



LNP 160

7 Tax Hacks to Save You Money

Quyhn Vo

Pat: Welcome to Legal Nurse Podcasts. This is Pat Iyer and today I am interviewing Quyhn Vo, who is an accountant who helps entrepreneurs put more money back in their wallet by utilizing "7 Tax Hacks" that we're going to cover in this program.

Quyhn and I met in Canada at a coaching event. She and I shared a cabin for a weekend and she was very kind in helping to keep that little firebox roaring with wood.

Quyhn: Thanks to my Scouts background.

Pat: Her Girl Scout training came in handy because honestly keeping a fire going inside of a little firebox is not one of my skills. She made sure that I was never cold.

Quyhn: That's one of my many gifts.

Pat: Wonderful.

Quyhn is a Freedom Evangelist. She empowers women to step into their greatness and to be free from money worries, dead-end jobs, feeling inadequate or mediocre lives. She wants women to be free to be themselves and to be proud of who they are no matter what their background, job, business, appearance, weight or bank account looks like. Quyhn, welcome to the show.

Quyhn: Thank you Pat, it's a pleasure to be on here.

Pat: Let's go through the "7 Tax Hacks" that you have mentioned. I know that our listeners who are business owners are going to be very interested in knowing what they can do to save on their taxes. I would love to be able to jump right in. Tell us about the first one, one of my favorite ones that I have used over the years, which is hiring your children to help you with your business.

Quyhn: You jumped right in Pat, but before we do go into the detail may I just say that I love entrepreneurs. I love to provide as much as possible value and good advice so that they can go out and serve other people, especially in the nursing and the healthcare industry. I find that you have got to have heart, especially if you can combine that with some financial background it would be much better for your own freedom and for your own lifestyle. Thank you for letting me share these "7 Tax Hacks" to your tribe.

The first hack is hiring your children in your business. If your children are very young, like less than 7- or 8-years-old, you can use their pictures in your own marketing materials. They still qualify, like a contract or something that you can do one time per year or as much as you need it for your promotional marketing materials. If they are older and depending on the kind of work they can do for you, you can literally pay all their education fees, all their toys or whatever classes you want to give them. You pay them as an employee or as a contractor so that they get to use all that money and get up to \$6,000 tax free every year. Meanwhile, you as a business owner get to deduct that \$6,000 against your highest income tax bracket.

That's quite a lot of tax saving right there with hiring your children. You can also hire your spouse or your other dependents. It all depends on who's in your family. The key is that this is a great income splitting strategy in your family.

Pat: That's a wonderful concept. I remember doing some bulk mailing with my son when he was about 6-years-old. I was trying to make it into a fun event. We were putting stickers on envelopes and he said to me "Mommy, when you were a little girl did you do bulk mailing with your mother?"

Quyhn: What a cute thing.

Pat: I have heard of legal nurse consultants who have taught their children how to use the copier, and that became a game and event. Never underestimate the value a child can bring. They can do little things for your business that will help with that tax hack of hiring your children.

Quyhn: Absolutely and not only that if they are on your payroll their education can be paid by your business if you want to send them

somewhere to take some courses. Even with life insurance, you can pay for their life insurance and then make that into a business deduction from your business income. All these extra bonuses come from hiring your children. That is a fantastic way to teach your children the value of money management and providing value right from an early age.

Pat: I think both of my sons turned out entrepreneurial in part because of their very early exposure to the fact that both of their parents owned businesses.

Quyhn: It was very wise of you to do that.

Pat: Tell us about the next one.

Quyhn: The next tax hack is your home. Now if you have a business, you will need to use part of your home for your business events, working space or even like you said with that bulk mailing thing. You probably needed to work somewhere in the house to get all of that sorted out. Ideally you would like to create or have a place in your house designated for your working area whether it's a place where you meet your clients, just a space where you talk on the phone, work on your computer, do admin work or any kind of work-related activities.

In that space we call that your business use of your home. Depending on how big that space is and let's say it's 10% of your house, you can deduct 10% of all your home expenses, which includes property tax, insurance, utilities, renovations, cleaning and basically anything that upkeeps your house. You get to deduct a percentage of that home expense based on how much space is used for your office. Typically, 10% is very reasonable. Some claim up to 20% depending on the structure of the house, but that is one way. You can use your home and deduct probably at least a few thousand dollars extra per year using that strategy.

The other way you can use your home as a great tax hack is by renting your home to your business for an event for your business whether it is a promotional marketing event, if it's a board meeting, if it's a training event for your staff, a meeting space for your prospects or just like a client appreciation day. Any of those events, you can rent your

home to your business up to 14 days per year at the standard hotel cost.

Typically for you to rent a hotel room, it would be probably about \$500. That was the last time I did it for like four hours to rent a room in a hotel space. You have that kind of market or appraised value or the cost of renting a hotel space. You can rent your home for up to 14 days per year at that market value and your business will get to deduct that expense against its income, but on the personal side you don't need to claim that income because it is less than 15 days. You get to rent to rent your house for up to 14 days for free every year, but not more than 14 days unfortunately. With that kind of rental, that is a big deduction every year. You can literally deduct like \$10,000 every year just using this strategy.

Pat: That's a great point. I have a coaching program and the people who are in my highest level of the coaching program have two days in the spring and two days in the fall with me intensively working on their business. We had an event at our house last fall that lasted for two days, not including the evening time when they landed, and we used our home. I never thought about that event as being tax deductible.

Quyhn: You can always go back and just issue yourself a receipt. With all these kinds of rental agreements, you do need to provide your business a receipt basically so that your business pays you for this rental of your space.

Pat: Very nice.

Quyhn: Yes.

Pat: Tell us about the next one. I know that they may involve automobile travel or automobile expenses. How does that all fit together?

Quyhn: When it comes to traveling whether it's driving your own vehicle, a taxi or basically any kind of traveling mode to get from one place to another for your business activities, you can deduct that against your business income.

Now with auto there's two ways you could use your tax deductions, one is using a standard mile rate which, in 2018 right now every mile you drive for business, you get to deduct 54.5 cents. That is like a flat

rate, so that means at the end of the year let's say you have driven 5,000 miles for business purposes so that means you just got more than \$2,500 in tax deductions from your auto expense.

The other way that you can use your auto expense as a percentage of the actual cost of this vehicle would include all the expenses that go into your car whether it's the lease, the gas, the maintenance, the insurance and all that stuff. With the actual cost, you need to be aware of the percentage that is used for business.

In my opinion I usually suggest my clients just go with the standard mileage rate because it's a lot simpler, it's cleaner and it's a lot easier to manage your mileage from your appointments vs. having to go through all the actual costs and doing all the bookkeeping of the actual cost of your car. With the actual cost, you need to have an auto log that needs to show a lot more details vs. if you just use a standard mileage rate. Your appointment book is literally all you need. If you were to go anywhere for your business purposes, typically 5,000 miles per year is very reasonable. Most people have at least that much if they're in an active business, but if not, it could be less. The thing is for you to claim any kind of auto expenses all you must do is show your appointment book and basically your business activities. Basically, know how much miles were used for your business purposes.

You can include all the trips that you might have to drive long distances. If you went to see a client and let's say you must drive two or three hours away as a mini vacation or something like that, if you were to have a meeting with your clients, your prospects, vendor or anyone that is business related and have that meeting set up beforehand, then that entire trip will also be tax deductible. That really adds up when it comes to the mileage.

Pat: It's common for legal nurse consultants to drive to attorneys' offices and to drive to the courthouses. Those are probably the two most common destinations and then life care planners may be involved in driving to see people who have been injured to interview them and do assessments. We're on the road a lot, so that's really an important one for us to think about.

Quyhn: The other way that you can maximize the auto deductions is to have two cars. If you just reserve one car for your business purposes, then that entire expense for that one car it would be easily monitored. You can keep track of those expenses much easier than having one car to separate between personal expense and business expense. Some people have two cars and some people don't, but if you just have one car make sure your appointment book is clear on where you go, and the miles traveled. If you have two cars, it's much easier. You can just take that one car and reserve it for your business expenses.

Pat: Okay and was there anything else in addition to what you talked about that relates to travel expenses that we should cover?

Quyhn: Travel is a totally different category because it's a lot bigger. The last category was auto. The next category is traveling expenses, which I coined, "How to Turn Your Personal Trips into Business Trips by Doing a Few Extra Steps." The only thing you need to do is basically make your personal trips beneficial to your business. If you have a business meeting like a Bar Association meeting, a client meeting, a service provider meeting with your lawyer or accountant, or anything that is business related you can combine pleasure and business into that trip.

Most likely you can make your vacation into a business trip if you just plan a little bit extra, whether it's an appointment before hand or an appointment while you're there and getting more appointments. A lot of times when you are there meeting with one person, that person can tell you that you should meet this next person. That would lead on to the next appointment and things like that. If you have one appointment lined up before you go on any trip that entire trip could be categorized as a business trip for you.

Typically, you do need to have an agenda for your trip. You cannot just go and say, "I'll just speak with whoever happens to be on the road." You need to have an agenda for your trips. "I'm meeting with Mr. A and we will talk about this part of the business." Mr. A could lead to a Mr. B or a Mr. C, but then that doesn't matter because the main thing is how do you turn all your personal trips into business trips. The way to do that is to do it in a way that it benefits your business and it has a business purpose to that trip.

The other thing is if you have a corporation it is mandatory for you to hold a board meeting at least once a year to make a lot of decisions on your corporation otherwise your corporation would be invalid. That means you are required to hold at least one board meeting a year anywhere you choose. That means you can literally take a vacation to somewhere you want as long as you and the other board members are at that meeting. You're able to really turn your personal trips into business trips and you do need to have a board meeting and need to have meeting minutes for that event. You need to do it anyways for your business, so you might as well make it a profitable and pleasurable trip and deduct it.

Pat: So, spouses can be on the board and then they can be involved in that board meeting?

Quynh: Absolutely and if you hire the children they can be at the meeting as well. These meetings are basically decisions that you need to make on your business for the benefit of the business, the staff and all the key people involved: employees, board members, even advisors like your mentors, accountants, lawyers and anyone who can help you in your business. You can combine all that into this trip, so therefore literally it is so easy to turn a personal trip into a business trip if you do some planning ahead.



Smart Money Management

Before I continue with the show, let's talk about one point: You know that controlling expenses and keeping good track of your income is vital for your business. In my online training presented by an accountant, you will discover what you should be doing from this skilled accountant. Learn simple and

straightforward ways to manage and understand your money so that you can use that information to grow and better manage your business. You won't want to miss this.

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Pat: Let's move onto health. I know that was another one of the hacks and it certainly is something that we think about a lot in the States because of the cost of healthcare insurance and healthcare expenses. Are there tax hacks that we can use with health insurance?

Quyhn: Absolutely. In fact, I'm sure in the U.S. your healthcare is probably one of the most expensive costs for families and if you have a business that is one of the reasons why you should have a business. All your health expenses could be deducted from your business income and covered by your business expenses.

Now there are two ways you can do it. You can buy like a group plan for all your employees or you can set up a private health savings account. In the U.S. it could be called a "Health Savings Account" or something like that where it is administered by a third party, but you get to decide what your employees get to have every year in terms of health care (insurance).

A lot of the group plans have limitations on what you can do whether it's Lasik surgery on the eyes, braces, implants and things like that. I know that some plans have better coverage than others and if you want to do a lot of cool stuff in health care and alternative care, things that the regular group plans may not cover, you should just go straight into the private health savings account. Therefore, you decide what is covered under your plan for your employees.

Now if you hire your children, your spouse or anyone in your own family then that means they get this benefit for free. Your business is paying for the health care instead of you paying for it after tax dollars in your personal income.

I don't know about you, but I know that each of these expenses cost quite a bit, a few thousand every year and then if you have two kids that's like \$10,000 a year easily. In terms of health expenses this is one of the biggest tax hacks for your business.

Pat: It's a huge issue for small businesses. At one point I was spending so much money on healthcare insurance I could've hired a person for the same amount of money that I was spending. I think it was at least \$40,000 or \$50,000 a year to provide coverage to a very small group of employees. I know that the people who are listening are going to be

very interested in knowing how to deal with that issue because it's a huge problem that we have, and we can't afford to not have coverage. We can't afford to get sick either.

Quyhn: The good thing about setting up your own private health savings account is you get to decide what is covered for your family. This way is a lot more beneficial to your own family than if you were to buy a group plan. The sky's the limit when it comes to health. You set the standard and you set the rules for all these benefits for your own staff.

Pat: Tell us about the last two. I know we have covered five so far. We have talked about children, home expenses, auto, travel and health. I know you have got a couple of more.

Quyhn: Yes. When it comes to entertainment I don't know about you but being in business is all about having the freedom and having the lifestyle. That's what I love about being my own boss and entertainment is part of the package. It's part of the business expenses. It's part of just enjoying life.

Now if you were able to convert like most of your entertainment and meals into a business deduction, how would you like that?

Pat: That would be lovely.

Quyhn: Me too and you know what, that's what every business owner should do. If you were having a meeting with anyone or if it's your friend and that person can provide you a prospect, a name for your business whether it's an advisor, whether it's a client or whether it's a vendor. When you're in business there's three types of people who you deal with whether it's your clients or your vendors, which means that you need to buy something from your vendor or get advice from your accountant or lawyer so basically the services that you need.

Those are the three types of categories of people who you deal with. Having meetings with either these three types of people or people who can refer you to these three types of people would qualify it as a business meeting. The point is you need to turn all your entertainment, meals and outings in such a way that it will benefit your business.

You talk about your business. You talk about what you need right now. You talk about the challenges that you're having, or the good

things that you're having and what you need more of or what you would like to have more of. It is a normal conversation anyway. When you meet anyone, you would ask them how they're doing in their business if they had a business and you would converse and talk to them about what's going on in your business, what you need, what's going well, what is not going too well and what you would love for them to help you with. That conversation now becomes a business meeting and then therefore 50% of that expense is deductible for your business.

The trick to turning the entire meal, event or entertainment from a 50% deduction into a 100% deduction is whether it's a trading event or a promotional event which includes a few more people. Let's say you have a party of four going to a restaurant talking about your business. Now you invite those four people into like a more luxurious place whether it's a hotel event or even in your home where you're hosting this party. The thing is the fancier you make it. . .

It doesn't matter how much you pay for these expenses. It depends on the intention of your meeting. This meeting, the intention of it is business purposes. That means the entire event cost will be 100% deductible whether you're serving wine, caviar, lobster or whatever it is. Basically, if the intention of that event for that meeting is training or promotional marketing, all of that would be 100% deductible. Just an outside meeting with a client and only 50% is deductible, but if you turn it into like a meeting where your staff is being trained or you're inviting vendors, clients, prospects, friends and referrals all of that now becomes a promotional event.

There are two big events that you can do that would be 100% deductible, which is a training event for a staff or a promotional event for your business. I think it's very easy to do either one of those.

Pat:

It reminds me of a night that I went together with another vendor and we rented some space, catered a meal at a hotel and invited some attorneys in to talk about our services. I think it cost me \$800 to do that event and I got thousands and thousands of dollars worth of business because of who was there and what I was sharing with them about how I could help them with their cases.

Quyhn: Especially if you were doing all these gatherings already anyways why not make it beneficial to your business and turn it into a 100% deductible event?

Pat: Let's talk about the last one in terms of gifts.

Quyhn: The last one is one that I really love because the whole purpose of being in business is so that you can keep more money, make more money and have more flexibility in everything you do including giving gifts.

Normally if you were to give someone anything that would have been after tax dollars, which now you have a business. Any gifts you do could be geared towards two types of people.

The first type of the people is your internal staff members, which is your employees or your contractors. You need to have at least two employees in your company if you want to take advantage of this gift, which I call "Employee of The Month". If you have two or more employees in your business, now every month you can have a gift for the "Employee of The Month". That could be a trip to somewhere if it's a good month or it could be a spa, a restaurant voucher, or anything that you want to give away to this employee to thank them for their service and good work.

The other type of people would be your external clients, vendors, prospects and advisors. I would call it for them "Promotional Gifts" because now anything you give them will also qualify as a business expense. Instead of buying them a Christmas gift, which you already would do anyway for your clients, for your favorite advisor, accountant or lawyer, what it means is now any time you want to spend any money to thank them for their service, for being a loyal customer, for referring new clients to you all those expenses would qualify as a business deduction.

When it comes to gifts it could be anything you want. It could be a gift card. It could be a trip. It could be a machine, a product, a phone, or anything that you think that person would appreciate, that you think would benefit them in some way or they would like to receive it. In the end, what you want is to keep them happy, to thank them for their service and to thank them for being your customer. I think giving gifts

is probably one of the best ways to keep that relationship growing. Your business will keep growing as well thanks to all these clients referring you to new clients, and even your vendors referring you to new clients, your advisors and all that stuff. I would highly recommend this category as well.

So far, we have the seven big deductions that I feel that a lot of business owners have not maximized. The only way that you can lose by using these tax strategies is that you didn't make money back by using these tax strategies. The main thing is having the freedom and turning all your personal expenses into your business expense is a benefit of being a business owner, being self-employed and of being on your own. Being an entrepreneur there are a lot of challenges for you already, so having these tax hacks or having these tax strategies working for you is a big bonus of why you are in business. It's for all those headaches that you face.

Pat: Tell us how our listeners can find out more about you.

Quyhn: I have an eBook listing all of these "7 Tax Hacks", which also includes the tax codes. You can bring it to your accountant or bookkeeper, so they can help you maximize your deductions. You can claim that gift at the website www.the7taxhacks.com/Pat.

Pat: Wonderful. Well Quyhn, thank you so much for being a part of the show. I know that you have stimulated some thoughts in me and I hope in the listeners who are thinking about I need a log for my miles and gifts. Lots of new ideas came out of this show.

Quyhn: One last piece of advice before I go is when you do business deductions plan for the IRS audit because if you get audited there's no fear. If you did pay for these expenses for growing your business there's no fear that these deductions will be denied. A lot of people have a fear that they should not do these things because it might give me a red flag and audited but being audited has nothing to do with how much expenses you deduct. Being audited is a matter of luck or chance that the government just basically chooses your file by random, but in fact it is the government's intention to at least audit everyone at least once in their lifetime. We don't know when that is, but the key is to deduct as much as possible and just be ready for an audit and have no fear.

Pat: Well we have already been audited, so hopefully that takes care of us for the rest of our lifetime.

Quyhn: Now you just must keep maximizing your deductions.

It was a pleasure talking to you Pat and thank you for giving me the opportunity.

Pat: You're most welcome and thank you for listeners for being part of Legal Nurse Podcasts. We will be back next week with an interview with a new person. We appreciate your comments and reviews. Be sure to check out the other shows that are a part of Legal Nurse Podcasts and share the information about the show with other legal nurse consultants that you know.

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