

0082 Business Structures Made Easy

You're listening to the Abundant Practice Podcast. Where we work through the stuck places folks hit while building their private practices. Each week we dive into a practice building through different lenses. You'll get trainings, listen in on mini-consultations and conversations with other consultants. Each month there is a niche deep dive where we flush out a niche from a marketing perspective. Plus, every now and then we throw in a "Where are they now" episode and check in on the clinicians who were on before to see how the advice played out. When relevant, the show notes will include a worksheet for you to bring the content into your practice or life. Because I love you listening, but I want you to take action, too.

This podcast is sponsored by the Abundance Party, where for only \$39 a month you get courses on honing your niche and marketing your practice, scripts for the business side of things, monthly trainings, a chance for a one on one with me, and a much more intimate Facebook group. Where I currently respond to every post. You can check that out at Abundanceparty.com. Alright, onto the show.

If you want to keep your practice organized, Responsive Therapy Notes can help. They are simple, secure, EHR platform that you manage notes, claims and schedules as well as share documents and request signatures. Plus, you get great unlimited customer support for help whenever you need it. To get two months free, visit therapynotes.com, create an account and enter the promo code Abundant.

Welcome back to the Abundance Practice Podcast. I'm your host, Allison Puryear. And I'm here with Michael White with LeanTowardsJoy.com. And today we're going to be talking about business structures. Which is probably not the thing, don't turn it off, it's probably not the thing you were aching to hear about today. But, we want to talk about it, so you are set up right. So welcome, Michael. I'm really glad you're here.

Michael: Thank you so much. I'm excited to be here.

Allison: Yeah. So, this is one of those nitty gritty kind of questions I get all the time from people. Usually in the early stages of starting their practice. And it feels, it does look very overwhelming, and it feels like something they don't know how to do. So, I'm really glad that we're having this conversation on the podcast, which might make it more palatable for people. Instead of reading it. But yeah. Let's talk a little bit about business structure options. Let's go super high level zoomed out. What do we have?

Michael: Sure. I think you hit the nail on the head in terms of one, doing it through the podcast, because people kind of get lost when they start reading all the different options and it becomes overwhelming pretty quickly. I think like a first step, a little bit depends on everybody individually. So, if you're just kind of getting started and you're seeing a few clients on the side, you don't necessarily need to go and set up these massive business structures. You can start just by seeing clients and you just record it on your taxes. So, to kind of start from there, that would be the IRS would call just a sole proprietor. So basically, you would just collect a check from someone, and when tax time comes at the end of the year, you either fill it out on TurboTax or tell your accountant. I made this much money from my private practice. That's kind of like the simplest way to approach it. The next steps from there, you get into a little bit more of an accounting practice slash allowability. Cushing. So that would be like an LLC. So, I'm sure everyone's kind of heard of an LLC or PLLC. The difference between a PLLC and an LLC, some states don't allow you to do an LLC if you hold a professional license. So, it's going to depend a little bit on what state you're listening from. But basically, the PLLC, you would also

have to get approval from your licensing board. And that does kind of vary from state to state. But essentially, from an accounting standpoint, its all basically the same. And what an LLC would do, it just gives you a little bit more liability protection. So, if you owned your own home, or you had a lot of personal assets, it might be worth looking into a structure like that. If you're kind of new, you're living in an apartment, don't really have much, don't want to spend the \$500 plus dollars a year to add that LLC, then it may not be worth it for you. And you can continue having a very successful, sole provider ship, full time private practice.

Allison: and I think, when we talk about liability, we're talking about very worse case scenario. Someone successfully sues you. That, as a sole proprietor, that means they are suing you. As a PLLC or a LLC, they are suing your business. So, hopefully they are not taking your house and your car and your kid's clothes.

Michael: Exactly. There is a little bit of an asterisk with that, and that just comes to malpractice. Because you're the one holding the professional license, obviously if there's a malpractice thing in there, then it gets a little murky and depends on case by case. But for the most part, yeah, if someone trips walking into your office, you don't have to worry about your kids going to school without any clothes.

Allison: Yeah. Okay. And I'll say, part of the reason we're having this conversation is not necessarily so that you can make the decision right here and now what you're doing, but you can go into your conversation with an attorney, or with an accountant, or look at the articles of incorporation paperwork more informed than you were before. So, we should state, neither one of us are attorneys, right?

Michael: Correct.

Allison: we know about this stuff having been in business. We want to break it down in a way that's a little bit less heady and esoteric, than some of the things I read online when I was trying to inform myself.

Michael: Absolutely. And there's plenty of organizations out there that have even attorneys working for them. There are several online that you can get incorporated and become an LLC for whatever state that you are in. but the other piece of it, too, when you are starting up a private practice, sometimes expenses are an issue. So, its not something that you might do necessarily, even need an attorney or accountant to get you started. Because there is abundance of information out there. And most states you don't need any sort of prerequisites in terms of starting an LLC. So that being said, you can go the professional route and pay someone to do it. Or you can do it yourself with your own resources. So, you can kind of go both ways. If its something that completely scares you, then yes, I would definitely recommend talking through kind of your accountant or someone who already kind of knows you and knows how your assets and things are stacked up.

Allison: Absolutely. So, we've got sole proprietor, LLC and PLC. And what the process looks like here in North Carolina, is I'm a PLLC, that's one of my things. I had to send a form into the state. And then, they sent me a form that I then had to send into the licensing board. And then, they sent me a form back that I had to send back to the state. It was this very convoluted process that you only have to do once, luckily. But, I think that if I hadn't known that it was going to be a pain in my neck, I may have been like screw it. And I appreciate that liability, support, that an

LLC provides. So, I'm glad that I have it. But I think I might have given up if I was in the throws of starting my very first practice and all the millions of things you're trying to juggle. If you know its going to potentially be a pain, then, it won't surprise you and you can just kind of like put it in with all the other pains in your neck of starting a practice.

Michael: Yeah, and its nice. Because they are all, you do have to renew every year, but that's a simple you write them a check. That's not all the legwork you went through in the beginning. And, I'm in Massachusetts. And in Massachusetts you can do it online. And if you are doing an LLC and not a PLLC, because you don't need a PLLC here, it's a simple, you fill out the form online. The next day you have your articles. And your good to go.

Allison: Oh wow!

Michael: So, it's actually....

Allison: It's a dream.

Michael: Yeah, it's a little bit depending on state to state. Especially if you are not having to go through the sending it to the licensing board. That is the extra step.

Allison: So, we've got sole proprietorship, LLC and PLLC. Are there any other structures we should be aware of?

Michael: Yes. There is one other structure, and then something else we'll talk about. So, the other structure would be like a C-Corp. or, we didn't get into it, but also nonprofit. So, any of these structures you can have set up and also be a non-profit. So, if you are going that route, that's a possibility. However, a C-corp would be a corporation. So, you're no longer yourself. You're actually a whole separate taxable entity as a corporation. You only really see this sometimes with really large group practices. Sometimes they'll set up a corporation. That doesn't mean you can't simplify things and do a group practice under an LLC. I think I also want to mention, too, if you have kind of aspirations of what you'll do 5 years from now or 10 years from now that like you're starting out by yourself, then you're going to grow, it doesn't mean you have to think about what it is 10 years from now and try to do all that right now. These can all be changed along the way. Even if, like we mentioned, if you become a sole proprietor, then you go and buy a house because you've been so successful, now you want to protect yourself, now you can then, become an LLC after the fact. So, none of this you have to do right away in the very beginning. If you decide you just want to start out small.

Allison: And I think that's a really important point. Because sometimes we get into this place where we have these goals. And we are working our tails off to get there. But then, the goals change. I don't know if the goals you had three years from now, when you set a three-year goal, my structures of what that looks like changed significantly in the last, three, every time I do that. Its good to project out. Have a great idea. But things can absolutely shift and change.

Michael: Absolutely. And be happy with the fact that its not necessarily going to look exactly like you thought it was. And its tough, saying the hurdle keeps getting larger and larger and larger. And so, my hope is to provide the resources and support to help people get over that hurdle. So, you're right, you don't have to think of it all at once. One of the things that people have probably heard about is an S-Corp. now, an S-corp, you can't really talk about an S-Corp without getting a little bit into the nitty gritty. But to really simplify it, when you are a sole

proprietor or an LLC, just by yourself as a single owner, then, all of your taxes get passed through to your personal income tax. When you are a C-Corporation, all of your taxes go to the corporation. So, your corporation pays taxes, you get paid as an employee, and then, whatever you get paid as an employee, you're paying that on your personal income taxes. What the S-Corp allows you to do is have that salary of an employee, but it also allows you to put some of the money as a distribution. And so, essentially, if you started making a lot of money, you may not want to take all of that as a salary, because you'll start paying more and more in self-employment taxes. So, anyone who has seen that self-employment tax as a self-employed person knows that that number is pretty big. Because when you are working for the agency, they are paying half of it. And so, what that S-Corp designation allows you to do is kind of separate a little bit of that money out, as basically as a bonus at the end of the year. I've heard of some people wanting, or some advice online saying to make that number really large and pay yourself a small salary. The IRS does kind of catch up to that. So, you do have to pay yourself a reasonable salary. But that's basically what that S-Corp designation is in the most simplified terms.

Allison: Right. And as my accountant has explained to me, that reasonable salary thing is for your hours and your degree. So, my salary, as I'm also an S-Corp, I'm a PLLC and an S-Corp. so my salary is that of a part time social worker. Which is pretty small

Michael: Which is peanuts.

Allison: Yeah. So that works out for me in some ways tax-wise. And I really, really appreciate being an S-Corp for that reason. And I've heard so many different lines of when, how much money you should be making before you become an S-Corp. my accountant has said for our profession as therapists, it's a lot lower than it might be at some other businesses. Because the private pay rate versus the agency rate is so very different.

Michael: Sure. And some states, I don't know about North Carolina, but some states like Massachusetts has a minimum S-Corp tax that you would have to pay there. So, you'd have to weigh how much money are you saving in self-employment taxes versus how much you're having to pay now in additional S-Corp taxes. So, in Massachusetts, right now, the minimum S-Corp tax is \$456. So, you'll be paying that no matter how much money your LLC makes. And, so, I just did a quick example before we started chatting. If you made \$100,000 basically of revenue for your practice, you'd have to take out operating expenses, things like that so your net profit is around \$70,000, you'd save about \$3000 a year in self-employment taxes taking a reasonable salary. But, you also, there is more paperwork with an S-Corp. So that's kind of the number at the end of the year, if you're saving \$3000, that sounds great, but the headache of the extra paperwork and accounting. So, everybody is a little bit different. And what's nice about the S-Corp designation, is you can either become an S-Corp or you can not become an S-Corp. and you can simply file paperwork to the IRS to change that. So, if its something you think you want to do, you can do it. And if you want to change back because it didn't work out for you, you can change right back.

Allison: And I think that's a cool thing, too, if you're already an LLC or a PLLC, and I don't know if this is federally, I know this is how it was when I was in Washington, and that's how it was in North Carolina, you can kind of backdate, like if on December 1st, let's say I was a PLLC all year long. On December 1st, I look at my revenue and I think, oh man, I should have been an S-Corp. you can go back and become an S-Corp for the whole year if you're already incorporated.

Michael: Yeah. You can. I think that is a federal thing. There're a couple stipulations in terms of if you just recently changed, you have to wait before you can change again. So, you can't, I don't think you can change it every single year. They do give you some room to work around it. And that would be a better question for an accountant to know. How was I best set up this year and is it worth it to me to take this other designation.

Allison: Yeah. So, lets see, anything else about S-Corps? I want to make the distinction that we were talking about sole proprietor, LLC and PLLC. Those are legal distinctions. Whereas an S-Corp is an accounting distinction. That can go with any one of those, I believe, right?

Michael: Absolutely, yeah. You can be an S-Corp if you are a PLLC an LLC or you can actually be a C-Corp as well.

Allison: Oh, right.

Michael: And try as an S-Corp. but in this profession, usually you're just an LLC, PLLC or sole proprietor.

Allison: So yeah. What are some things, when you are talking with your business consulting clients, what are some things that they get hung up on with this stuff?

Michael: What I find most with a lot of my clients, they are just absolutely amazing with their clients. And when it comes to some of the business stuff, they get really hung up on it. And a lot of that kind of has to do with fear. And as much as we can kind of counsel other people that we're working with, we still kind of all have our own stuff. This is something I do for a living and I still have my own stuff. Its, basically the old adage of practice what you preach. So, a lot of it is kind of with the security and the self-worth piece. And, I think with having more information around the business angle, I guess my one piece of advice is don't be afraid of it. And that's kind of a hard thing. I've worked with clients that have worked their way from an agency to a group practice, because they are still covering a lot of the billing aspects of it. And yet, they are still kind of afraid to go that next step to full private practice. And even though where they are at is almost the same, its just that one little piece of the fear around the billing part of it. And there are just so many tools and resources out there now to help you with that, that I think its great that its available to people. Because there's just that one little hurdle of the business component. So that's why I kind of started doing what I do and trying to help them with that.

Allison: Yeah. Because its these little pieces that feel like there are a million of them. And they also feel extraordinarily important and avoidable at the same time, somehow.

Michael: Yeah, avoidable. Yeah, that's true. And it doesn't have to be that way. It doesn't have to be one or the other. There are some people that want to leave this profession all together because they are not getting paid enough or certain components are too hard for them. And its discouraging to them. So, its nice that you can go out to private practice. You can do it on your own. Resources like Allison has. And myself and many others. Even different like software companies now, have started. Look at all the things that are around now that weren't around 10 years ago. In terms of help dealing with notes and billing and its good to let your client know what insurances you take, all that stuff going into it. And kind of what are the best tools for you. Because there are, unfortunately, some companies out there that will take advantage of your fears and charge way too much. Because a lot of the services, its just a flat monthly fee and it's a fairly

reasonable one. And then, I've met with clients that when I see how much they are paying someone to help them, its way too high. And they are wondering why they can't sort of survive off seeing 20 clients a week. And you should absolutely be able to survive seeing 20 clients a week.

Allison: You should be feeling really comfortable, financially, at 20 clients a week, hopefully.

Well thank you. I feel like this was really helpful. I think just having people talk about it, without using too many \$10 words probably help people be like okay, I get the distinction. I know which way to go. Yeah. And I typically recommend LLC, PLLC if its allowed in your state. Just because I'm a super cautious kind of person. And I like to CYA. But, I think if you don't have any clients right now, it doesn't have to be the very first thing you do. There are plenty of other first things to do.

Michael: Sure. And I think if you're just.... some people will tiptoe into doing full private practice. So, they might be working for an agency. And then, they start seeing 1-2 clients on the side if they are subletting a place. And if its something like that, you don't necessarily need to dive right into doing an LLC, but I agree, for the small amount it is per year, and if you're someone who does kind of do your own taxes in TurboTax, and things like that, its all very easily laid out in terms of being able to write out everything. And its nice, too because you get to start kind of writing off some of the, we didn't really get into tax write offs. But some of the things you use regularly for your business. That you get to actually take advantage and not, save some taxes on that.

Allison: Yeah. absolutely. Awesome. Well, thank you so much, Michael! You guys check out Michael over at leantowardsjoy.com. he does a lot for our communities and your wife is a therapist as well, right?

Michael: She is. That's how I kind of got started in this. When she was ready to leave her agency, she kind of got hit with the same hurdles, and just with my past business experience, I was able to help her with that, and when other people saw her success and realized that didn't have to be so difficult, that's kind of how my business began.

Allison: Yeah. She was like, hey, check out this great guy! I can vouch for him!

Michael Yeah. And again, back to the not knowing, again my self-worth thing. I was like, this was easy for me, what do you mean people would pay for this service? It seems simple. Then, I'm like, oh, maybe I can start this as a business. And here we are.

Allison: Yay! I love it. I love it!

Michael: Well thank you. Because honestly, I don't think my wife would have made the full plunge, if it wasn't for you and the support of your community.

Allison: Thank you!

Michael: She's been following you for years.

Allison: Yay. That makes me feel really good. Well, we'll talk soon, Michael. And thanks so much.

Michael: Thanks so much, Allison!

If you are looking for an EHR with great unlimited customer support, get two free months of therapy notes by visiting therapynotes.com. Creating an account. And entering the promo code Abundant.

Thanks for joining us on the Abundance Practice Podcast. Check out this week's show notes for relevant links, resources and homework. If you're new to private practice, check out the free checklist you need to get started at [Abundancepracticebuilding.com/checklist](https://abundancepracticebuilding.com/checklist). And if you need more support, check out the Abundance Party at abundanceparty.com. See you next week!