Brandon Averill ([00:05](https://www.rev.com/transcript-editor/shared/0XQJvh7WWTaR9I6cjEM10L53B9XW2vlBDUhZiPX_xntU6yw2xZ3NiunWyDht1gHIjgBB8uTKaOFXw5oJvH7VdF9Qo7w?loadFrom=DocumentDeeplink&ts=5.31)):

Hey everybody. Welcome back to another episode of AWM Insights, Brandon and Justin here, and the calendar has turned. We're now in April. We're in striking distance of everybody's favorite day of the year. It's tax filing day, so April 15th. But in all seriousness, taxes are just such a key element of your overall financial structure and really maximizing your ultimate wealth and creating more of that tool to help you achieve your priorities. We thought it'd just be fun today to talk a little bit about how we approach taxes, why we think taxes is a year round event. It's not something that just happens during this time, unfortunately, it is for so many people. And so maybe start there, Justin. Just give us a little bit of a high level. When we think about planning, why are taxes so important? What does this time of year mean for our clients?

Justin Dyer ([00:59](https://www.rev.com/transcript-editor/shared/-OV53ADWK2cR2epSdqX_s4atcq7iCPLoumR_AsitBvs7wbmvLG1qdxmgBGq6kGvxr8N6olLtFAqWHV_tsr92NxP0Jl4?loadFrom=DocumentDeeplink&ts=59.88)):

Yeah. Well, hopefully, it's a measurement or kind of looking at the scoreboard, right? The listeners and everyone knows probably who's listening, were very tied into the sports world for obvious reasons, but to use this, a sports analogy, we can think about your tax return more as a scoreboard. You were kind of alluding to this, or you even mentioned, hey, tax planning really is a year round event and tax filing, so April 15th, or maybe you get put on extension, but April 15th is still a meaningful date, even if you're going on extension.

([01:32](https://www.rev.com/transcript-editor/shared/jPLQ6T3j4pTPriB0Tn3lC_6Gp_0NAq69IFC-hyKmV6l5EEnlfH8rD1Q6cGsji69bbpvbekLopsYE0nj5B_GwrGC5bW0?loadFrom=DocumentDeeplink&ts=92.82)):

It's really that time where you get to see the results of ideally what you've been planning for or your advisor's been planning for the better part of the last 12 plus months. So I think that's what tax season means to us. Tax planning, to your point, and what I was kind of alluding to is, it's ever constant. So we're talking about taxes for last year and filing your tax return for last year, but at the same point in time, we're already focused on 2024, especially for folks in the baseball world and season's getting started right around the corner. We're starting to plan for 2024 right now and putting some very valuable structures in place ideally.

Brandon Averill ([02:14](https://www.rev.com/transcript-editor/shared/myCkfeDJ0J-nSVQqz2p06J4H3xvnRejsljabe9a7LZUo_0oG5xwaiE9oc7GdGsomOyy0gO1F3NtQoa0W9cgBch1KDmc?loadFrom=DocumentDeeplink&ts=134.61)):

And for most of you listening, a lot of you are professional baseball families. A big part of what we're doing right now is trying to project out what the year is going to look like. So we're working with your agent to understand what endorsement income looks like. We're talking with you to understand if there's any strategic priorities that might impact your overall tax situation. So we're filling out the W-4 correctly. We're going to check that after your first paycheck, update our projections, make sure we're on path. But big things always pop up and something this year popped up was the Vanguard 401(k), Major League Baseball. Huge benefit. They're going to contribute to your Vanguard 401(k) on your behalf. Most people think it's a match. It actually isn't. It's based on the service time, and if you're up for a full year this year, they're going to make the full contribution.

([03:02](https://www.rev.com/transcript-editor/shared/Wb0skCflDGvAa0ne9-4pUUr0mYCkeSvJgQlpVfBiDvJIhgtI2oNiNJ9mWbEWbyNlJPM-jytOFjyjOew82_wTV0sl9bs?loadFrom=DocumentDeeplink&ts=182.28)):

So fantastic benefit, but what it does mean on your side is, you no longer get to take advantage of that pre-tax piece, that pre-tax contribution to your plan. And so unfortunately, a lot of people out there have utilized things such as, in best of cases, in good cases, they utilize something called a SEP IRA, Self-Employment Plan IRA. Well, the rules of that unfortunately don't allow you to make up that $23,500. Fortunately, clients that are listening to this, that are clients of ours, we'd utilize something called an Individual 401(k). And so it's just really paying attention to those nuances that Individual 401(k) allows you to make up that 23,500, get more money into a retirement account. So it's just really paying attention to those details. Make sure we're being proactive.

Justin Dyer ([03:55](https://www.rev.com/transcript-editor/shared/cb5KJCnxVDnj8nEL-uF0eE1xTJPLu-9wzGrGXHtNBCVlUAkWMPVC1qjQ6R-OH9DXjLMo2zEa0MtosR6ZFCJ_kJihyok?loadFrom=DocumentDeeplink&ts=235.86)):

Right. And one, those details also matter when it comes to both the 401(k) example you just highlighted, but even more broadly speaking, what we kind of call a broader safe harbor type approach where if your taxes or your earnings have drastically changed year over year, and I'll get into the 401(k) example in a second, let's just stick with earnings changing drastically year over year. All you need to do is pay in a safe harbor amount for your taxes in the present year. You don't have to pay based on your increased earnings necessarily. You pay a percentage based on past year's earnings, trying to keep this very simple. And guess what? You get to keep the difference in your pocket until you go to file taxes next year. While we can take that difference, invest it, interest rates are at a level nowadays that you're actually earning 5% on that money, that's sitting in a very safe investment, earning 5% to you versus paying that money to the government early, sooner than you need to and missing out on that 5%, right?

([04:56](https://www.rev.com/transcript-editor/shared/x6ZmMmF8QpsHuGqbzdw3cHmxmxxDsV2PraOKqgKZ3dtewJ-du4k7zZLNuMC6qRKrz0rfh-9uJXQzHKJLRFHdaJtNjgg?loadFrom=DocumentDeeplink&ts=296.97)):

These are these really, really meaningful, just value add planning tools that are part of this year round endeavor. The item I was going to hit on with respect to the new changes to the 401(k), if you unexpectedly or you just kind of set it and forget it, you pay into the MLB 401(k) plan, you're going to get that money back at the end of the season, assuming you're up for the entire year, and guess what? You're not able to take advantage of that money again, sitting in your pocket, accruing interest and/or growth for your own benefit, right? You're losing out on that opportunity cost, so to speak. So just these are all these little nuances that really both tie into planning, broadly speaking, being a year round, kind of never ending endeavor, but also specific to taxes.

Brandon Averill ([05:45](https://www.rev.com/transcript-editor/shared/-n73wwdTPTkpMnG_ATNsg1t6gJqeD5NCvQ-a_WVh4h7Xx1GKes-0ODtJEbX2RbT4kB1RYDBrQLXV5HB-ffUS2PDzKfo?loadFrom=DocumentDeeplink&ts=345.27)):

Yeah. And I think the other good point, we often hear this argument is, hopefully what you're hearing is, hey, why are these, I think people put us in this investment bucket, but why are these investment guys talking about taxes? It's because it all needs to be coordinated. We're not here as a multifamily office to deal with one aspect of your financial life, right? We're here to actually maximize your entire financial structures. Taxes are a huge part of that. And so having this nuance and really understanding how these piece work together is just so critical. We often hear the argument well, checks and balances, checks and balances. Yes, I get it. In theory, I believe in checks and balances too. Unfortunately, what we often see, and we've seen it this time of year more than any other, because we pick up new clients or we hear stories or it's pretty unbelievable. But what ends up happening is you have your investment professionals oftentimes at the wirehouses, Morgan Stanley, Merrill Edge, et cetera, not allowed to give tax advice.

([06:45](https://www.rev.com/transcript-editor/shared/QxQ5upaRxH3x7yFMFzc2ffi1NO66rSNPUtB-i-azaUWvmjrOIcuyXyhygKBHZ1tGEyeLECcFVUiOuCvDZDsI4P0sg68?loadFrom=DocumentDeeplink&ts=405.81)):

Working with a CPA, that might be a 'Athlete CPA'. Problem is they're both pointing fingers at each other saying, well, 401(k) is your individual, 401(k) is your problem. Individual 401(k) is your problem. Oh, who recommended? Nobody recommended. We missed it. Bummer. And all that ends up losing out is the client. If you really want, I often advise, if you really want somebody to do the checks and balances, go hire an audit CPA. That is their job. That's what they're supposed to do. It's a sales pitch from individual CPA firms and investment firms that this exists. So just buyer beware. We see it all the time. And if you don't develop kind of that cross expertise, you're going to miss things like backdoor Roth IRAs or backdoor Roth IRA conversions. You're going to miss the individual 401(k) piece. We just got a client back $161,000 by amending his last three years state tax returns because the CPA firm didn't know how to do duty days. These things are just reason after reason that you want to make sure that you have a team in place that really specializes in your circumstances.

Justin Dyer ([07:56](https://www.rev.com/transcript-editor/shared/ojn-fC7sjUYEoSj8EB8TlmnW0I707_N8fo0_NecyIUfc04QwGvPGuY62Q1pCWtJPn1m6TtuJHguv3O-NMpBxX0LSl20?loadFrom=DocumentDeeplink&ts=476.94)):

And just to kind of piggyback or maybe even put a period on that, we always like to say, you have one net worth, one effective tax rate. If you're not thinking about those two items in concert, in conjunction with each other, you're leaving money on the table. I mean, the point you just brought up is a great one. The other way to think about it, going to your point around the investment guys talking about taxes, our taxes are the number one expense when it comes to investing. I want to make sure we are minimizing expenses, taxes, and otherwise when it comes to investments. And the closer we can coordinate with our tax team, our tax professionals, the more we're able to save on those taxes and really minimize expenses to keep more dollars in our client's pockets.

Brandon Averill ([08:41](https://www.rev.com/transcript-editor/shared/mfKhaxlgxhZMxT-EcmKfE_KiBReBO-FRTWS6X3wpq8ykPTcOZmiJv26OviDdFutwajls1vEs3NMW0hcMsAaQfrjntfc?loadFrom=DocumentDeeplink&ts=521.55)):

Yeah, I think at the end of the day, hopefully, for those of you listening, we know most of your clients, this is just a little bit of hopefully a confidence builder that we are thinking about this on an ongoing basis when we are asking you these questions during this time. We know the season's starting. We're trying to be sensitive to all of that, but it really is because we're trying to be super proactive in how we're going about the planning on your taxes and across your entire financial structure. So bear with us during this time. But yeah, it's definitely something that we put a big emphasis on. And if you're not a client and you're listening to this, try to make sure that you are getting these elements all the way across. If you are sitting in the middle and you want to coordinate your advisor on one side and your CPA on the other side, by all means fantastic on your set, but you're going to be the one in the center kind of coordinating all that. So just make sure you're doing it.

Justin Dyer ([09:37](https://www.rev.com/transcript-editor/shared/ZtSNWaGbo-zHSeg8se8-7fHxbUf_npnfdEULSBsQ2jPWO6tSSBqD-c-hWc7_Y_iyBGgfKJtA2VXsjEpw9j8ejMpZGPc?loadFrom=DocumentDeeplink&ts=577.23)):

And I'd just say we're highlighting a lot of baseball planning tools right now because the season is starting. We can't say guarantee, but I can guess, I'll hazard a guess that there are always opportunities around tax planning, regardless of whether you're an athlete, a non-athlete, an entrepreneur, or a founder, et cetera, et cetera. These things are dynamic. They always change, and there's always opportunities to take advantage of.

Brandon Averill ([10:00](https://www.rev.com/transcript-editor/shared/oxGUp6xxvJcxIhaTppisQLJeRsRKd6Bp4iUBBrr0xSuXNrq0UnGtDW59Ja1MDqkUf-28us1bxD3cAIBcJJkrdQm-h9c?loadFrom=DocumentDeeplink&ts=600.9)):

Yep. Just make sure you're talking to your CPA throughout the year. That's the big takeaway. But until next time, own your wealth, make an impact, and always be a pro.