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Chiropractical Episode 7

Guests: Trent Burley, Dr. Evan Gwilliam, Amanda Westerhold, Rebecca Westphal

Chick Herbert: Hi, everyone. Welcome to ***Chiropractical***, brought to you by the Miles Away Business Credit Card. My name is Chick Herbert, and I am one of your co-hosts. Thank you for your tremendous response and support of our prior episodes. ***Chiropractical*** is a podcast about chiropractors for chiropractors. At NCMIC, our motto is we take care of our own, and this is just one more way that we demonstrate that.

Melissa Knutson: Hi, everyone. This is Melissa Knutson, also a co-host on Chiropractical. And through these episodes, we will bring you specific and actionable information you can apply to your practice.

This episode is all about your money. How will changes in Washington impact your practice financially? If you're just getting your practice up and going, how should you get your financial house in order? Maybe you need a little end of the year financial tune-up. And what do you need to know about disability insurance? Do you even need it? Our experts will weigh in on these topics. So let's get started.

Chick Herbert: They say the tyranny of the urgent often gets in the way of planning for the future. That is especially true for many of you because the urgent involves keeping your practice running during a pandemic. And the fact that we're in an election year, that makes the future a bit hazier due to anticipated tax law changes. I don't know if you're like me, but even though I know it's critically important to plan for my financial future, it doesn't always make it to the top of the list and all of this can be a bit overwhelming. That is why I am so excited to introduce our next guest, Trent Burley. Trent is the director of Planning for McGill Junge Wealth Management, and he brings a deep and broad knowledge about creating and executing financial plans. So Trent, welcome to the podcast.

Trent Burley: Thanks for having me on.

Chick Herbert: You bet. It's great to have you here. We really appreciate it and I'm excited to share some of your knowledge and insight with our listeners. So, as I mentioned, and as you know, our listeners are very busy running their practices and they have limited time. So do you have any advice for how they make progress on this topic?

Trent Burley: It really comes down to three things. One, keeps things simple. As you mentioned, tax law changes election year. It's very easy for things to get complicated very quickly. So keep things simple.

Two, use teammates, for lack of a better word. I would categorize whether it's a financial advisor, a CPA, a good bookkeeper, an attorney. Good advisors that can help do things that aren't in your skillset and aren't your highest and best use of your time so that you can focus on seeing patients and running the business.

And then I think the third piece is prioritizing and executing. I think as we work with clients, regardless of their background or occupation, that's important, but even more so for business owners, because you have so many things on your plate, you're balancing your family life, trying to run a business in the midst of obviously a pandemic and everything else that's going on. So being able to pick the biggest pain point, risk or even the opportunity. It doesn't always have to be the bad things that you focus on, but focus on the good things. Find a simple solution and use your teammates to get on the same page and implement it.

Chick Herbert: I know you work with a lot of small business owners, similar to our listeners. What are the things that are top of mind for people right now?

Trent Burley: Tax law changes. Anytime that there's going to be changes, there's uncertainty. What's that going to mean to me in my situation? There are some good resources that are starting to come out. There are some resources out there that can help identify what your tax picture looks like now, what it would look like under a new administration. And I think for what we're seeing right now that there's not going to be a lot of changes, but it's important to start to think through those changes and how that can maybe change your game plan as you head into 2021.

Cash flow is always a big issue of just how do we protect that? How do we make sure that that's going to keep coming in? Some businesses have been disrupted this year. It's been a good reminder on the risk management side to have all of our ducks in a row there.

The last thing I would just add is making sure how do we find ways to help if we are employing people, what are some ways that we can help retain them? We know that they can help immensely, especially when things get challenging, keeping everything going. So how do we find ways to retain them and reward them going forward in a tax-efficient, cost-effective way.

Chick Herbert: That's great. And you mentioned some resources about the Biden tax plan. So can you just give an example of one of those resources and what that might be?

Trent Burley: I think we can post a link. There's a tax calculator from Eaton Vance, which is a mutual fund company. They've put together a great resource that's very simple, very intuitive to use. You plug in where you live, what your income is, and it shows where all of your taxable income's at now, and then how that would change under the Biden proposal that obviously still needs to be passed. There's a lot of things that need to be done there, but it's at least gives you some idea and some planning heading into next year so that you know, where things could potentially be.

Chick Herbert: That's great. Yeah, lots of things still to be settled, but at least it's nice to know that there's some resources out there. I don't want to make any assumptions about what people know and what they don't know, because again like me, I think I know a lot. And then I forget about it and I gotta be retold. Can you explain, for example, the difference between an IRA and a Roth IRA?

Trent Burley: Well, obviously the IRS likes to keep us as confused as possible with different letter and number combinations, but effectively when we see the word Roth in front of whether it's an IRA or a Roth, IRA Roth translates to tax-free is part of the IRS code that allows you to save after tax dollars.

So after you either pay yourself or receive your salary allows you to save those after tax. But as you save those, they then grow tax-free forever. And so we don't have to pay any tax on the gain. We don't have to pay any tax when we take money out of the account. But with that comes some limitations.

There's limitations on how much can be put in, how much income we can make before we can't put into those vehicles anymore. And then also when we can access them. On the other hand with the IRA, IRAs were traditionally a pre-tax vehicle. So it was a way for us to defer income into the future. And now that's this same case with a 401k. So we're doing that on a pretax basis. So if we make $100,000, contribute $10,000 into that, the IRS looks at it that we made $90,000. The Roth on the other hand is we make $100,000, we get taxed and then we save that $10,000. So it feels a lot better in real time. It feels better now to contribute to things on a pretax basis. But there's definite advantages to the long-term tax-free growth inside of a Roth that your future self will definitely thank you for when you get into retirement. And now we're not in partnership with Uncle Sam on those dollars any longer.

Chick Herbert: Is it safe to say that in addition to the growth, the biggest thing is you don't know what the tax rate's going to be when you retire, depending on how far away retirement is?

Trent Burley: That's a great point. There's definitely a lot of tax risk in the future and this is especially a no brainer if you're young in practice and just getting going and the income isn't where you think it will be in five years, 10 years, 15 years. You're going to be in higher tax brackets in the future, in that situation. So it makes more sense to avoid the tax deferral now, pay your taxes now, so that when we are making more money in the future, all those dollars are still growing tax-free okay. And also not only just from the fact of making more money in the future, but also just where tax rates can go. It's never fun paying taxes, but we are on the low end, historically, from a marginal tax rate perspective and the risk and the threat that we're starting to think through is what does all of these, you know, trillions of dollars of debt that we've taken on as a country at what point in time is the bill going to be due on that?

And at what point in time do we see tax rates increase? And we just don't want to be holding all of our dollars that still need to go through the tax code in the future when that ultimately happens.

Chick Herbert: Great answer. It makes sense and seems so simple and logical, but again, it's not, and it can be confusing and there are lots of variables. One thing you mentioned in your response was new doctors. I would like to get your thoughts on how do you balance if you've got student debt or you've got credit card debt, or you've got other debt and paying that down versus investing for your future in one of these vehicles?

Trent Burley: I think ultimately it comes down to first setting up a plan coming out of chiropractic school is coming up with that game plan first off of how are we going to pay off that student loan? What are the interest rates at? How aggressively can we pay it off? What's the original term of the note, what's that say? And then if we want to pay that off, sooner than that, how much more do we need to contribute on a monthly basis just to get that done? So that's always the first ground rule, whether we're working with a chiropractor, really anybody coming out of school that has taken on student loan debt as that's been the financing tool to get to where we're at. And that's given us the ability to now create income so we need to take that into account before we pay ourselves that income. We have to pay that back first, before we can go forward. But that doesn't mean we can't save other ways.

And one of the simple rules that we encourage people to follow, it's an easy one to remember it's a 20, 60, 20 rule where we pay ourselves first, 20%. We live on our essential, fixed monthly expenses, rent or mortgage, keeping the lights on groceries, gas, all the things that we have to pay for with 60%. And then that leaves the 20% to have more fun, to actually enjoy life and not just be focused all the time, because we know that if we can stick to that rule, there's very few things, things that can take us off the path for not being able to retire someday and not being in a good financial position.

So if we have some extra student loan debt, we either need to build it into that 60% if we can keep our other expenses pretty low or potentially we make that sacrifice of maybe it's only 10% fun for a few years and get some of that knocked off and along with that would be credit card debt. We want to prioritize the high interest rate debt first. If we have multiple sources of debt or liabilities that we need to take care of can be as simple as just listing them out on a spreadsheet. Here's how much we owe, here's what the interest rate is on that debt, and then just start whacking away at the high interest stuff first and then apply those payments to the next one.

You still obviously need to make minimum payments on everything else, but building that into some type of framework, knowing how long does it take if we just pay this off by default, how long is that going to take? And that can sometimes be kind of a scary long period of time, and we may want to speed that up, then it's filling out a budget and knowing where everything sits in and sticking to a 20, 60, 20 rule.

Chick Herbert: It's interesting because when you talk about financial planning, just the concept can be intimidating. And what I'm listening and hearing from you is having a plan doesn't mean you have to have the most complex financial plan in the world. It could just be starting by understanding your liabilities, your goals, where you want to go and take the first step. Is that a good understanding of what you're saying?

Trent Burley: With some areas of financial planning it needs to be complex, whether it's from a legal standpoint or something else, but most of the time, just to get the ball rolling, go with the simplest solution, create that environment that makes it easy to stick to. If we can stick to the simple thing, we have a much better chance of success than if we create a big, complex thing that we don't understand, and it's hard to remember, and it's also just burdensome and painful, we're not going to do it. That's human nature. We're always going to look for the easy way out if that's just how things are. So we just need to create that environment to make it simple, make it easy to understand and put things on autopilot as much as possible.

Chick Herbert: So when my boss calls me simple, do you think that's a compliment? I haven't taken it that way, but maybe I'm wrong. I'm going to have to go ask him. I agree. In all seriousness, simple is really important. Give our listeners an idea of what the process looks like to engage with a financial planner. My assumption is it's a journey, not an event, but can you talk about that?

Trent Burley: I think that the first and most, one of the most important steps is just getting organized, working with an advisor, to put everything together. A lot of times we see people haven't done a true balance sheet. They haven't done a true income statement on the personal side of things. It's usually just a simple budget for those purposes. And just getting organized, knowing where our student loans are is it at multiple different institutions knowing which credit cards we have out there. Maybe we've already started some of these investment accounts, but we've got something at Vanguard and we've got something at TD Ameritrade and things are kind of all over the place where we, in a former career, we had a 401k, that's still on a platform. Our spouse that's working has multiple 401ks. Let's just compile everything, logging in, taking a look at statements, getting organized, having an idea of where everything's at and also that process of using some data aggregation tools. There's a lot of really cool ones out there, whether it's Yodlee or Minte, things like that, that can help see everything in one secure place, you can see everything in one in one spot, so that that'd be more for your do it yourself or your financial advisor can help see everything in one spot.

Chick Herbert: Good advice.

Trent Burley: And then I think once you get organized, I like to start yeah with our future self. So where do we want to be in five years, 10 years, 15 years, ultimately at financial independence and think through what does life ultimately look like? How are we spending our day? What do you know? Maybe in 10 years, what's the practice look like? How many chiropractors are going to be adjusting patients all day, how many office staff will we need to fulfill that? How much space will I need? How much space do I want? All of those kinds of things that can go into it. And then once we have our goals and objectives down, it's easy to work backwards, or at least it's easier to at least put some math to it, to figure out, okay, what does that mean that we need to do from a saving standpoint, whether it's reinvesting in the business or potentially building up some things outside of the business for more family financial security. I think it's just that important that you don't have to solve everything right away. You don't have to try to come up with, you know, five things that we're going to solve immediately. Some things are going to be lower hanging fruit and easier to get a good win we get a rush from being able to check something off a list and saying we did it, and now it's onto the next thing. Whatever is kind of weighing on you the most. Whatever's kind of that thing that keeps you up at night or the thing that makes you super excited. Think about that one, prioritize that figure out a way to implement some step towards that. Doing something now is almost always better than waiting and doing more later, just getting the process started and just getting some easy wins to get some momentum and working towards some goals. That whole prioritization is an important piece.

Chick Herbert: The relationships that you have with your clients look different. No relationship is exactly the same. So can you just give our listeners a look into how they might leverage a financial planner and the different ways for a lot of clients?

Trent Burley: It's just bringing them up to date running, you know, some modeling, if it's a business owner, we're looking at that future self, how are we doing compared to those goals that we set if we set them three years ago? Okay. Is that goal still important? Has that goal changed? And we can be a sounding board for them if they have some ideas that are in their head that they just need to bounce off somebody. We can be an advocate for them and be a cheerleader for them and encourage them to keep going. We can also be on the other side of that. We all need it from time to time. We can have some tough love or some accountability. We're not going to yell and scream and belittle, but it's just helping us keep, stay accountable to our future self because we've seen clients that are 10, 15 years down the road from where they're at. We know how much their future self is going to appreciate some of the planning that they're doing. Sometimes it's just relaying that message. And other times it's just helping them stay organized as the practice becomes more complex and grows and maybe we've got a business attorney that we're working with. We've got a CPA that we're working with. It's helping be the quarterback of that overall situation, feeding information to the CPA, getting information from the CPA, helping the attorney think through different business structure and ultimately some estate planning for the family and exit strategy as when you grow the practice big an hour, transitioning it to somebody else being in that quarterback role as well. And meeting regularly to make sure that we're still on track. And, and part of being on track is making sure that the goals that we are working towards are still important and still things that we want to prioritize.

Chick Herbert: Trent, there's a lot going on every day that you hear in the news cycle about the economy, jobs, et cetera, any thoughts about how people should respond to that?

Trent Burley: I think the biggest thing is just to trust the process, trust the plan that you have in place, and don't let news drive investment decisions or financial decisions, especially the political side of the news. When we go back and look at things historically, the outcome of elections has very, very, very little to do with the long-term performance in the markets. And along with that, don't try to be smarter than the markets. The markets have a funny way of humbling you when you think you have it figured out.

Chick Herbert: All great information. It takes me back to one of my mentors and it was not about financial planning, but it was about planning. And he always told me it's hard to execute blank and that's always stuck with me. You have to have a plan. And this is really important stuff. Not always at the top of the list, because there are so many more urgent things that hit throughout the day and the week and the month. Well, thank you. We could go on and on and on and I'm sure listeners would like us to go on and on and on, but thank you for the thought provoking stuff and challenging us to think a little bit differently about how we plan for the future.

Trent Burley: Thanks for having me.

Mike Whitmer: Hi, everybody. It's Mike Whitmer with NCMIC. Each episode of chiropractic we are taking your questions. Many doctors have questions about practice, risk management and other issues you face every day. We're calling the segment Ask NCMIC. We get a lot of questions about Medicare compliance. And one of those questions is about par versus non-par providers.

Mike Whitmer: The question is this: does being a non-par provider make it easier to work with Medicare? We have Dr. Evan Gwilliam, a Medicare compliance expert, to help us with this issue.

Evan Gwilliam: Well, with Medicare, you need to choose whether or not you're participating or non-participating. It's sort of like in network or out of network; a participating provider has certain advantages. They agree to accept assignment, which means that you send it the claimant to Medicare and you receive reimbursement from Medicare for their portion, which is typically 80%. In addition to that, you have the advantage of being listed as a participating provider with Medicare and your claims are passed on automatically to a Medigap or a supplemental policy. And that's why it's advantageous for many providers to be participating.

If you're not participating, it doesn't mean that you don't have to send in claims or that you won't get audited, or you don't have to keep the same types of records. All of that is still the same. The only difference is that you can choose whether or not you accept assignment, which means that you can have the patient pay you directly. And the money from Medicare, their portion can be sent directly to the patient. Instead of being sent to the provider, you can choose that on a claim by claim basis, if you are non-par. The other advantage of being non-par is you can collect a higher amount than a participating provider - 5% higher. It's called the limiting charge. And so you can collect a little more. However, you need to be aware that the patient is the one who bears the burden of that extra cost. If they pay you a few dollars more than they would if you were a participating provider, it comes from the patient's pocket, not from Medicare. They actually pay a little bit less of the portion of the charge. And so being a non-par provider has advantages in terms of how you collect payment, but it doesn't change your liability or the rules. You still need to submit the claim and keep great records, regardless of whether you choose to be par or non-par.

Mike Whitmer: Thank you, Dr. Gwilliam. Appreciate your help.

Mike Whitmer: Another frequent question we get is about disability insurance. As with many insurance products, it's hard to know why you need it and what to look for. We asked Amanda Westerhold to help us understand how long-term disability coverage works. Amanda, why is disability coverage important for chiropractors?

Amanda Westerhold: Well, Mike, being disabled isn't something any of us like to think about. But the Council for Disability Awareness conducted a study and their research finds one in four adults over the age of 20 will experience being out of work for approximately a year due to a disabling condition before their normal retirement age. And, about 25% of bankruptcy filings are due to medical bills.

Amanda Westerhold: So being able to replace lost income during a disability is crucial to protecting oneself. The combination of a health issue and the financial hardship that accompanies it when unable to work can be devastating. A lot of our chiropractors run their own practice. Disability coverage can be critical to maintaining your family's lifestyle in the event that your finances are disrupted by it healthy event that prevents you from earning your income.

Mike Whitmer: So, Amanda, what does disability insurance cover? And what questions should I ask when I'm looking for coverage?

Amanda Westerhold: Ability coverage is going to provide a monthly benefit to protect the income of our DCS. One of the first things is, how much coverage can you get? With a group coverage, DCS will typically be eligible for 60% of their gross earnings.

Another thing that you want to consider are exclusions or preexisting conditions and things of that nature. For example, regular chiropractic care is often excluded on a typical disability policy. Because DCs can experience musculoskeletal issues because of the physical nature of their work, that regular chiropractic care is important. They will want to make sure that regular chiropractic care is not excluded on the policy that they find.

Mike Whitmer: Thanks, Amanda, for being with us today and helping us understand.

Amanda Westerhold: Thanks, Mike. It was my pleasure.

Mike Whitmer: Do you have a question you would like us to address on ***Chiropractical*** send us your questions to askNCMIC@ncmic.com.

Chick Herbert: I'd like to welcome Rebecca Westphal to the podcast, Rebecca and her team help our doctors find the best financial solutions for their practices. She's here today to talk about our Miles Away Credit Card. So welcome Rebecca.

Rebecca Westphal: Thanks Chick for having me.

Chick Herbert: I would assume a lot of our listeners don't know that thousands of DCs take advantage of the various financial services products that we offer and it gives them a lot of flexibility. We've just come out with new versions of Miles Away Credit Card. What does that mean? Is it no longer a one size fits all?

Rebecca Westphal: You're correct. We just launched a suite of cards. We have four separate cards that meet all of our customer's business needs, anywhere from a low interest rates to one that gives you extra bonus points, essentially. So we have an array of cards to meet each of your business needs and financial needs at this time.

Chick Herbert: So when I hear Miles Away, I immediately think the rewards are tied to travel and some people may not be comfortable traveling right now. So does that mean this card doesn't fit for them?

Rebecca Westphal: Absolutely not. The name Miles Away is just the name of our card, but you can use your points that you earn for travel, if you want to travel at this time, or you can use them towards statement credit or cash back. We have gift cards that you can use them towards. I know the holidays are coming up, so that's always a great option or they do have some merchandise, if you would rather just kind of buy something, but definitely don't have to just use it for travel.

Chick Herbert: I know this is a business card, but those rewards could be used by our DCs for personal use.

Rebecca Westphal: Yep. So you can use it, like I said, any of those redemption options, it's not specific just for travel.

Chick Herbert: Rebecca for those that are interested in learning more in potentially applying for a card, where do they go to get more?

Rebecca Westphal: They can go to our website **NCMIC.Com/rightforyou**.

Chick Herbert: Great. I'm going to repeat it. **NCMIC.com/rightforyou**, Rebecca. Thank you for joining us today. We really appreciate your time, but more importantly, thank you for all that you do to help our doctors do more.

Rebecca Westphal: Absolutely. Thanks for having me, Chick.

Melissa Knutson: So Chick, tell me what were your biggest takeaways from your conversation with Trent?

Chick Herbert: He covered a lot of ground and a lot of things that really stuck in my mind, but the two things that stood out the most, I liked how he asks the question of starting with your future self. And where do you envision your practice to be in the future? Because establishing that will allow you to then back into your plan to achieve that. And the second thing, which is really simple, but I know it's not always done was get your house in order. And Trent talked about taking an inventory and document your assets and liabilities down to account numbers, dollar amounts. How many months you have left to pay off debts and just getting that basic inventory can be a bit daunting, but getting that started is a great first step.

Melissa Knutson: Oh, very cool. Well, I liked Amanda and her discussion with her about the importance of disability insurance. I think disability insurance on all this financial wealth information will be very useful for our listeners.

Chick Herbert: If you're interested in learning more about our guests or the information they shared in their interviews, please visit **NCMIC.com/Chiropractical**. Check it out and thank you as always. We appreciate you listening and we encourage you to hit subscribe wherever you get your podcasts, so that they're automatically in your feed. And if you're so inclined, please leave a review. It was great to spend time with you today. And we look forward to talking to you again next month.

Melissa Knutson: Take care and be well.

In this episode we referred to the following resources:

https://funds.eatonvance.com/investment-tax-calculator.php

NCMIC.com/rightforyou

NCMIC.com/Chiropractical