



# Independent Realtor Finds a Home with Barsz Gowie Accountants and Financial Advisors

**DISCOVER** how Barsz Gowie helped a realtor maximize profits.

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**LEARN** how partnering with a full-service accounting firm, with expertise in real estate, can change the paradigm of your real estate business.

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**READ** about how Barsz Gowie can help answer the financial questions you might be agonizing over on your own.

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## Overview

Realtors need to be efficient and organized. They need to understand and remember countless details to ensure their clients find the right homes. They work morning, noon, night and weekends, and barely have a chance to breathe, let alone figure out the financial intricacies of their business.

When it comes to running a realty business, many questions emerge:

- ▶ Should I be set up as a sole proprietor, a type S or C corporation, or something else?
- ▶ Should I use accounting software? Which one? How?
- ▶ When and how often should I file taxes?
- ▶ Am I taking advantage of the right tax deductions?
- ▶ How do I track profits and losses, general business trends, and growth opportunities?

Many independent realtors—those not affiliated with a large realty firm—rely on the expertise of a Certified Public Accountant (CPA) to help them with taxes at the end of the year, but only the most successful rely on a full-service accounting firm to help them make sure their business is financially organized and set up for growth and success.

## Client Scenario/ Challenges

Consider the realtor who works from a home office. He creates a solid business with multiple listings and has a significant book of sales to his credit. He's respected by clients, and benefits from numerous referrals.

The realtor's business is originally set up as a sole proprietorship with no automated method in place for tracking mileage and other business expenses, or business performance.

At the end of each year, he scrambles to get all financial records in order, and hands them over to an accountant to file taxes, remembering to put away a significant amount of money to pay an anticipated tax bill in April.

It soon becomes clear; the realtor needs help running the business more smoothly, needs to alleviate some of the stress and anxiety in making financial and tax decisions, and also needs help making the most out of sales and profits. In short, he needs more than a CPA; he needs a financial advisor and business partner.

That is when the realtor turns to the experts at Barsz Gowie Amon & Fultz (BGAF).

## BGA&F Solutions

Barsz Gowie Amon & Fultz (BGAF) has created a niche helping independent realtors across the Delaware Valley with every financial aspect of their business.

In this case, they started by sitting down with the realtor to find out as much as possible about the specific realty business and sales, and the overall accounting and financial needs.

Early on, they help change the business from a sole proprietorship to an S corporation, offering a tax benefit. BGAF then performed an analysis based on the business' profitability, revenue, and average salary range, and determined an appropriate salary amount to pay the independent realtor as owner. (S corporation owners generally pay Social Security and Medicare taxes on an owner's salary instead of on the entire corporation's yearly profit. However, this is subject to other IRS rules, so consult a CPA first.)

Next, BGAF sets up an organized accounting system using QuickBooks, and walks the realtor through the steps on how to use it to log expenses, sales, checks, and more.

The CPA team begins to gain a clearer picture of how the business was performing. They examine revenue compared to the prior year, and analyze expenses to spot trends and pitfalls, finding ways to help overall profitability.

BGAF then looked at the amount spent on advertising (a large expense for realtors), compared it to revenue, and even examined the media buys, making suggestions on how to increase advertising return on investment (ROI).

The CPAs also looked at potential ways to reduce the tax burden on profit, including retirement contributions, expenditures such as vehicles, office equipment, and furniture, and other assets that could be deducted using depreciation rules to reduce tax liability.

BGAF estimated the amount of tax that would be owed that year, suggesting a plan to pay estimated taxes more often so there wouldn't be an enormous tax bill at the end of the year.

In addition to buying and selling real estate, many realtors also own rental properties. In getting to know each client and each business, BGAF often advises realtors on tax implications associated with the real estate investments they have as an added value.

Also, realtors drive their cars—a lot! So, BGAF often performs an analysis of the vehicle(s) the company owns along with the potential tax deductibility of each vehicle. This analysis provides a significant tax deduction for realtors in the first year after vehicle purchase.

## Results

The results were astounding!

Changing the realtor's business to an S corporation reduced Social Security and Medicare taxes. BGAF helped the realtor set up a SEP-IRA account, reducing taxes each year—and saving money with interest toward retirement. The accountants make suggestions each year on the amount to be contributed.

The realtor now makes quarterly estimated tax payments, helping him budget evenly during the year and reducing the anxiety that comes with a big year-end tax bill, which is a cash flow crisis for many closely held businesses.

New accounting system helps the business owner stay organized with accurate records of business transactions throughout the year.

Quarterly meetings with BGAF advisors help reduce anxiety, anticipate financial bottlenecks, and plan for future growth.

Partnering with BGAF not only helped the realtor save on taxes, it also put him back in control of finances and overall business performance as the owner of the company.

*Can we help you?*