

# NATIONAL ALLIANCE OF INDEPENDENT CROP CONSULTANTS

## FINANCIAL MANAGEMENT

January 21, 2000

Doubletree Hotel, Lloyd Center, Portland Oregon

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- I. Accounting Programs
  - A. Quicken - If you don't need receivables/payables/Invoicing
  - B. Quickbooks - Good for Payroll. More complex, but still easy. **Accountant's Review.**
  
- II. Choice of Entity
  - A. Sole Proprietorship
    - 1. Liability Issues
    - 2. Tax Issues - Particularly Self employment taxes
    - 3. Bizplan
  - B. LLC
    - 1. Schedule C/Partnership
    - 2. Liability
  - C. S-Corporation - **Entity of Choice**
    - 1. Flow-Thru Entity
    - 2. Tax Issues - Distributions/Rents
    - 3. Shareholder Benefits Limited
    - 4. Sale of Business
  - D. C Corporation
    - 1. Taxable Entity
    - 2. Shareholder Benefits
  - E. Partnership
    - 1. Flow-Thru Entity
    - 2. Least Favorite entity
  
- III. Retirement Planning
  - A. Individual Retirement Account (IRA) - Traditional & Roth - Up to \$2000
  - B. Self Employed Pension Plan (SEP) - Up to 15% Compensation. Max \$24,000
  - C. Keogh Plan (HR-10) - Up to 25% of Compensation. Max 30,000
  - D. SIMPLE - Max \$6000 (**how about spouse?? Maybe get 12,000???**)
  - E. 401(k) - Really only economical for larger employers. Max Deferral \$10,000
  - F. Defined Benefit Plans - Very useful for small firms. where older owner to retire
  - G. 401(k) Safe Harbor - Max Deferral \$10,000 - **No Discrimination Testing**
  
- IV. Accounts Receivable and Cash Flow Management
  - A. Use Quicken/Quickbooks for budgeting. Keep version current.
  - B. Invoicing should be a priority. If it's not important to you, not important to client.
  - C. Do contracts with \$ up front: progress billings monthly. Final due on completion.
  - D. Track by 30, 60, 90, 120 days. Monitor - Call client immediately when past due.
  - E. Get a Line of Credit. This is a **temporary loan**. Repay ASAP.
  - F. Buy vs. Rent vs. Lease - smooth cash flow. Capital Lease is a buy. Depreciation??
  - F. Eliminate debt

# New Safe Harbor §401(k) Plan

Starting in 1999

- ◊ Personally put away from \$12,400 (with compensation of \$80,000) to \$14,800 (with compensation of \$160,000+)
- ◊ Maximum staff cost of 3% of staff wages (based on flat 3% contribution for all eligible employees.)
- ◊ You can put your's away whether or not your staff participate (no difficult discrimination rules to worry about!)
- ◊ You can still contribute more if you wish! (additional amounts divided pro rata based on wages, subject to slight weighting towards you)
- ◊ Expect possible reductions in annual administrative costs over traditional 401(k) plans because of elimination of ADP and ACP testing
- ◊ Compare this to SIMPLE 401(k)s or IRAs – where you can put away only \$8,400 (with compensation of \$80,000) to \$10,800 (with compensation of \$160,000) with no possibility of any additional contributions