1213 - Avoiding Costly Real Estate Mistakes: Learn How to Successfully Manage Your Finances!

Hosted by: Joe McCall
Guest: Toni Counts

Joe: Joe here from the Real Estate Investing Mastery podcast. How are you guys? Got a good show today. We're going to be talking with my new bookkeeper. I don't even know if she knows this yet. I see her. She's smiling there. So her name is Toni and we haven't officially given her the Yes, let's do this yet because she still has a call scheduled with my main assistant. But I've already decided and I want her to be on this podcast. I'm gonna talk to you guys about what it is that she does. Now, I've known Toni for a couple of years now, maybe more, through a mutual friend of ours, Tom Krol. A lot of you guys know him. I've had Tom on my show a long time now, and Tom has. I've been working with Tom and through Tom been working with Toni, and I see the work that she does and she's really, really good. In the past, my main assistant, Whitney, has been kind of doing the books. She's incredibly busy, She's incredibly talented, really busy. And I'm just telling her, you need to get somebody else to do this. Let's call Toni. Toni was the first one that we called. She's got a company that does this. And so, yeah, actually, Whitney, my assistant, is really excited about this. So bookkeeping is not a sexy topic, is it? You know, who cares about the books? All you got to do is just throw your receipts in a shoe box and send them once a year when you're doing your taxes after you filed two extensions to H&R BLOCK. And they'll take care of all of that for you, right? Well, that's what I used to think. And it's not good. Yeah, it's not okay to do that. I've talked about this before on my podcast. This is not the new, but four or five, six years ago got into trouble with the IRS. I owed them a lot of money. And if you're interested in hearing the dirt, digging up all of this old dirt on me, go look at my YouTube channel, look at my podcast, and just do the search for IRS and you'll see where I talked about how I owed the IRS. Should I tell them? Yeah. Okay. I owe the IRS $520,000. And most of that was late. Fees, penalties, interest just is ridiculous. I went through this period of time, I started making a lot of money doing deals, and I ran out of all of the deductions, the write offs that I had from losses, from deals that I was buying and things like that. And I had really rapid growth and ran out of deductions. And all of a sudden I got a tax bill for 60 grand and I didn't have anything for it. And that was after filing a couple extensions. I was that guy. I was that schmuck saving my receipts and my statements in a in a shoe box and giving them to my bookkeeper and accountant I was using come from one company that did both of that at the time. And I was saying, here, take care of this and talk about a cluster. You know what? It was not good, right? And because I had gone for years, I had so many write offs. We've adopted four kids being in adoption credits. I have real estate that we were buying write offs and losses that I had

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from the market crash. I wasn't and I started making a lot of money. Everything is good. I wasn't expecting a huge $60,000 tax bill all the sudden and I was not paying my quarterly taxes because I didn't have a bookkeeper. Right. So file an extension, file an extension, start paying little bits here and there, and finally next year comes around and I get another tax bill. And I've not paid off my previous taxes and it just snowballs and gets worse and worse and worse. And the reason I'm telling you this is because you guys need to hear this. There's a lot of you listening to this who are in the same boat now. Your head is buried in the sand and you're going to get in big trouble if you don't wake up. Okay? This happened to me for a period of about three or four years. I kept on trying to make more money to pay off the old taxes, which when you're making more money, guess what? You have more taxes. You have to pay It got I just got to a big, big disaster. I finally paid all of that off about three years ago. I paid it off super aggressively. I sat down with accountant. I got a new bookkeeper. Well, Whitney, I hired Whitney. So this was four or five years ago. I remember I said, this is number one priority. And the IRS guy that I was talking to said, Joe, stop worrying about the old taxes. Start getting current on your current taxes. Get your books figured out, start paying your taxes quarterly, put yourself on payroll. So what I did is I put myself on payroll and I started paying taking taxes out every two weeks out of my paycheck. And had Whitney started doing the books and started filing my taxes quarterly, and the guy from the IRS who I was working with under the threat of, you know, losing everything and the guy could have kicked me out of the house, kicked us out on the street, made me sell all my assets and sent me to jail. I could have you could have gotten that bad. That's how serious this is. So I within a few months, six months or so, I was able to get current on my current taxes, which is huge, really important. And then I got onto an aggressive payment plan to pay off my old taxes and it took me about a year and a half to do that. And I spent a lot of money on that. And the frustrating thing is, guys, the interest that I was paying and after all the penalties and all that was credit card interest rates, like we're talking 2025. Percent when you factor in all the penalties and late fees and the interest on the interest on the penalties and just a disaster. So why am I telling you all this again? Because you have to take this seriously. I'm already 5 minutes into this podcast telling my story. Toni, I swear we'll bring you on here in just a second. But if you guys are making any money at all, you need to understand how to start setting money aside. Every single deal that you get into taxes, into profit, into your own salaries, stuff like that, and then use what's ever left over for your overhead and expenses and things like that. Okay. I was we're talking about the book here Profit First as well. Profit First. If you haven't read that, you need to get it. But I was a checkbook entrepreneur, right? I was making a lot of money. I look at my checkbook online. We don't use checkbooks anymore, but I look at my account, see how much money I had, and that's what I would spend. Just please avoid the same stupid mistakes I've made and work with Toni. Who's here? Toni, how are you?

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Toni: I'm good. How are you?

Joe: Awesome. This is Toni Counts everybody. She's a bookkeeper, has a big bookkeeping company. She's been working with Tom Krol, a good friend of mine that I've known since before he was into real estate. I've known his brother Todd Toback, was the guy who got me into real estate way back in 2006 and seven. And Toni works with a lot of big name people in the real estate investing space. I don't know if it's okay to namedrop, so I won't. But big names that you guys know and you see them all over YouTube, good guys that are doing lots of deals. And Toni understands the business. She understands the business from a real estate aspect and from a information marketer coach standpoint as well. So anyway, like I said before, when he's been doing my books for a long time, doing a great job, she's just so busy right now. I said, Hey, let's contact Toni and let's have her do them now for us. So I think I don't know, Toni, if you're going to say yes or not. I haven't even talked to you about this yet.

Toni: Yes, of course I am.

Joe: All right. But I don't care how much it costs. I just want somebody else to do it because Whitney is just slammed right now with so many things on her plate. But thanks for being here on my show.

Toni: You're welcome. Thanks for having me.

Joe: The story I was just telling there, have you seen that happen to other people before?

Toni: I have. I have. I hear it all the time. I talk to so many people on a daily basis about their situations with their business. And it's unfortunate, but I do hear it a lot. And, you know, it's really common, just like how you said you were a checkbook entrepreneur. That is as a really common like, you have people they check their online banking first thing in the morning and that's the money that they have. And in reality, that's not the money that you have, but.

Joe: It's not the money you have. Right. And since, Tony, I've been sharing the story and I've been very open about it and I've had a lot of people come to me and say, Man, I thought I was bad. It was so nice to hear you say that. I only, oh, $100,000 of the IRS. And I was freaking out. And I've had other people come to me, guys, people you would know. Everybody out there. Guys you would know who, Oh, $1 million, $2 million to the IRS. And you read this like this is a ticking time bomb. There are so many entrepreneurs out there, small business owners from realtors to network marketing guys, people that are doing

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crypto or e-commerce, any type of this work from home, virtual business, stuff that are not paying their taxes. And what has the saying go, Toni, the rooster is going to come out and crow or something like that?

Toni: Yeah, I like to say more money, more problems, because that's it's not just a cool song. It really is a true statement. The more money you get, the more problems you're going to have. Some of those problems can be good. Some of them majority are going to be bad.

Joe: Yeah. So let me just be clear too. When I paid this all this off and I've been on payroll myself for four or five years now, I'm taking taxes out every two weeks, paying my quarterly taxes, every dollar that comes in, we're setting aside. I remember the percent, you know, let's just say ten, 15% to taxes, setting aside 10%, 15% to profit. And then whatever's left is your overhead. That's what you can use for your business. Real simple. It's not revenue minus expenses equals profit. We need to talk about differently. We need to talk about it in terms of revenue minus profit and taxes and all that stuff equals your expenses. Big, big difference.

Toni: Definitely.

Joe: So, Toni, what got you interested in bookkeeping? What's your background?

Toni: So it's I kind of just fell into this industry because anytime I thought about like accounting or bookkeeping, I always thought, you know, oh gosh, that's for like math majors or something. So what happened was back in 2002, I was hired as a receptionist for a restoration company, and a couple of months later their accounts payable person walked out on them, just never showed up. So they asked if I wanted to train for that position. And I told them, You know, I've never done anything with accounting. And they said, That's fine. We'll show you how to do it. So they showed me how to do it, and I thought it was like the most therapeutic thing for me, just like matching. Purchase order numbers, matching payments. I really enjoyed it. And so from there, that's just how it happened. Like it just every position I had just got bigger and bigger and bigger. Wow. I ended up going to school to complete my degree for accounting. And yeah, so when I first moved to Florida, I was hired by a CPAs office doing public bookkeeping. And then from there it just every position was just a bigger advancement in the finance industry.

Joe: Good for you. And then you started your own business How long ago?

Toni: Yes, I started my own business in 2016. So that's when I met Tom. He was looking for the job posting, said executive assistant. But when I read the description, there was a lot of like

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accounting features and bookkeeping. And so I was like, Well, I don't know how to manage a calendar, but I'm sure I can learn that. So I implied.

Joe: You needed Tom's books. You can manage your account.

Toni: Exactly. So at that time I was working for Club Med Resorts and I was the accounting manager there, and I was just kind of in a, you know, a position where I just felt stuck, you know, like so I was just exploring my options and I stumbled upon that job posting. And honestly, I thought it was a scam at first because I was contacted by his virtual assistant. I didn't even know what virtual assistants were. So I was like, What? And then I was like, Why does this person want to meet me at Starbucks? And I'm Googling like, Where is this office located? I can't even find an office for this business. And so I was like, You know what? I'm just going to go for a meeting at Starbucks. If anything, I'm just going to grab a coffee and come right back to work. So I went on my lunch break to have that interview with him, and he hired me pretty much on the spot. Then I met with his wife the next time, and then ever since then, it was just a whole different industry. Like I started my business at that time because the Club Med that I was leaving, they were really shocked that I was leaving like they were. They didn't want me to go, but so they brought someone else in that seat and I started my business so that I could build them for helping that person get acclimated into my role. And then from there, like I started getting other clients and then another big client that told their friends and then they told their friends. And then it just, yeah, I ended up just quitting, you know, the W-2 thing. So who knew?

Joe: Man, that's awesome. That's a good story.

Toni: Yeah, it is. It is.

Joe: Yeah. All right, so you've heard my tale of woe. I don't even know if you still want to work with me. Actually, after I told you that story, I don't know if you've heard of it before.

Toni: I have them, but that's pretty scary. Like the IRS is a scary person.

Joe: You. You can never fight them and win, you know? Now, Yeah. I've heard so many stories of people that, you know, getting audited or trying to argue or convince the IRS what they're doing is fine. You just can't. You just might as well. Well, never mind. I was going to say something inappropriate, but like, you just got to pay your taxes, right?

Toni: Yeah.

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Joe: And sometimes people try to game the system, take advantage of it or whatever. And maybe, you know, if it's a gray area, you know, maybe you can go one way or the other. But the point is, you got to get somebody that understands this stuff better than you to do this stuff for you.

Toni: Right. Exactly. And someone that enjoys doing it, too, that's big.

Joe: Someone else. Toni, I was thinking about this while you were talking. Can you explain the difference between what a bookkeeper is and what an accountant is?

Toni: So a bookkeeper is going to be somebody that's just going to be kind of like on the basic level. So, you know, they're going to organize your transactions for you. They're going to be like a second set of eyes for your business. They're going to make sure that everything is is going where it needs to go. So you definitely when you're looking for a bookkeeper, you want to make sure that that bookkeeper is familiar with the industry that you're that you're serving. And then an accountant is going to be somebody that's going to be more on a higher level. So you might find some accountants that will also do bookkeeping, but primarily they want to focus on like the bigger picture, like strategizing your finances or helping you come up with different ways to maximize your business and deductions and stuff like that. So.

Joe: OK, and they'll the an accountant prepares your taxes.

Toni: Yeah. So you have accountants and then you also have CPAs which are certified public accountants. So an accountant does prepare taxes. I also do taxes too, but I try not to like I just do it for my family and that's stressful enough. So, yeah, I don't know how people can do taxes. That's one and the other.

Joe: As a bookkeeper, you have to know the taxes. So because we were just.

Toni: Telling you that definitely, right? Yeah. Yeah. You definitely have to know the taxes You have to stay up to date on, you know, what are the current because it changes every year. It changes every year. Like just last year, all of the business meals were 100% deductible. This year they're back to 50% deductible. So those are the type of things that you have to stay on top of. Just to make sure that you're still, you know, doing everything properly on your end as well.

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Joe: Yeah. Okay, good. Now, is there much of a difference between a real estate business and any other business? Like are there some certain things that are unique and different, or is it a business as a business? Money comes in, money goes out.

Toni: So real estate business. If you have properties, you definitely it's a different ballgame with that because you have to make sure that your properties are recorded properly so that you can take advantage of things like depreciation. Also, if you're doing fix and flips when you sell those properties, so when you purchase the property, the property is going to live on your balance sheet. And then once you know you're doing the rehab, that's increasing the value of that asset. But once you sell that property, all of that, all of those numbers on the balance sheet have to be journal entry, add on to the profit and loss. And if you don't have somebody that understands how that works or. And another common thing I get is when I do bookkeeping for somebody that's in that type of industry for a fix and flips, they sell the property and the income is actually listed as the sale price of the property. So I'll get this kickback all the time. Like, Oh, I didn't make 300,000 on that. Why does the income say 300,000 while the income is the sale price of the property? All of the expenses associated with that property, including the purchase price, will reduce that income and cost of goods sold. So then you'll have your net profit from that actual flip. But that's a lot. That's one thing that I have to explain a lot, because most business owners think that their income reported on the P&L is already inclusive of those expenses coming out, and that's not the case. Like you got to start at the top where all the income as reported, follow that panel all the way to the bottom. And that bottom line number is going to be your net income.

Joe: And if you listening to this right now, have no idea what Toni just said. That is why you need a bookkeeper.

Toni: Yes. And you know what? I do this all the time. I start talking about bookkeeping without realizing that I'm probably talking in a foreign language to most people.

Joe: Well, you know, P&L is a profit and loss statement, right? Yes. Why is the P&L so important? Explain that.

Toni: So that's pretty much a financial picture of your business. So it's going to show you what you're actually earning. So that's kind of like comparing to you waking up every morning and looking at your bank balance to say, Oh yeah, I've got this much money. But if you if you're looking at your P&L, you're going to see consistencies, like you're going to see what you have recurring. That's going to be one of those expenses that's coming out month over month. You're going to see your bottom line number and that's really what you need to be looking at as your bottom line number.

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Joe: Yeah, Looking at a historic trend.

Toni: Exactly. Yes.

Joe: Talk about the difference between a P&L and a cash flow statement.

Toni: So the profit and loss is pretty much, you know, all of your income coming in, your expenses, cost of goods sold. So it starts with your income at the top minus cost of goods sold to get your net operating income. And then you have your operating expenses minus out of the net operating income to generate your overall gross profit of your business. So the cash flow statement is just going to be a statement of all of the activities that left your account for that month. So that's also going to include things that occurred on your balance sheet that you're not going to see on your P&L. So like if you took an owner's draw, you're going to see that on your cash flow statement.

Joe: Do you put projected cash flow on your cash flow statement as well? Like, okay, what's going to be coming up soon here?

Toni: Yeah. So I do cash flow projections for I have a client that pays a lot of like, you know, seller carries and interest payments on a monthly basis. So I put together like a cash flow projection for expenses coming out just so that we can monitor, like the balances of the bank, make sure that it's going to be well funded so that there's no negatives occurring. We don't want negatives going good.

Joe: So it's important to know the numbers. In fact, I remember once I was in a mastermind with some very successful real estate investors and some that were just kind of knew, some that were really experienced and watching the reactions of the ones that were real experienced and these guys that were new, I mean, they were doing deals, but they didn't have the experience, hadn't made many mistakes yet, right. Because they were just kind of knew having success. And the more experienced investors were asking the younger investors about their numbers. And we're getting frustrated with these guys because they couldn't tell them the numbers. They were just pulling things from the air. They were just kind of guessing. And I remember one guy said, Listen to this one guy. If you don't know your numbers, you don't have a real business. So get out of fairy, feel very land or whatever. You've got to know your numbers. It may. You don't have to know them right off the top of your head, but you've got to know your numbers. At least be able to log into some kind of bookkeeping software and pull up these types of things. And I remember at the time I was just kind of, Oh, this was a long time ago, but. I wasn't where I needed to be,

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and that was a huge wake up call for me as well. So let's talk about some of the the things that you do every day, Toni. So if you're working for a real estate investor, are you just looking at their bank statement? Once a month they send you the bank statements and then, you know, you look at it and put numbers in and in QuickBooks. Is it more than that?

Toni: So it just depends on who the client is and what they're doing. But I can give you some examples of what a day looks like for a bookkeeper. So first thing you want to do when you turn on your laptop in the morning, check the bank balances, make sure there's nothing in the red. From there, QuickBooks will also link with your bank account. So you're going to go to QuickBooks. You're going to refresh the data so that all those transactions from the prior day come in. If you have a client that has a backlog, you know you're going to be busy with that for a while, trying to get everything together. So I actually took on a client probably maybe like two years ago that I'm sorry.

Joe: I'm sorry. What do you mean backlog? Backlog?

Toni: The backlog means like historical transactions that need to be categorized. So let's say I bring on a new client. He hasn't had bookkeeping done for the past year that that would keep me busy for at least a couple of months trying to get through those transactions if it's somebody that's doing a lot of heavy lifting. So I did start with a client like that a couple of years ago. They were this big, you know, doing a lot of fix and flips and developments and stuff. And they didn't have they actually were outsourcing their bookkeeping to somebody that didn't really have the experience with real estate. So when they brought me on board, I spent probably a good 2 to 3 months just recording all of their property purchases, all of their sales, all of the rehab expenses. So you'll have clients like that. They're going to keep you busy. Then you also have clients. Once you have them all caught up, you're just kind of like just checking things, making sure everything is matching, making sure everything's reconciled. Reconciliations get done on a monthly basis. I have some clients that have like special reporting that they want that's more than QuickBooks. So I'm, you know, gathering data from QuickBooks, putting together their reports that they like to see. I have some clients that if I send them a panel or balance sheet from QuickBooks, it's like a foreign language to them, so they're not going to be able to understand it. So I have to put it on a separate report and put, you know, nice charts and colors and things to make it more readable.

Joe: Yeah, Interesting. Interesting. One of the things that Tom Krol thinks is one of the things he tracks that's really important is net worth.

Toni: Yes.

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Joe: And so talk about that because I think it's fascinating his perspective on this.

Toni: Yeah. So he a he does I do a net worth report for him. And I actually started learning about the whole, you know, tracking the net worth through Tom but doing that report for him, I see the importance of it as definitely especially after doing it for so long. Now you can go back and like see how it's how it's changing, you know?

Joe: Yes. What's it net worth? What's in a net worth report?

Toni: Net worth report is going to be everything that you own and then everything that you owe. So, yeah, so, you know, if you have rental properties, if you have, you know, jewelry, stocks, things of value, and then all of your debts and liabilities and then at the end, whatever that number is, that's going to be your net worth.

Joe: It's kind of like a balance sheet for your own personal.

Toni: Exactly. Yes.

Joe: Are there some there's many different rules, I think Tom does with net worth, for example, your house does. Do you factor in you know, let's say your house is worth 500, you owe to 50. Are you adding into that net worth calculation? The difference to the net worth are only part of that.

Toni: So the primary home value is reduced to 50% right now.

Joe: Explain. I think that's really smart. But why do you.

Toni: Yeah, why? Because, you know, maybe because it's not something that you would easily sell to get money. I mean, that's your primary home is where you live with your family. If it was like. Right, Exactly. If it was a vacation home, you know that that's different.

Joe: Yeah, yeah, yeah. So then the fascinating thing about this is this is a much better measurement of your personal success than a profit and loss statement, Right? Because you can see over time how much your net worth is growing. And it also you can see it's like, I think this is what I'm saying I need to do a better job of as well and we can talk about this later. But again, it's again it's important to I don't track that as well as I should. I mean, I have an idea. I've done a spreadsheet and I looked at it a year ago, but every month tracking your net worth, is it going up or is it going down? And that's going to force you to

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think about the important things, right? Credit card debt. Are you buying assets that are producing cash flow? And is that adding is this investment opportunity going to add to your net worth or detract from it? Right.

Toni: Right, yeah.

Joe: Okay, cool. What are some let's talk software that. She used. Maybe it doesn't matter. There's a lot of different bookkeeping software. You just stick with QuickBooks like everybody else. Or do you have something else you like to use?

Toni: So I like QuickBooks Online just because it's cloud based and it's easily transferable. So, you know, if you have a bookkeeper, you add them to your QuickBooks. Let's say a year from now, you've got a family member that wants to do your bookkeeping. You just remove one person's access, add another person's access. And also QuickBooks Online syncs directly to your banks and your credit cards. It's just a really widely used software, so I prefer to use it over others. I do have experience with others. I've used QuickBooks desktop. I don't like or recommend it because wherever the desktop, the software is downloaded, that's where the software lives. So it's really hard to like delegate that or outsource that because unless you have like a VPN or some way for someone to get into your network, you can access that click.

Joe: You know.

Toni: I've used other software is like Xero X E R O. I don't really like that one. It's not very user friendly, so.

Joe: Okay.

Toni: QuickBooks Online is my preference.

Joe: Yeah. Good. Let's talk about some common mistakes you see investors make in their business.

Toni: All right? Common mistakes.

Joe: I mean, you can.

Toni: All right, so one common mistake is trying to do your own bookkeeping. That's a really bad idea, especially if you have no idea what you're doing. Also, when people try to do their

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own bookkeeping, when QuickBooks walks you through the setup, it's very vague. So it's asking you to connect your bank account. So most people connect every single bank account they have, even personal accounts. And that really like, just distorts your QuickBooks file right from the beginning. Another common mistake. Let's see. So using your personal account to pay for business transactions, that's really hard to keep track of. You don't want to do that either, because you want to have your business to be able to report all those deductions. If you've got stuff on your personal accounts, it's really hard to get that information unless you are really tracking that a way that we have to get around. That is, we just have our clients like export a CSV file from their personal account and then they remove the personal transactions, leave the business once we can get them in QuickBooks with a journal entry. But it just becomes more legwork for the client. Like bookkeeping is supposed to take you out of that rule. Like we don't want you to be doing any of that stuff. So another common mistake. Let's see. Oh, throwing away HUD statements. I had a client that I took on before and never had bookkeeping done. So once I connected as bank to QuickBooks, all of his real estate transactions came in, no hard statements, and he was like, Oh, I didn't. I had to keep those. He said he'd crumple them up and throw them away. So I had to track down all of those HUD statements from the title companies that he dealt with for like the past year. And a lot of them didn't want to talk to me because they didn't know who I was and how I was affiliated with the business. So that's really important. Save those HUD statements. Oh, yeah, promissory notes, all of that stuff. It all needs to be saved.

Joe: I use this app a lot. I forget what it's called. TurboScan, I think.

Toni: Oh, okay.

Joe: And yeah, TurboScan. There's 100 apps like this, but I'm constantly just taking quick snapshots of everything and saving them in Evernote. So when it comes to important documents and receipts, is that okay to just keep digital scanned images of those things, or do you have to keep physical paper copies?

Toni: I think the way that everything has evolved to becoming so digital that it's okay to keep the digital copies. I know, you know, traditionally, like you said, the shoebox of receipts. I've seen that before too. When I worked for a CPA back in like 2006, one of my clients was an Italian restaurant owner. Every Monday, he showed up with a brown paper bag of all of his receipts. So but I think we've kind of evolved into, you know, a newer technology age where we can just keep those digital receipts. And also with your bank being linked to QuickBooks, you also have that imprint from the bank to QuickBooks. So whatever you see as the detail on your online banking is also going to show up in QuickBooks. So it's really

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kind of hard to like fudge these things nowadays, but it's definitely best practice to keep receipts for items like charitable donations and cash transactions because it's really hard to identify what you did with cash unless you have a receipt for it.

Joe: Okay. Let's talk about payroll for a minute. What's your advice to somebody, you know, an entrepreneur, small business owner, investor who's doing a couple of deals a month, not working for somebody else. So they're not getting a steady paycheck. Should they be put should they put themselves on payroll? Should they just do owner draws all the time? What do you recommend about.

Toni: So what I recommend is if your business is doing at least 40,000 in annual sales, you want to start looking into turning it into an S Corp. So that way you can get those benefits. You eliminate the self-employment tax and but becoming an escort has you compliant or to stay compliant, you have to run a payroll for yourself. So but it's really not necessary to do until your businesses generate at least 40,000 in annual sales.

Joe: Okay. So what does that look like? Do you hire a payroll company then to write your check every two weeks or so?

Toni: What I do and I actually turn to my business and to an S Corp last year. So what I do and what I recommend is Gusto platform. It's really easy. User friendly. I created a payroll for myself that just runs in the background, set it on autopilot, and it just does everything for me. It reports the taxes for me, it generates my W-2 at the end of the year. And, you know, because if you're running your own payroll yourself, like you don't want to have to worry about those payroll tax reports and stuff because those are all deadline pressing.

Joe: And well, the most important thing is it takes out your taxes for you every two weeks, right?

Toni: Yes.

Joe: Now, if you're paying yourself on paper now an S Corp is like it's a legal entity. Right. So you have your LLC is up here and your S Corp is below. Or is it the other way around? You know what I mean?

Toni: So and, and S Corp is still an LLC. It's just your LLC is taxed differently.

Joe: Okay. Mm hmm. Clear as mud, everybody. Yeah. All right. So do you have to have an LLC and an S Corp?

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Toni: Yeah. So in order to have an S Corp, you do have to have an LLC. So it's just whether, like, usually when you first start your business, it's an LLC. They'll ask you that question when you're applying for your ITIN. If you're going to be taxed as an S Corp, typically a new business owner does not check that off, but you can change that as your business grows. There's a form that you can find on IRS dot gov form 2553 every new calendar year. You have 75 days from that new calendar year to turn that form in to become an S Corp. If you make it within that first 75 days you're asked your business can be an S Corp in that same calendar year. If you turn it in after those 75 days, it doesn't become an S Corp until the following year.

Joe: Now, if all of that was confusing or overwhelming to you soon, why you need bookkeeper, You need it. Yeah. This is something I go back to all the time. Stop asking how and start asking who exactly?

Toni: Yeah.

Joe: Start diving into these details of these legal things that are really important. How you're structuring your entities, how you're paying your taxes. You start, you can try to maybe you're really smart, you can figure that out yourself. But I'm telling you, you've got to hire a professional to help you with that and do it with you. So let me ask you a question that's always been fuzzy to me. You know, I'm paying myself on payroll and I take taxes out and then I'm still paying quarterly taxes. Why? Right.

Toni: Because your tax liability is larger than what your federal income taxes being taken out of your paycheck. So basically, the quarterly payment that you're making and those taxes coming out of your paycheck, all of that is going to reduce your tax liability that's going to be assessed to you for that calendar year. So if you were just only relying on the federal withholding from your paycheck, chances are you're going to have a really large tax bill. So.

Joe: Okay. And talk about having these big tax bills. Does number one, does the IRS require if you're a business, to file your taxes every quarter?

Toni: No, no, not your actual know, your taxes for your business are going to be due on March 15th every year. So the quarterly taxes, those are just payments that are going to go towards that payment that's going to finally be due once you do that tax return.

Joe: So is it just best practice to do that or does the IRS require it?

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Toni: Oh, so that yeah. So based on your previous tax liabilities, they will require you to do an estimated tax payment because they know, based on your history, how much you earned. So they're going to want to have that money as soon as they can get it.

Joe: And so and I'm asking this because I know some of you listening, y'all are not paying. You're doing it quarterly taxes. Mm hmm. So what happens if you don't and you just, you know, March 15th, you do your tax returns, you pay all your taxes, then.

Toni: You'll get a penalty. They love to assess those penalties. So yeah.

Joe: We have multiple accounts. And when he keeps on telling me, don't touch the money in that account. Right. Why is that? Because that's the money for quarterly taxes. Okay, so payroll, you're it's important to put yourself on payroll so that you don't have a big quarterly tax bill that you have to pay every quarter, right.

Toni: Exactly. Yeah. So you'll start if you're if you're made to make estimated payments, you'll still have to make those payments. But if your business is an S Corp. You have to pay yourself a payroll, so.

Joe: Yeah. Okay.

Toni: Yeah.

Joe: Cool. Let's see. Anything else? Tips. What are some tips you give to people to, you know, get their books in order? Maybe tips to find a good bookkeeper, what to look for in bookkeepers and stuff like that.

Toni: The best tip I can give you is if you're looking for a bookkeeper or even for a CPA or an accountant that is not a CPA. You just want to find somebody that specializes and the industry that you're serving. And I always use this comparison. It might be a little farfetched, but just like with doctors, like if you if you have a heart problem, you're not going to go see a doctor. They're both doctors, but they just specialize in different industries. So that's going to be the same with like a CPA or a bookkeeper. You don't want to go to a bookkeeper that's knowledgeable in real estate. If your business is doing something like retail and you don't want to go to a bookkeeper that's knowledgeable in retail, if your business is real estate.

Joe: Yeah. So simple. Smart. Good. Any other tips?

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Toni: Yeah. So if you're looking to, you know, get organized and you're one of those people that is still spending, you know, money out of one bank account for multiple businesses, or maybe you're using your personal account for your business. You want to right away get all of that separated. I see a lot of business owners that they'll have multiple businesses, but one business is the one that's got everything linked to it. All the money's coming in, so they're paying everything out of that one business for all of their businesses or they're receiving money into that business That's meant for another business. You just want to keep it all separated. A lot of people like to think, Oh, well, these are all my businesses. I own them all there. You have to look at them as separate businesses. Even though you are the owner of those businesses, they are their own separate identities.

Joe: Yeah, Good. Let's talk real quick. Somebody is doing land deals and somebody is doing house deals. Do you recommend two different LLCs for that?

Toni: I mean, both of them are kind of the same type of bookkeeping. But as far as like and I get this question a lot about entity recommendations, like, well, should I open up a new LLC for this or that? Honestly, that's really not my expertise. My expertise is just the bookkeeping. I can only go by what I see and I see a lot of people opening up different LLC for different lines of businesses that they do. So I mean, the best person would probably be, you know, your entity attorney or somebody along that line.

Joe: Good, good, good. Any other things that I'm missing? Maybe, Tony, You know, sometimes people are doing they have crypto on the side that they're doing right. Or they're doing some network marketing, you know, multi-level marketing. Maybe they're doing some Amazon e-commerce dropshipping business. They have different things, multiple streams of income and all of that. Even more important, then, would you agree to have a bookkeeper that can track those numbers and tell you what to keep separate and what not?

Toni: Right, Exactly. Yeah, I definitely agree with that. Yeah.

Joe: Cool.

Toni: You definitely want to keep your passive and active income separate. That's a really good tip too. So if you have rental properties in your business, you don't want to start generating active income in that business and you don't want to mix something like rental properties and e-commerce into one entity.

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Joe: Yeah, very good. All right, guys, listen, some of you right now is thinking, All right, you shut up, Joe. Tell me how I can talk to Toni. Go to Joe McCall dot com slash books, Joe McCall dot com slash books. I thought about doing dot com slash bookkeeper but I remember I can never remember if it has two ks or two ease or what but if you just go to Joe Mccall slash books that's a page where you can type some information and you can get on the phone and talk with Toni or someone from her team about doing some books for you. All right. Now, Toni, talk about what your company does for people. I know we've already kind of have, but maybe summarize it again.

Toni: So my bookkeeping service, we provide bookkeeping for all kinds of business owners. I would say about 80% of our clients are real estate investors, but we do have other industries. We actually just onboarded a client today that's a bail bondsman. So yeah, we have we're opening up to a lot of different industries Right now. I have about 50 bookkeepers that work underneath me. I'm constantly involved in their skills and building their knowledge, and I really love doing bookkeeping. That's really important when you're looking for a bookkeeper that you find somebody that really loves doing numbers because there's really no in between like you. You can't just kind of like bookkeeping, like you have to either love it or hate it. So because I love doing bookkeeping, I also love teaching it to others, too. So a lot of my bookkeepers, well, they all come on board with a minimum of two years of bookkeeping experience and a minimum of two years of post-secondary education. And I just love sharing my knowledge with them of different industries that we serve. So, yeah, so we just we run a bookkeeping service. We manage your QuickBooks for you. We provide you with monthly and quarterly reports. I always recommend to our clients to set up a recurring meeting on the calendar with your bookkeeping team. Your bookkeeping team will include a bookkeeper, a season which is a client success manager. All of our customers were promoted from bookkeepers, so they all have extensive knowledge in bookkeeping and QuickBooks Online as well. And we also have a monthly client meeting. That's a Zoom call where I just gather with all of our clients and we just talk about important deadlines, some tips, little Q&A that doesn't get too specific into like confidentiality. So yeah, it's a really great service that we have and we're definitely accepting new clients and we're excited to speak to anybody that needs help with their books.

Joe: I love it. I love it. So you have room you can take more clients in?

Toni: Yes, we have room. We've got we just got a new wave of trainees today that are going through the training that I put together for our bookkeepers. So we're actively recruiting new bookkeepers and we're actively recruiting new clients. Always.

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Joe: Well, good. Toni, thanks so much for being on my show. Thanks to you and your company. Our guys again, Joe McCall dot com slash books, Joe McCall dot com slash books and just get on the phone and talk with Toni. One more question I had Toni what kind of range. I know it depends on the business and how complicated it is, but what kind of range can a person expect to pay for a good bookkeeping service?

Toni: So our range, we have a really simple pricing tier. So if you're if you're a transactional business, meaning like let's say you're just a wholesaler working from home, you're getting assignment and come in and you're paying out, you know, some lead generation expenses, Your transactions are less than 300 a month coming through your business bank account or any accounts connected to your QuickBooks. We can do your bookkeeping for 147 per month if you have it as it really is and if you have any backlog of transactions. Again, a backlog is if you come on board with us, you haven't had bookkeeping done for a whole year, but you got a whole year to catch up. We have a backlog fee. It's just an additional monthly rate for up to every three months of backlog. So just consider it like another monthly rate for every quarter of clean up. But if you're a business that's acquiring properties, whether it's for a fixed and flip buy and hold Airbnb or just managing properties, that rate is 247 per month and it's just a little more detail and time intensive.

Joe: Yeah. It's a really good deal. Pays for itself. Multiple. Multiple.

Toni: Yeah. And it's also a business deduction.

Joe: Yeah, that's right. Yeah. All right, Toni, thank you so much. Joe McCall dot com slash books Joe McCall dot com slash books. Appreciate you, Toni. Thank you so much. Any final parting words?

Toni: I look forward to speaking with you guys. I love helping business owners get their books in order, Just seeing the gratification on their faces once they actually see their numbers and their financial statements. I really enjoy that. So I'm looking forward to speaking to every one of you that reaches out.

Joe: Okay. Thanks, Toni.

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