



LONG ISLAND
BOARD OF REALTORS®
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Building Strong Financial Foundation:

Business wellness for today's REALTOR®

Brent Lancaster

ABR, CDEI, GRI, SRS, e-PRO



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How many of you want to make money?

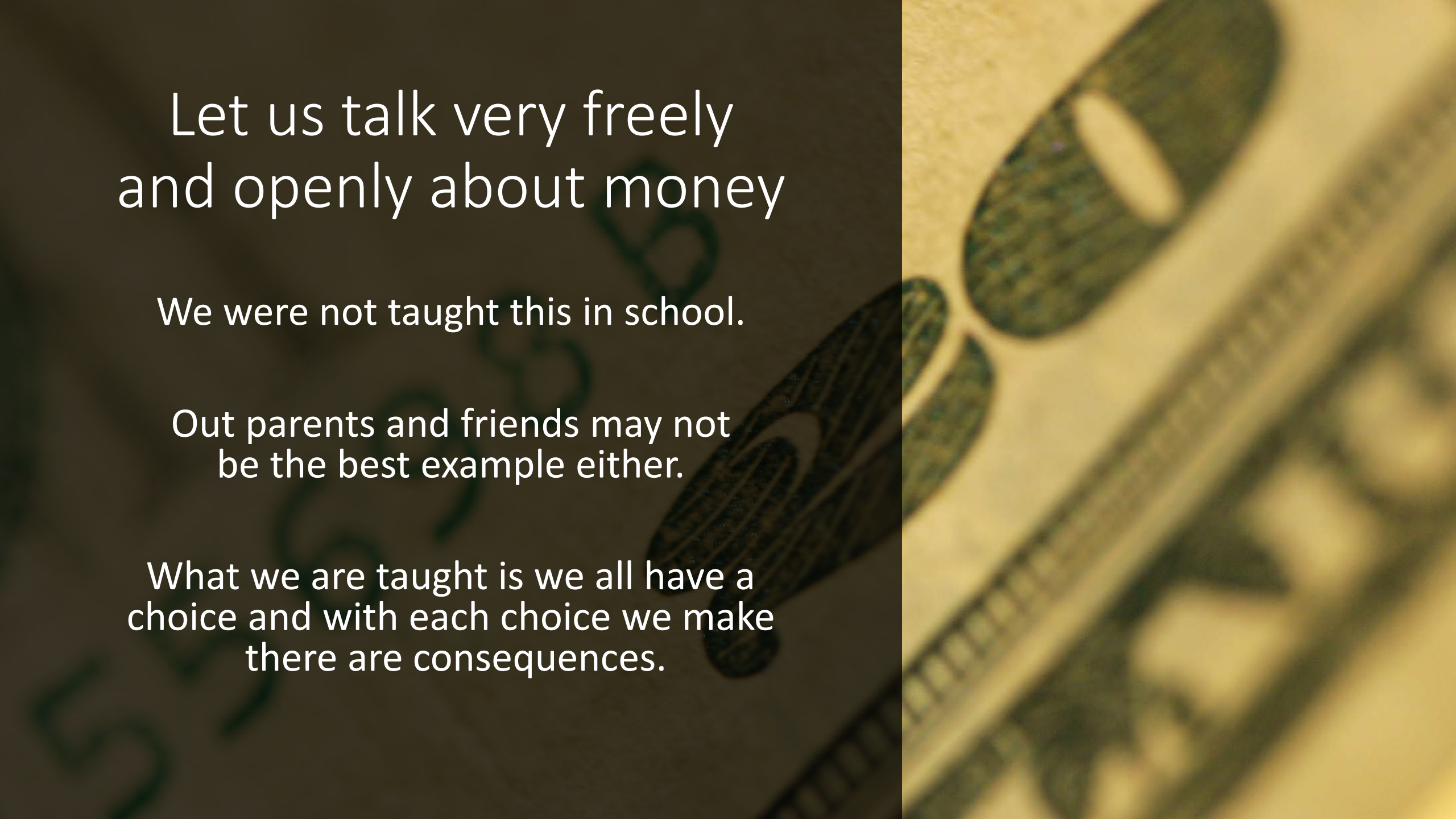
BUSINESS

How many of you want to keep the money you make?



My lawyer made me include this

This course is not for the purpose of rendering legal, accounting or any other professional service. The services of a competent professional person should be sought if legal advice or other professional assistance is required.

The background of the slide is a close-up, slightly blurred image of several US dollar bills. The bills are oriented vertically, with the top of the bills towards the right side of the frame. The colors are muted, appearing in shades of yellow, green, and brown. The focus is soft, highlighting the texture and patterns of the currency.

Let us talk very freely
and openly about money

We were not taught this in school.

Our parents and friends may not
be the best example either.

What we are taught is we all have a
choice and with each choice we make
there are consequences.

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1. Unique to you
2. Be honest with yourself
3. Be nice to yourself

The inability to delay gratification is the primary predictor of economic failure in life.

- Brian Tracy

This takes time and probably sacrifice.



Business



Personal

Our business are generally small - only us. It would be weird not to talk about both business and personal finances.

What is required to run a profitable business is the same that is required to run a financially healthy household.

THE TWO MAJOR PROBLEMS:

1. PERFECTION
2. PROCRASTINATION





This is a team effort.

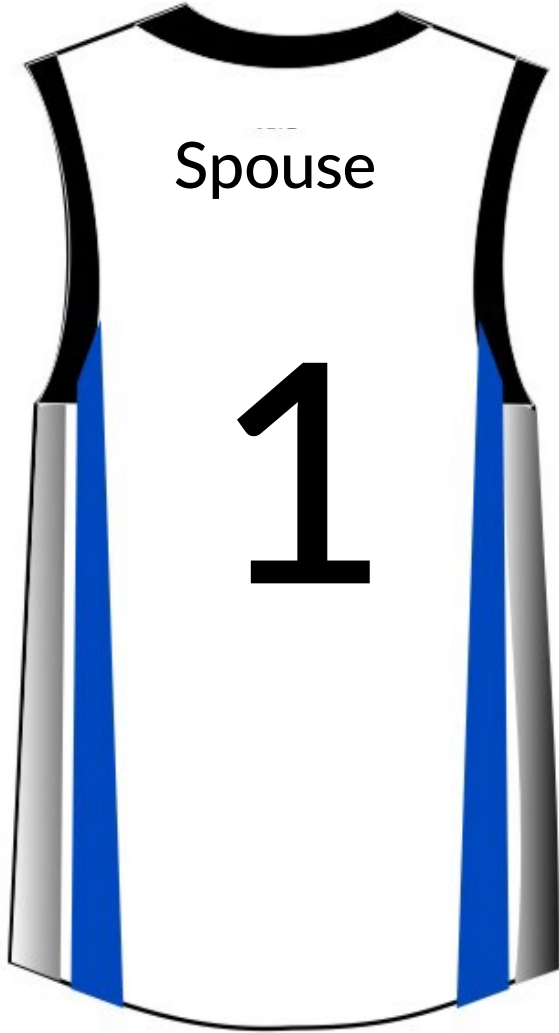
You can't do this alone.

Jesus had a team.

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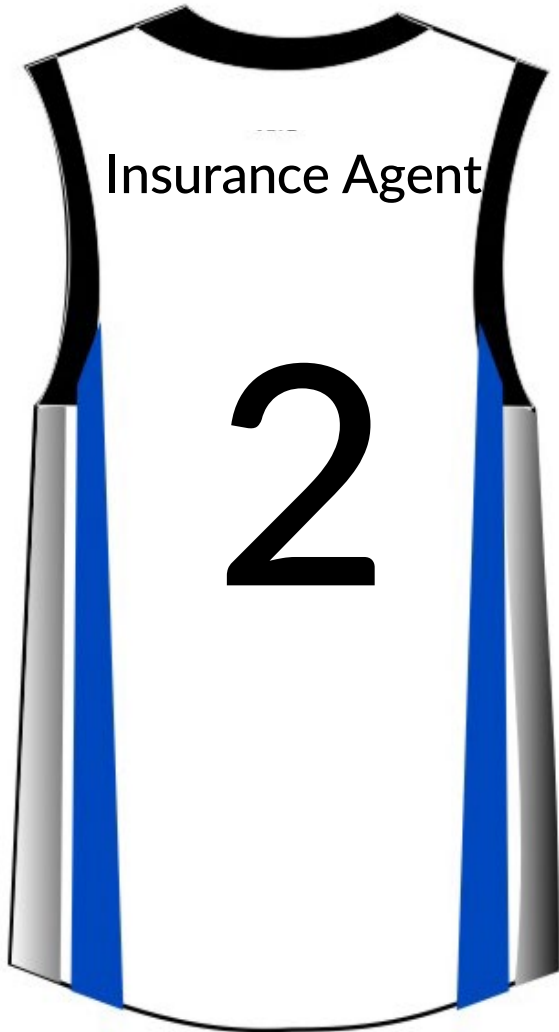




I don't care if they look at the books or not, they are critical in the decision making process.

Everything is fine when life is good. Makes the tough decisions easier. Not better just easier.

Fights/divorce over money.



Check to make sure you have sufficient limits.

Car Insurance – do you know your limits? Do you know what is covered?

Umbrella Policy

Professional Liability – Errors and Omissions

Life Insurance

Disability Insurance



Draft Will

Set up business – LLC, S-Corp, Corp

Will look at it differently than an accountant.

Get a Will

You only die once.

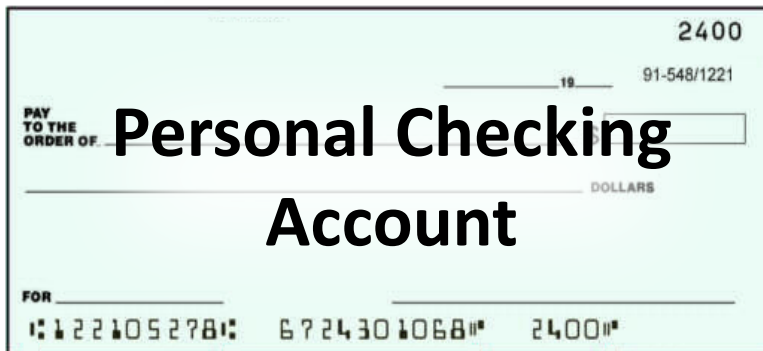
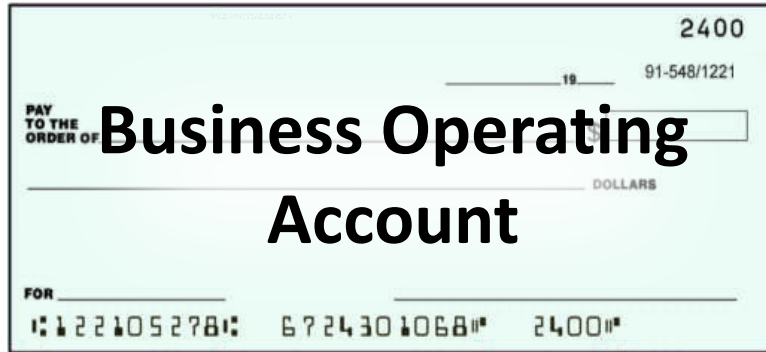
Doesn't have to be complicated.

Can be cheaper.

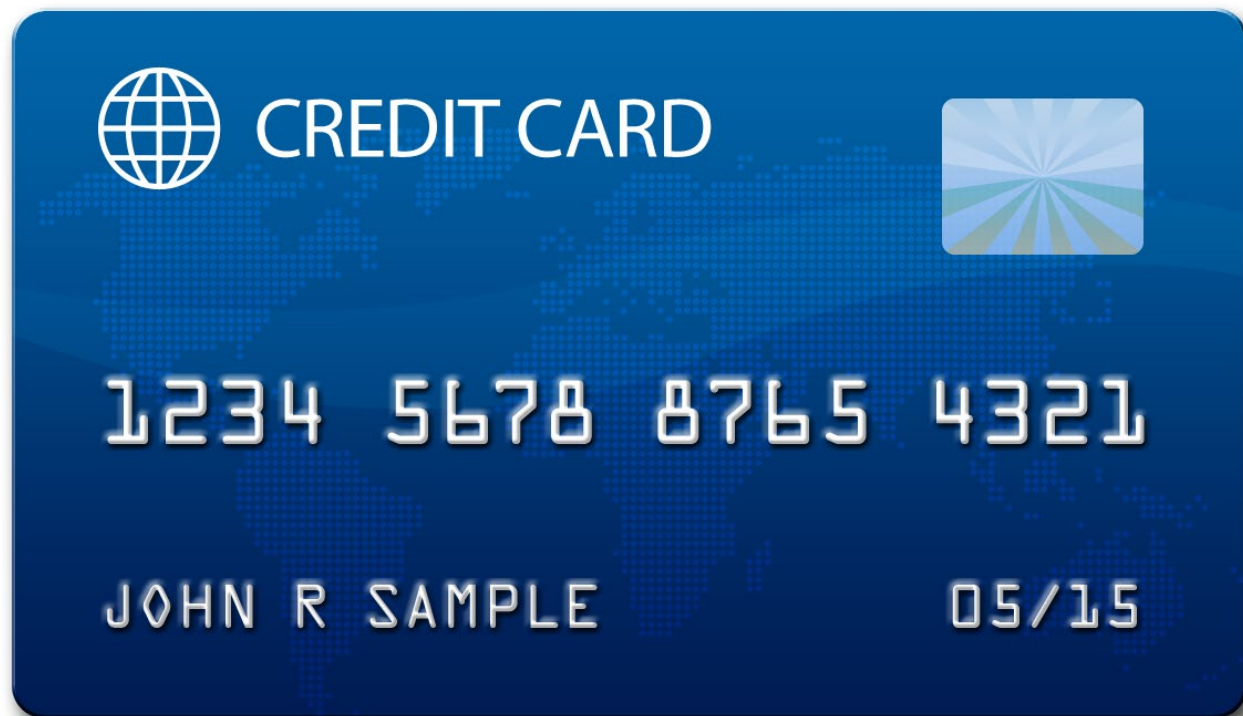
Can help make decisions for your family easier.



Accounts You Should Set Up



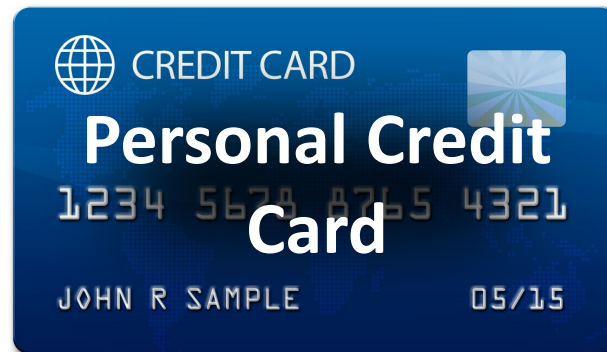
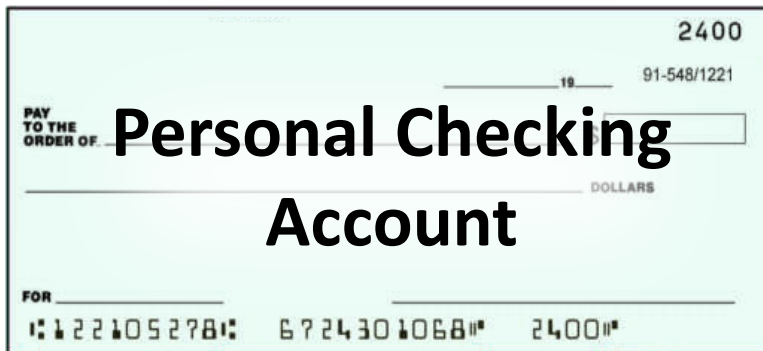
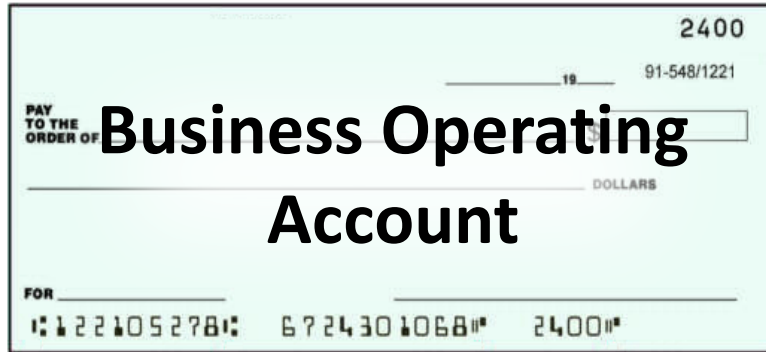
Credit Card Rules



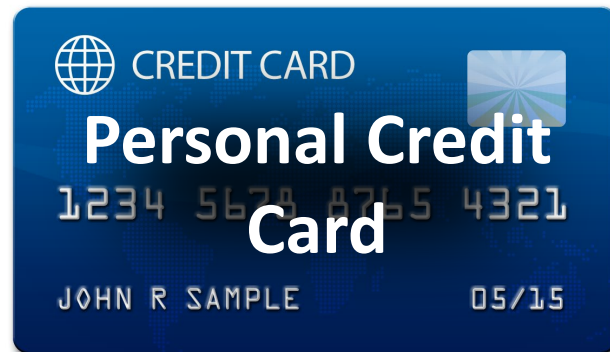
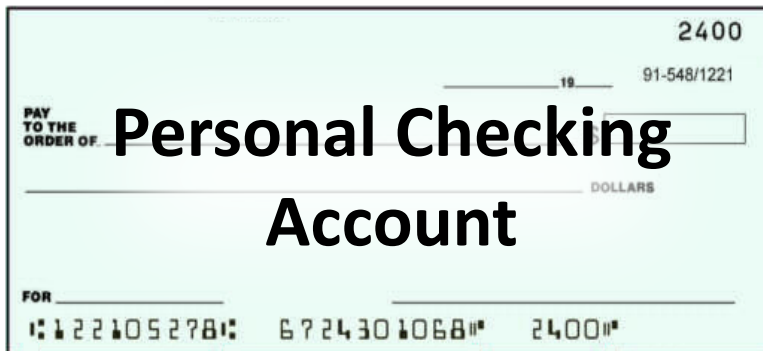
Don't keep a balance.
A balance means your
expenses exceed your
income.

Safety and tracking

Accounts



Accounts





Get to know the branch manager or someone of influence at the branch you visit.

Local banks they want that personal connection. Great for referrals.

Credit Unions

“I’m looking to change banks...”



Savings

Investments





Savings is money that is waiting to be spent in the future.



Investments is money that creates more money.

The best time to
plant a tree was
20 years ago.
The second best
time is now.

~Chinese Proverb





Savings

66 million U.S. adults have zero dollars saved for an emergency.

47 percent of Americans said they either could not afford an emergency expense of \$400, or would cover it by selling something or borrowing money.

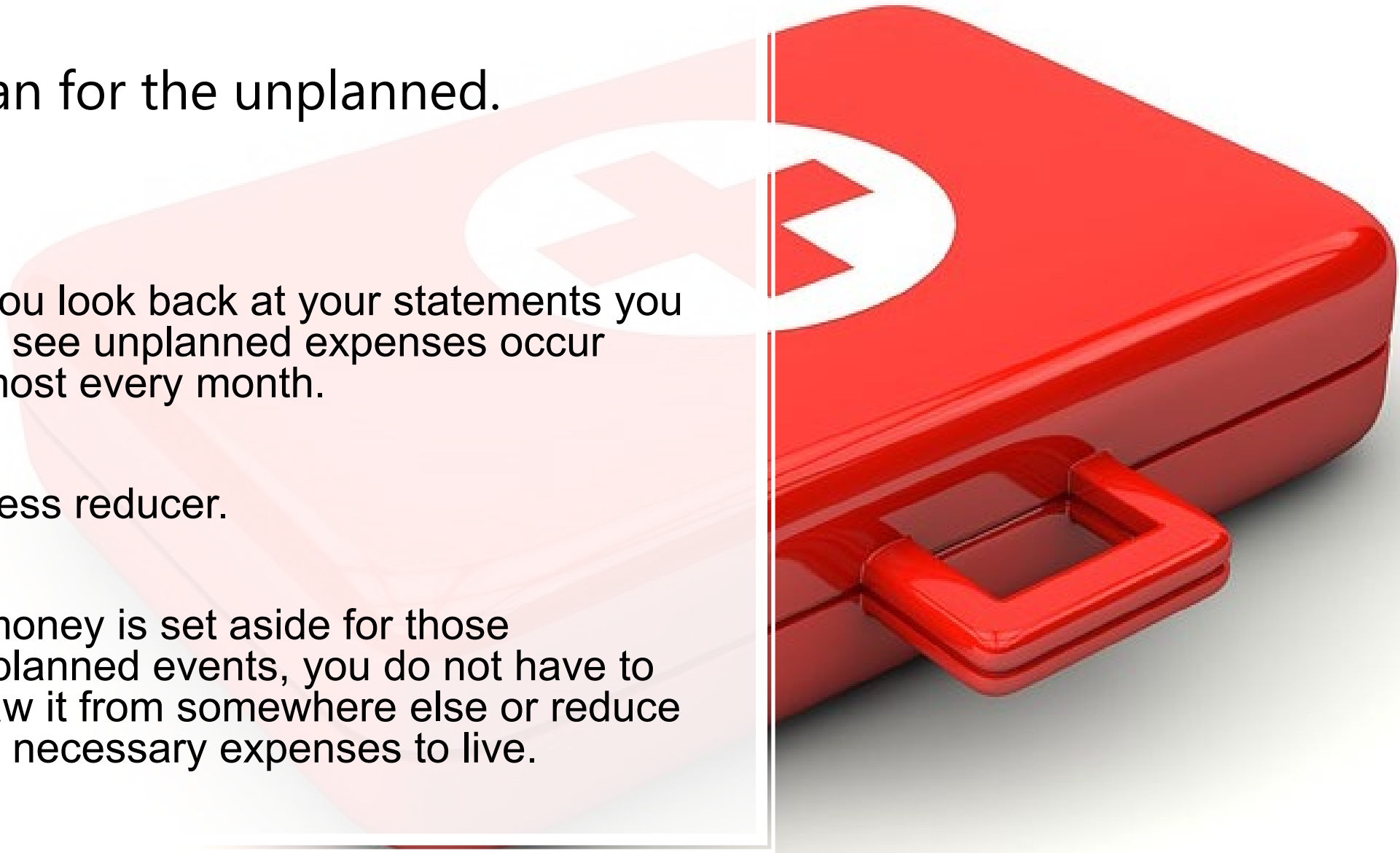
28 percent of Americans have saved six months worth of expenses.

Plan for the unplanned.

If you look back at your statements you will see unplanned expenses occur almost every month.

Stress reducer.

If money is set aside for those unplanned events, you do not have to draw it from somewhere else or reduce the necessary expenses to live.



What is an emergency?

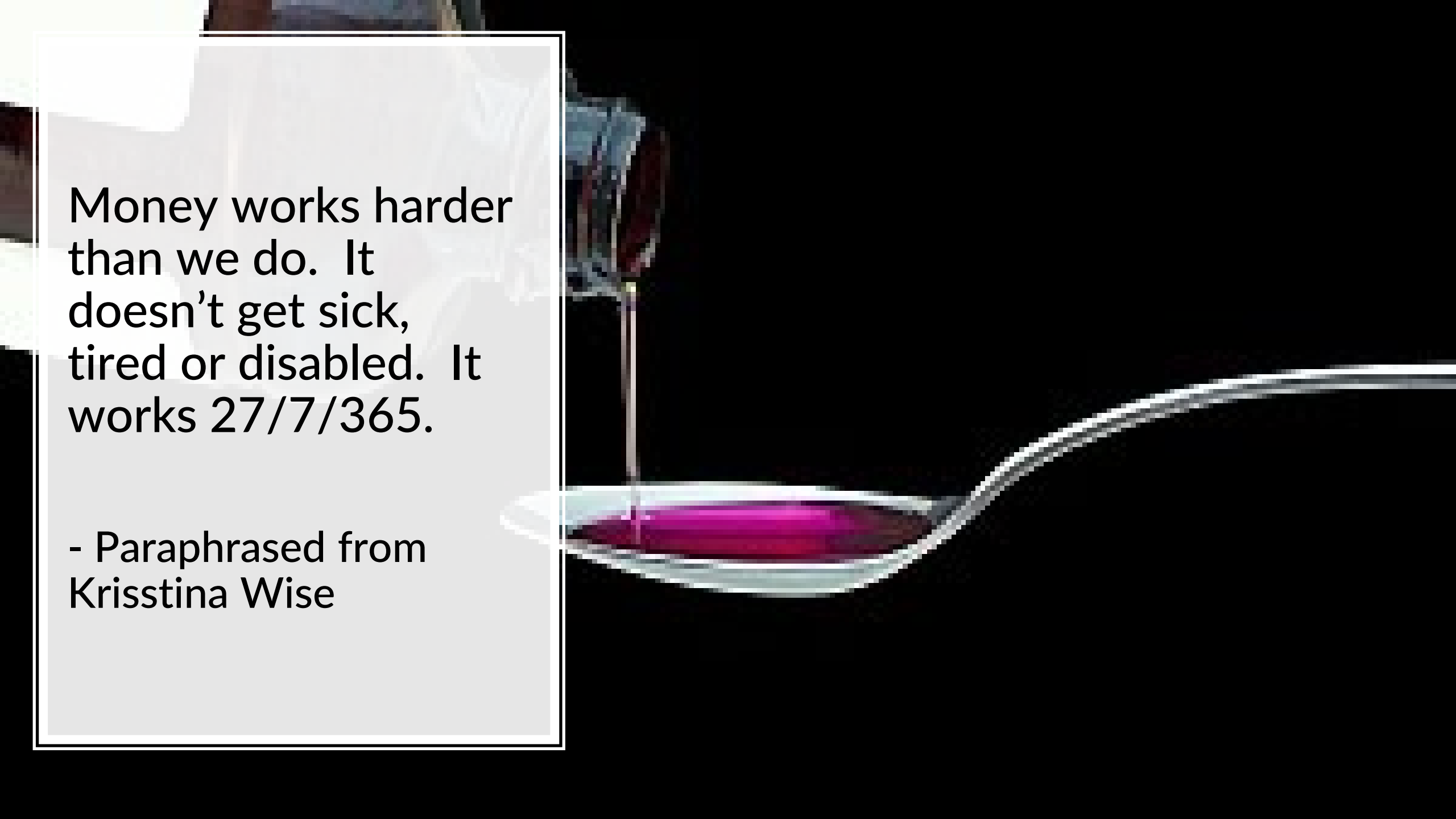


What is an emergency?





Savings *cannot* substitute for investments



Money works harder
than we do. It
doesn't get sick,
tired or disabled. It
works 27/7/365.

- Paraphrased from
Krisstina Wise

Real Estate As An Investment

Your expertise is the real estate market.

Control your retirement.

Real estate is your present then it should also be your future.

Pay it down while you are working that that income can be your retirement.

Tax advantages during your prime earning years (depreciation).





Do you need one?

Non tax professionals doing their own tax return have twice the error rate. Increased the chance of being audited.

It is a partnership.

**This is by far the
least efficient side
of your business.**

**We are scared to
deduct because we
are scared of the
IRS.**





Meet a minimum of three times per year

1. Summer they are less distracted.
2. October planning for year end.
3. Feb/March – make sure you are on the same page for April. This should be the shortest of the meetings.

Tax bracket	Self employment tax	=	Total %
22%	15.3%	=	37.3%
24%	15.3%	=	39.4%
32%	15.3%	=	47.3%

PLUS State income tax (2% - 6%)

Depending on how much you make it can be 40%-50% of your income.

THIS IS QUITE LITERALLY THE OTHER HALF OF YOUR BUSINESS.

Most agents struggle with the first year and their best year.

By the time you sit down with and accountant or tax program it is too late to begin creating deductions.

- Later**
- Tomorrow**
- Today**
- NOW**

TAKE YOUR TAXES OFF THE TOP.


HOLD OUT 25-30% OF NET PROFIT GENERALLY
SPEAKING FOR TAXES.

TALK TO YOUR ACCOUNTANT.

KEEP GOOD RECORDS.



If the IRS I going to force me to get a SEP or an IRA I want to invest it with someone I know...or trust.



Did you spend more time planning your vacation or planning for your business?

The difference between TRY and TRIUMPH is just a little UMPH!!!

- Marvin Phillips





Especially if you are just getting started.

Some people have a team of advisors (like their own person Board of Directors) that counsel them on issues related to their business.

Accountability

BUSINESS



Characteristics Of A Successful Business:

1. Don't spend all money they bring in.

2. Someone is Watching the Numbers.

You can't improve what you don't measure.



What Do You Think The Temperature Of The Room Is?

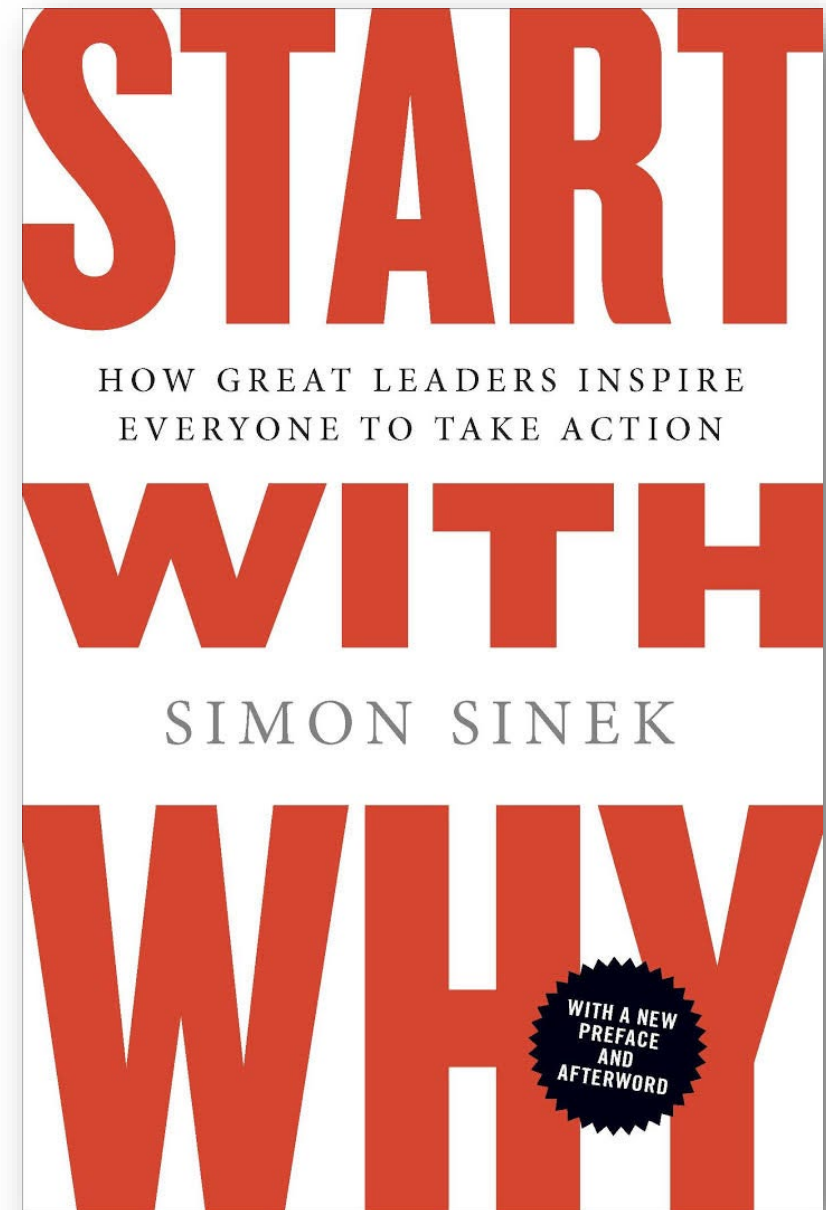
Optimal Temperature is

72°

How many think it is higher or lower?

If you make adjustments based on how it feels you may be moving in the wrong direction.

“What gets
measured gets
done.”





Income vs. Profit

Income is VERY important.

It's not all about income.

This course is about ***profit*** – those are two different things.



**Do you know how much it costs you to
live annually?**

**Do you know how much it costs you to
run your business annually?**



Determine how much it costs you to live and work.

You can set all the goals in the world but it is useless if you do not know where you are going.

The largest driver of wealth is your income.

You don't want your income to be tied up in unnecessary expenses.

This separates how much you want to make from how much you NEED to make.

It is time to prioritize and determine what is important.





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Rules

1. Document according to IRS Standards
2. Run the business like a business. **NOT A HOBBY.**



Dilemma's

1. Not taking deductions because of fear of being audited
2. Not keeping good records

Three easiest deductions agents do not take advantage of:

Mileage



Meals



Home/office



Mileage

2 ways

1. IRS method
2. Depreciation/Actual expense method





Meals, Entertainment, Travel

Prior to 2018, 50% of meals and entertainment can be used as a deduction.

Beginning in 2018, deductions for entertainment have been eliminated.

No sporting events,

No plays, theater

No golf outings

Home/Office

All the reasons not to take the deduction:

- scared of being audited
- I go to the office every day
- don't have a room to call an office.
- I don't own my house. I rent.

Some accountants may be interpreting an older version of the law

NAR helped move this through congress.



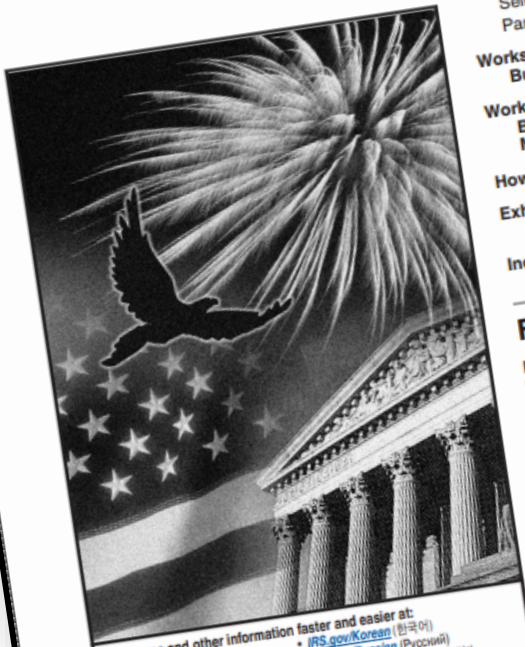


Department of the Treasury
Internal Revenue Service

Publication 587
Cat. No. 15154T

Business Use of Your Home

(Including Use by
Daycare Providers)



Get forms and other information faster and easier at:

- irs.gov (English)
- irs.gov (Spanish) (Español)
- irs.gov (Chinese) (中文)
- irs.gov (Korean) (한국어)
- irs.gov (Russian) (Русский)
- irs.gov (Vietnamese) (Tiếng Việt)

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Future Developments

For the latest information about developments related to Pub. 587, such as legislation enacted after it was published, go to irs.gov/Pub587.

Reminders

Simplified method for business use of home deduction. The IRS provides a simplified method to figure your expenses for business use of your home. For more information, see [Using the Simplified Method](#) under *Figuring the Deduction*, later.

Photographs of missing children. The Internal Revenue Service is a proud partner with the [National Center for](#)

Principal Place of Business

You can have more than one business location, including your home, for a single trade or business. To qualify to deduct the expenses for the business use of your home under the principal place of business test, your home must be your principal place of business for that trade or business.

To determine whether your home is your principal place of business, you must consider:

- The relative importance of the activities performed at each place where you conduct business, and
- The amount of time spent at each place where you conduct business.

“Your home office will qualify as your principal place of business if you meet the following requirements.

You use it exclusively and regularly for administrative or management activities of your trade or business.

You have no other fixed location where you conduct substantial administrative or management activities of your trade or business.”

Sales Duties

Done at brokers office

Meeting clients

Sales meetings

Administrative Duties

Done at home

Paperwork

Contracts

Bookkeeping

CE

Running CMA's

Organizing your schedule

Thank

you