulations because these are such confusing rules. I've heard a rumor - maybe next month? Could be 6 months from now, but if you are on the cusp, if you look at those two different calculations and it looks like "wow making a switch from one to the other might really be beneficial" but we're really close to falling under this exception over here that would change things. Still be patient, it's worth looking at, thinking about, really digesting but it's a big decision if you're gonna do that. Definitely not time to rush into anything, but it's absolutely worthwhile to start thinking about it and doing the calculation for it.

Gene Marks: What are the healthcare professionals- because there's these rules for these pass throughs and for service businesses in particular and some service businesses can't take advantage of these pass-through rates and if you're a healthcare professional, you might find yourself in that situation, more so than if you were a traditional manufacturer or retailer.



- Jessica Page: Correct. And even on top of that, there are income thresholds where you may be able to, even as a service business so there's layer upon layer of complications.
- Gene Marks: Correct, it's complicated. Like you just said, it's complex and some of the rules might be clarified over the next couple of months.
- Jessica Page: That's what we're hoping (laughs)
- Gene Marks: But it's even more of a reason why, if you're a healthcare professional, you actually, unfortunately - I hate to break this to you - in the middle of it all. Right now. It's murky. That's the reason you've got to pay that much more special attention.
- Jessica Page: Right.
- Gene Marks: It's like everything else in life, you get out of things what you put into it. And if you ignore this, or you're lazy about it, you could be giving up a lot of money.
- Jessica Page: Yeah. Absolutely. That's what I said - get that calc going, get that conversation started and when those rules come out, clarify things. It won't take long for your advisor to update, based on the rules.
- Gene Marks: Exactly.
- Jessica Page: And then you'll have at least already started the conversation, the considerations and you'll be in that much better of a place to make a decision.
- Gene Marks: One final thing is, Chris, don't even say it from your advisor or your accountant or whatever, "Oh this is so hard to do". This is not hard for the accountants to do. You're right, it's not the back of a nappy thing.
- Jessica Page: Right, exactly.
- Gene Marks: It's a spreadsheet thing. I mean, if you're a healthcare professional, you can abide because you're not an accountant but any accountant can do this. So, stop with the complaints. Just tell your accountant "Do it, because I need to know."
- Chris Panebianco: One of the questions we hear a lot, with tax reform and everything going on, "At this point of the year, should I make investments in my practice? Should I buy that equipment, get it out of the way now or should I wait?" Can you guys walk our listeners through that?



- Jessica Page: Do you need it? That would be my first question back to you. Do you need the equipment for your business? If you need the equipment for your business, you need to buy it. I think that's my first take on it as an advisor.
- Gene Marks: Don't you love people that will spend something stupid for their business and they'll be like "But I get a tax deduction for it." And I'm like...
- Chris Panebianco: I've never said that before in my life.
- Gene Marks: "It's tax deductible!". But you didn't need it in the first place, why are you even-?
- Jessica Page: Right.
- Chris Panebianco: Good advice. What about retirement?
- Gene Marks: No wait, hold on.
- Jessica Page: Oh yeah that's a- I'm sure there is...
- Chris Panebianco: We'll go back, I'm sorry.
- Gene Marks: One thing I also wanna add on, on investing in equipment, Jess is right about whether or not you need it. You cannot, depending on the size of your business and other criteria, you can immediately write off, up to \$500,000 - in some cases \$1M in equipment that you buy. And it's computer equipment as well. With tax reform, correct me if I'm wrong here, there are new rates like accelerated appreciation for cars.
- Chris Panebianco: OK.
- Gene Marks: So, talk to your accountant about, if you have a vehicle that you use in your business; maybe you've got a truck or something, you've got equipment in it. Now might be a really good time to buy a new vehicle because there are now some new rules about quickly accelerating appreciation.
- Jessica Page: Absolutely. Wasn't trying to be flippant with my answer (laughs) That should always be your first question, "Do I really need it?" It's a great time, bring up with your advisor "Got this great piece of equipment, I think I could really use it, it's gonna help my practice." Test consequences, and they'll be able to tell you right away "Here's what it's going to do to your estimates etc."



Gene Marks: Ooh, I've got the tie into BHG right now.

Chris Panebianco: Okay, perfect.

Gene Marks: I love this one.

Chris Panebianco: I don't know if I can allow that.

Gene Marks: Here's the thing though, you can buy this stuff. If you finance it, as long as you put it into service, you get the deduction for it. So theoretically, it's not like you have to pay for it. You can finance it.

Chris Panebianco: Sure.

Gene Marks: And therefore, get the full tax deduction in that first year as long as you place it in the service. So a lot of people are like "Oh I don't have the money to do this." Well, that's not the case - you can finance it. How about that?

Chris Panebianco: I didn't even pay Gene for that, that was amazing.

Gene Marks: Afterwards, afterwards.

Chris Panebianco: We should have BHG music in now, we have a nice jingle.

Chris Panebianco: So again, walk me through... I did bring it up and obviously we needed to take a step back, but what about retirement?

Jessica Page: It's never too early to start. If you don't have a retirement plan, if you haven't really considered it, start now. Tax considerations aside, just general life planning - it's never too early to start. Something today is better than nothing.

Gene Marks: Are you putting away money for retirement?

Chris Panebianco: I am. In all sincerity, before I had children, I was gonna work forever, live forever and I'd be fine and sitting on a beach somewhere. Now, since having children, I'm maxing out everything. Fortunately, we have a great employer that contributes to your 401K but every dollar I can, it goes in there.

Jessica Page: Yeah. It's another place for your advisor to come in too.

Chris Panebianco: Yeah.



- Jessica Page: With different suggestions of types of plans you could be in.
- Gene Marks: If you have a lot of different options as a business owner, if it's just you, you can put money away into an IRA. If you've got your own little business and it's just you as well, you can have a simple employer pension plan which is, you just put money away. Again, there's limits to what you can contribute every year but that's also another option. If you get bigger, I'm assuming it'd be as cheap as a 401K cause those are very simple to set up and inexpensive. They're for your employees, can contribute and you can contribute as well and the more you contribute, the more you can contribute and it's pre-taxed and then you put money away.
- Gene Marks: My kid just started work a year ago, he graduated college and he's a super cheapskate. You learn about this, but these kids, as they get older...
- Chris Panebianco: Where did he learn that?
- Gene Marks: Right, tell us where you got that from. He's, on his own has been putting money away into his 401K plan and he's 23.
- Jessica Page: That's great, that's awesome.
- Gene Marks: I was like "Wow, dude, 20 years from now on you're gonna look at that account and you're gonna be like "I'm so glad I did that""
- Chris Panebianco: I think back to all the things I spent money on and I could have... and it just hurts.
- Gene Marks: Ugh. It's sad.
- Gene Marks: I've been looking back at all of your police reports and records and all of the stuff that you spend on.
- Chris Panebianco: It's easy, it's on Google. It's all there.
- Chris Panebianco: Again, I think it is very important because people are listening to this and it's never too late.
- Gene Marks: It's never too late
- Chris Panebianco: That's the other message that I would imagine.





Jessica Page: It's never too early, but it's never too late.

Gene Marks: Some other plans you talk about, not just retirement plans but tax reform has changed some rules over the 529. Do you have a 529?

Chris Panebianco: No.

Gene Marks: Do you have 529 plans for your kids? So, guys listen up here.

Jessica Page: Alright Gene, educate us.

Chris Panebianco: I have a notepad.

Gene Marks: A 529 plan is where you put money in - it's after tax, you've already paid the taxes. You put money away in the 529 plan and it grows tax-free and then you can take it out, without any penalties and all that as long as you're using it for education. Higher education in the future.

Chris Panebianco: Okay.

Gene Marks: So I'm assuming your kids are gonna go to college someday, I don't know.

Chris Panebianco: Nowadays with the costs...

Gene Marks: I was gonna say!

Chris Panebianco: One is a fireman, one's gonna be an engineer, an electrician and a plumber. So the amount of money I pay my plumber nowadays.

Jessica Page: My 3-year-old wants to be a ballet dancer.

Gene Marks: Also a smart move. But it's a limited career.

Jessica Page: Right.

Gene Marks: Success early, and then a lot of rehab right after that.

Chris Panebianco: We actually had something like that when I lived in Florida. I can't remember the name, but you'd put money in and-

Gene Marks: They're all state, 529s are state. They're state transit.

Chris Panebianco: Okay, so it was 529.



- Gene Marks: It was likely a 529 plan, you put the money away. What changed with tax reform this year is that they now - you can put money away and you can take it out for private schools and religious schools as well. So if you've got little kids, and it's like when they get to high school I'd like to send them to the local private school or whatever it is. Again, you can take the money out without any penalties, it's grown tax free and you can use it for that tuition. That's also another thing. The other thing with tax reform - we talked about retirement - the government is now encouraging you to set up 401Ks so if you have less than, I think 100 employees; you can check me on that, and you set up a 401K plan, you can take a \$500 tax credit every year for the next three years.
- Chris Panebianco: Wow.
- Gene Marks: Just because you've set up a 401K plan for your employees, so they're trying to encourage you.
- Chris Panebianco: That's important too, for a lot of practices and a lot of our listeners, they may not have a huge practice. They may have 5-10 people and you can even do it at that low.
- Gene Marks: Absolutely. And then you get a tax credit, so whatever taxes you owe - it comes boom. Right off of that.
- Jessica Page: That's great.
- Chris Panebianco: That's great.
- Jessica Page: What a great recruiting tool too. Or a way to keep your employees.
- Gene Marks: It is.
- Chris Panebianco: You don't see that a lot in the smaller business, I know when BHG was growing, we would bring people in to interview them, and tell them we actually had a 401K, even when we were small. Wow, there's not a lot of small companies that offer that.
- Gene Marks: I think that's insane, that companies don't have them. I think they're the nominal cause to set up. Some things will do it for free, there's financial providers. Once you get it set up, again, you can put money into it and then you encourage your employees to do it and that benefits you. When you run a small business, I found sometimes, people get older, they don't put enough away for retirement and when people are in a situation where they need money, sometimes they go back to their employers and they're like "You know what, I've seen this" and the



employers are like "Yay let's step up and I'll help you with whatever." You don't wanna be in that situation 10 years from now so the more you encourage your employees to put money away for retirement, the better.

Chris Panebianco: Alright. Are there any deductions our listeners would be surprised to learn about?

Gene Marks: Well, according to Jess, there's no deductions left. The IRS wiped out all deductions.

Chris Panebianco: We've cut her mic, Gene. She's okay.

Gene Marks: Why do you say that?

Jessica Page: Just, there were some really surprising things that came through with this tax reform package. They had to partially pay for some of it, it wasn't completely paid for but they did make an effort to and some of the common deductions that we're all used to getting are off the table now.

Gene Marks: So what do we still have? If we decide to itemize, what would be a good one?

Jessica Page: All the negative ones are popping ahead

Gene Marks: There are... the [inaudible 00:16:33], the mortgage deduction is still there.

Jessica Page: Okay.

Gene Marks: You can still do that, right?

Jessica Page: Yeah.

Gene Marks: Up to \$750,000!

Chris Panebianco: What you can't see is the look Jess just gave Gene.

Gene Marks: Jess is like "Nah, it's still not as good as it used to be"

Jessica Page: But that's your home equity, unless it's on improvements to your house.

Gene Marks: That is true. There's a medical deduction, it's still there.



- Jessica Page: There's still medical deduction, I'll give you that.
- Gene Marks: And it's improved, by the way, it's actually a little bit better. You still have the charitable expense deduction.
- Jessica Page: Yep, true.
- Gene Marks: So that's all good, but you have to itemize to do that. I think that the government says, President Trump and his campaigning was like "We're gonna fill in our taxes on the back of a postcard." Okay, that's probably not gonna happen any time soon. But, the idea of simplifying that - they've increased the standard deduction.
- Jessica Page: Right, so you might see that at the end of the year. You've been itemizing for years, and suddenly you're not. You're gonna ask your tax repayer what's going on - I mean, this seems awfully strange. They've changed the calculation now where that standard deduction costs a lot of the itemized deductions that people used to take.
- Gene Marks: That's correct. Now, if you're married, filing jointly, the standard deduction is now \$24,000, so if you're married filing jointly, unless you've got itemized deductions that are higher than that, you're probably gonna be taking the standard deduction. That was simplified. That means a lot, so that's good stuff.
- Jessica Page: Yep, absolutely.
- Chris Panebianco: Great, I mean, that's informative.
- Gene Marks: Look at Chris still awake.
- Chris Panebianco: I'm still here. Yeah.
- Gene Marks: How does he do it? He's a marketing guy.
- Chris Panebianco: Now I have to know, this is a question we haven't even talked about. As you're giving advice, when you're doing your own taxes, cause I assume you do your own taxes.
- Gene Marks: I do not.
- Chris Panebianco: No? Oh that's right, you don't-
- Gene Marks: You don't want me doing your taxes.



Chris Panebianco: Jess, when you're doing your own taxes, what music are you listening to.

Jessica Page: Oh.

Chris Panebianco: People wanna know.

Jessica Page: It depends on whether the numbers are looking good or not. If they're not looking so good, it might be a little heavy metal in there.

Gene Marks: Very good. When I was reading my tax returns, I put on Mozart's Requiem.

Chris Panebianco: And how'd that work for you?

Gene Marks: It just set the mood perfectly for all the taxes that I had to pay.

Chris Panebianco: Alright. I'm like Jess, Metallica - I just need something to get me through for some reason. But I'm going to take your advice now. My kids are now gonna have college educations paid for. I'm going to get my tax consultant, I'm gonna go have them tell me what to do in Q3 and I am gonna buy that equipment because I need it.

Jessica Page: Excellent.

Gene Marks: Good.

Chris Panebianco: Can I get any other parting words out of you guys? What else would you like our listeners to take away? I know it's Q3 and we've hit a lot of things.

Jessica Page: Yep. We have hit a lot of things. Don't be afraid of taxes. That's my biggest thing.

Chris Panebianco: Okay.

Jessica Page: It's a complicated subject, you pay someone to help you with them. Nobody wants to think about them. Everyone hates it, rolls their eyes but don't be afraid of it. You can understand it more quickly than you think and having a little bit of understanding of what it is you're paying cause you're paying a lot and it can go a long way.

Gene Marks: My parting words is to pay your estimated taxes.

Jessica Page: Oh, thank you.



Chris Panebianco: I mean, it's always a good idea.

Gene Marks: When you're on your own, if you're a freelancer and your accountant is saying 'you've gotta pay these quarterly taxes'. Pay them. Even the penalties and interests aside, you ignore it and you're really - suddenly you owe a lot of money.

Chris Panebianco: It can get scary.

Gene Marks: Like Jess just said, we all hate it, everybody grumbles. Believe me, you're not alone. We all hate it. That's what it is.

Chris Panebianco: Correct. Well, can't thank you guys enough. It's always a pleasure sitting with CPA. Tax professional.

Gene Marks: Oh sure.

Chris Panebianco: You know, again, Jess, give our folks a way to get in contact with you.

Jessica Page: Sure. Best way is probably email, [jpage@bhg-inc.com](mailto:jpage@bhg-inc.com) or LinkedIn.

Chris Panebianco: Okay. And sir Gene?

Jessica Page: On Twitter at @genemarks, not Sir Gene Marks. At Gene Marks.

Chris Panebianco: One day we'll have it.

Chris Panebianco: Can't thank you guys enough, again. Everybody listening, we thank you for listening to Perfecting Your Practice, the podcast. Five times. This is amazing.

Gene Marks: Wow!

Jessica Page: Applause. Insert applause here.

Chris Panebianco: I will be eventually fired from hosting this podcast.

Gene Marks: I think you've got this!

Chris Panebianco: My name is Chris Panebianco, I'm the Chief Marketing Officer at BHG. Thank you guys for listening. If you'd like to continue the conversation, please email me at [chrisp@bhg-inc.com](mailto:chrisp@bhg-inc.com) or connect with me on LinkedIn. That's all for today folks. Once again, thank you, my guests. We'll talk to you next time.



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