

WHITE PAPER

INTRODUCTION STARTING OVER, AND OVER (SOO)!

The SOO case is about a young Realtor who started her real estate career right out of college. With a strong desire to be in the industry, she began her real estate career as an administrative assistant, and worked her way into a sales position at a local real estate office in the Northwestern corridor of the US. After building a successful business in the Northwest, she had to make a life changing decision. Should she follow her fiancé to the Midwest, while he attended medical school? Or should she stay in the Northwest and continue to grow her business?

Judy decided to take the challenge and build a second real estate business in the Midwest. She joined a traditional platform with a 60/40 split. Her business grew quickly, but she did not like the idea of giving such a large percentage of her commissions to her broker. Judy found a niche office with minimal overhead expenses where she was able to switch to a 90/10 commission split. She now had two locations that were generating significant income for her, and because of her ambition and hard work, Judy was recognized with the Rising Star Award in 2016.

THE CHALLENGE

Within three years of her move to the Midwest, her business was grossing \$150K in revenue annually, and she was paying 32% of her income in state, federal income and wage taxes. On top of her growing tax bill, her fiancé's school loans were rapidly increasing and there was growing concern over how long it would take to pay back the loans when the government was taking such a large piece of her commissions.

Was there anything they could do to increase their cash flow and start paying down his school loans?

In the middle of our dialogue over how Monotelo helps Realtors® reduce their tax liability, Judy and her fiancé got married and decided to move back to the Northwest as soon as he finished school. Her new husband had a nice position lined up in the medical field, and Judy was planning to pick up her Northwest-based real estate business where she left off.

With the addition of her husband's new salary, the likelihood of being pushed into a higher tax bracket was high. Combining the high federal income tax bracket with the self-employment tax and state income tax, they were going to be paying close to 50% of every marginal dollar to the federal government as her business income grew.

THE SOLUTION

Judy and her husband struggled with the decision to implement our strategy, because of the added complexity of their move back home. After considerable thought, they decided to move forward and implement our recommendations in the fall of 2016.

The Monotelo team made sure Judy's real estate business was properly structured to apply the tax code in the most efficient way possible. By changing the way Judy received income and structuring her new business to take advantage of provisions in the revenue code, Monotelo reduced her tax liability by \$8,000.

The increased cash flow had a significant impact on their ability to start paying down her husband's outstanding student loans. What a relief!

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At Monotelo, our focus is more than tax preparation; it is to make a difference with actionable and meaningful financial solutions that positively impact our clients' lives.