

95 TRG Transcript

Mike Stohler

What if you could be doing something smarter with your money that creates income. Now, if you're wanting to get ahead financially, and enjoy greater freedom of choice, if you want a comfortable retirement, and you know you'll have more choices, if you can do more with your money. Now, if you've wondered who else is creating ways to make their money work for them, and you want actionable ideas, with honest pros and cons, and no fluff. Welcome to the richer geek podcast. We're here helping people find creative ways to build wealth and financial freedom. I'm Mike Stohler, and in this podcast, you'll hear from others who are already doing these things, and learn how you can too.

Welcome back everybody to another episode of the Richer geek podcast. I'm happy to welcome Ryan Giollito. Ryan is a CPA tax partner with Foley and Giollito. And I wanted to bring on Ryan, because, you know, it's very important to know that you can't just have a regular CPA, you need to have someone that wants to sit down with you and wants to give you some advice, and all that. But anyway, welcome, Ryan, how you doing?

Ryan Giolitto

Thank you appreciate being here and being able to talk to the group listening today. And hopefully, we'll give them some some good tips with respect to their tax situation today.

Mike Stohler

Yeah, so, you know, everybody, this is everyone, you know, needs a CPA, we talk about all the time, you know, I talked about having a team, whether you're investing passively, or you're investing as a general partner, or actively investing in different things. As soon as you start making any type of money. As soon as you start investing, and you start diversifying your tax plan and your taxes get a little more complicated. That's when and correct me if I'm wrong or right, Ryan, once you hit a certain level of income, or you start diversifying, you can't just hand in your taxes, have them punch numbers, and give you I think everyone was leaving a lot on the table, aren't they?

Ryan Giolitto

Sure, sure. Yeah, you know, I think it applies at all income levels, where we really start to see it really matter a heck of a lot more is probably around, I would say 325,000 of income is where the tax credits really start to go up significantly from there. So if your incomes at that level or close to it, it definitely makes sense. If your income is below that, it still makes sense, in certain situations. So I agree with you.

Mike Stohler

Now, when we're talking about, you know, what's, what's one of the biggest problems that you're seeing in them when a client comes to you? And you're looking back at some of their, you know, two or three years? What are some of the situational analysis that you're finding?

Ryan Giolitto

Sure, sure. Yeah, I mean, there's, there's lots of things that that we're uncovering. I can go over, you know, things that are specific to real estate and things that are not. But typically, what we see is what we see two opposite situations, you know, we see someone that that's almost too conservative, you know, they're not utilizing tax benefits that they could utilize. So that's more of like a conservative situation too conservative. We see the opposite situation where somebody is being too aggressive because they don't understand the tax law. And so they're taking losses they're not actually entitled to so they they're putting themselves in IRS risk at that point. Yeah. So those are a couple of the initial ones that we see.

Mike Stohler

But here's the thing is the CPAs are still doing those returns,

Ryan Giolitto

Correct. CPAs and non CPAs. We've seen a lot of, you know, issues on different returns, we review a lot of returns from different providers every year, just to make sure that people we're working with are getting the best advice and taking advantage of everything. And we do continue to see across the board a lot of issues with just not paying attention to the situation and therefore there's there's mistakes there.

Mike Stohler

And one of the differences that you guys have is you're not going to let your if you see one of your clients saying you know doing being overly aggressive in your yearly reviews and things like that are you going to sit there is is a CPAs job to say, Hey, you know, I don't think you should be doing this.

Ryan Giolitto

Sure, you find a lot of CPAs handled this differently, what I've noticed that most CPAs do is they have a style of their own that they like to reflect on to the client, which I think is a mistake.

Because we do it differently, we know that there's going to be people that walk into our office that are conservative, and then there's people that are going to be aggressive. So we know there's different types, and there's everything in between. So what we try to do is we try to use our knowledge of taxes and the IRS and the tax law, to identify what we think in our opinion, would be somewhat aggressive or conservative. And it's not our job necessarily to tell the client that they can't take that position. It's our job to educate on exactly how aggressive and where it falls in the spectrum so that that client can make an educated choice. So we're, we're more along the lines of education, and ultimately, you know, if it's your tax return, and you know, in your client, you know, you can take an aggressive or conservative position that is in line with your line of thinking, but we want you to be educated on where you're at on the spectrum.

Mike Stohler

Yeah, you know, one of the things that I learned by having just a regular CPA, you know, I've been doing real estate investing for a long time now, full time, along with having my license. And not once did he say, Hey, you know, what you can actually become, be considered professional real estate person, you know, and put that on your taxes, because, you know, there's this tax break, for being a professional real estate guy, and, you know, five or six years, I never knew that existed, and they never brought it up to me. Yep, you know, and that's money that was potentially left on the table for me. So, do you guys look at the different careers that your clients are in? And what they're doing? And do you come up with the plan? Do you talk with them? Often and say, Hey, you know, you might want to consider this or that? Or did you know that you could do this? You know, are you active like that?

Ryan Giolitto

Sure, yeah, I think you know, that, that's one of the biggest differences that we find between us. And a lot of CPA shops, you know, a lot of CPA shops, you have to keep in mind, they're running a very heavy volume of tax returns, and their focus is getting those tax returns done. So you know, the critical thing to them is, you know, they want to get the data and quickly get the tax return done and, you know, meet with the person to finalize it, you know, as quickly as possible. And so, under that system, you're not going to have a lot of advice, or a lot of stopping one way to think about things. On the flip side, what we do is we look at every return that we look at, we look at it from the standpoint of can it be done better? Can the person's return that we're looking at? Can they save money? Can they be in a better financial situation? Are they doing something that makes no sense to us? Does the numbers look weird? So we look at all those things. And if we're looking at, you know, you mentioned an example of you probably being a real estate professional for those years, you know, we're looking at your return, and we see a lot of unused losses, that's one of the first things we're going to think is okay, well, you're in real estate, you have a lot of real estate looks like you have a lot of losses. So what's the reason for not claiming the losses? So we do that type of analysis on every one situation that we look at?

Mike Stohler

Yeah. And that is, to me, it's, that's why you're part of the team, right? I don't want just a number cruncher. Anybody can do that h&r block can do that, you know, all these different things. You want. A team member, someone that, you know, I go to Foley and Julito. And now they're part of the family, that part of my team, and you're looking out after me on how I can benefit the taxes, you know, because that's, I don't know anything about this stuff. I hated accounting in school, I hated it. I was more of an economics guy, you know, and you guys do the credits and debits all backwards from what I was used to. So I don't know what I don't know. And I think most of the listeners out there, they just assume that the CPAs are looking out for their best interest. Now they are holding probably a minimum amount of, you know, making sure you're not really screwing up, but I found that most of the CPAs out there aren't actually sitting down and say, Hey, Mike, did you know that you can do this? Hey, Mike, did you know that you can actually deduct this? Or? Or hey, we need to look, you know, when's the last time someone looked at our w tos and said, Hey, you know, you're doing the, you know, this all wrong with with what you're claiming? You know, I mean, no one's asking us, you know, and making sure we're doing this. So I think it's just so important that a CPA is just more than just a number cruncher. Now, sure, you know, one of the things, how about some type of like, about wealth or tax plan in our, you know, the planning of the execution? You know, as far as getting something like that integrated? Is that something that you guys do?

Ryan Giolitto

Yeah, you know, I think that's probably the the biggest missing piece that I see is that, you know, a lot of people have a personal financial plan that they that they do with maybe a financial advisor themselves. But there's very little of, you know, little coordination of that plan, if there is one with their tax plan, and they may not have a tax plan, you know, that most people don't have one. And it's, it's somewhat ironic, because as you become a higher net worth, earner, higher net worth individual and a high income earner, your taxes are probably going to be the biggest expense, you have more than your mortgage more than your car payment. And so, you know, we see all these people, you know, planning for all these other areas, you know, you have a business you, you have a marketing plan, you know, you, you, you do a budget, that's your spending plan, you know, you go to the grocery store, you do a shopping list, that's a plan, right. But you know, that one of the biggest areas where you're spending the most money, which is taxes as a higher income person, there's no plan. So you know, that's what we help people do is really get a tax plan that coordinates with what their financial goals are. And when you put those two together, you can really make some magic happen.

Mike Stohler

Give me an example of I'd never heard of a tax plan, you know, I I've heard of, well, maybe you should pay your taxes quarterly, or maybe you should do you know, this or that. So what do you mean, exactly? What, by tax plan?

Ryan Giolitto

Sure. So, you know, what we do is, you know, one of the things that we do for a tax plan is, you know, we will, at the end of the year, say, you know, October timeframe or November timeframe, we will sit down, and we will say okay, for 2021, because we're in 2021, right now, what will your tax situation look like when you file and we will run that scenario, to determine if you know, that's a good or bad situation. And so we may find that, given the numbers, you have a very good situation, or we may find that given the numbers, you have a very high tax potential tax liability. And the benefit of doing that before the end of the year is we can now suggest different strategies to you before the end of the year that you could do to lower that tax bill.

Mike Stohler

Okay. And some of the ways you know, that you do that you look at deductible losses, you know, are they maximizing this? You know, not understanding loss limitations even because, you know, claiming non deductible losses, like, you know, I can see, it'd be a bad thing.

Ryan Giolitto

Yep. No, we, we look at pretty much every strategy that that you can use to reduce taxes, you know, obviously, within the law, you know, things that you can do legally to reduce taxes. And we bring those to the table as potential suggestions to reduce tax liability. And then we can run those scenarios and see if it looks better.

Mike Stohler

Oh, unused losses. Talk to us a little bit about that, you know, how is there a time period where I have to utilize those? Or did they go, the losses go away.

Ryan Giolitto

Most, most carryover losses will carry forward for a pretty long period of time. So there's not a super urgency to use them. But what you do want to pay attention to is timing, because if you fail to use them in the right year, then you could actually be costing yourself money because they may be more valuable in a higher income year.

Mike Stohler

Sure, yeah. And then given, you know, whoever's in the White House, or if it's election year. You know, you just never know, you may say, Well, it looks like you're gonna have a high income. And it looks like maybe next year, you know, a couple of years taxes might be going up. So you need to utilize the losses now or take advantage of different things because I can't imagine with every four years or every couple years with you, and your CPA and the tax laws. I mean, it has to be like someone full time just to learn what's going on.

Ryan Giolitto

Yeah, there is there's a lot of changes going on. I mean, the the pace of changes has been speeding up rapidly, you know, over the last 20 years, you know, we, you know, before that you didn't see, you know, changes, but once in every, you know, 5 10 years, now you're seeing changes practically almost every year. So it's the pace is definitely rapidly changing. And you're correct, that timing can be a component of the tax plan, you know, we can suggest different things to do at different times. And, and the timing can matter. So for sure,

Mike Stohler

Yeah. You know, I had some advice, when I sold a complex about whether or not to do a 1031 exchange. It's a rule for forward or just going to take the tax hit. And, you know, so there's, there's just a lot of different scenarios, because sometimes you may sit there and say, Hey, you know, what, if you can't find something, well, the law is benefiting you right now. And it's not going to cost you that much money to go ahead and take a tax cut, to offset because the fact that we made a lot of money, you know, certain year

Ryan Giolitto

Yep. There's there's definitely a lot of, you know, tax factors, and then there's, there's non tax factors to to making some of these decisions. So, sometimes, you know, that the problem we see is that, you know, people are so focused on the tax, that that's the driving 100% of their decision, were really, you know, the ideal world, you know, you want to make the decision, that's the best for you financially, and then we want to make the tax part of that work the best we can for you.

Mike Stohler

And when we're talking about critical text thresholds, or you know, you're talking about not paying attention, if you put yourself over a different threshold is that you know, what you're meaning by?

Ryan Giolitto

Yeah, yeah. I mean, I think whether people realize it or not, and I think a lot of people are, are clued into this as well, as, you know, we wouldn't be you know, doing this every day. But a lot of things happen in your tax situation when your income starts to change. And so you see, you know, tax rates on certain items start to change, you see additional taxes coming in at different income levels, you see deductions going away, and credits going away at certain income levels. So as your income changes, all these things are happening. And so if you're not planning ahead, and you just go into tax season and get your returned on and realize that you lost a credit or deduction that you could have prevented, you know, you could have prevented that with planning.

Mike Stohler

Yeah, you know, that's it's such a good point. Because, yeah, I just don't think people realize, you know, your work, your pay taxes, your work, your pay taxes, and it's funny, everyone gets so mad at the high earners, when they don't owe at the end of the year. It's it's Yeah, I mean, not that we didn't pay taxes, is that we ever depreciations and we can, it's, I always say it's like, Hey, you know, get a better CPA. But talk to us a little bit about, you know, how is it that high earning people or families can do some critical thinking with respect to reducing their tax basis?

Ryan Giolitto

Yeah, I mean, I think they have some situations that are that are beneficial, you know, you'll notice most of the higher net worth families, I mean, they own things that, you know, they can be sold for, you know, lower rates, you know, you've got businesses and real estate and things like that, but, but I think, you know, it reflects the, the, basically the time that they spend, I mean, if you, you know, if you work with the good tax advisor, on really planning out your taxes and spending time toward the focus of tax reduction, you're going to get a heck of a lot better result, if you actually put some focus toward that. And that's what we do, you know, we try to, we try to put 100% of our time and energy that we're working toward the goal of reducing taxes for the people we're working with, because we know that if we do that, if we put all that energy toward that goal, we know it will happen.

Mike Stohler

Yeah. You know, things like especially when you're owning real estate and things like that, you're able to accelerate depreciations and do all those things to reduce that basis. Yep, yep. So you know, that's that's why I love real estate.

Ryan Giolitto

It's a good one. I mean, it you know, it's it's part of it's definitely something that should be a part of most everyone's portfolio once they get to a certain income and network level.

Mike Stohler

Yeah, cuz it's, you know, explaining the K ones and everything you know, that you get as a passive investor. You know, CPAs like yourself, you take these k ones, let's say someone has stocks, bonds, mutual funds, and they say, you know what, I'll go ahead and invest 50,000 100,000 into a hotel. And all of a sudden they get these k ones. Sure. And so what does the K one do? For a passive investor?

Ryan Giolitto

Yeah, this is actually an important topic, because what we find time and time again, with with real estate investors, as you know, they get, you know, they typically get some type of distribution from their, you know, cash distribution from their, their investment, you know, whether it be quarterly or monthly, typically quarterly. But a lot of people think that's the income you're taxed on, it's actually not, that's just the cash that they basically, you know, cut, some of it could be returned to capital, some could, some of it could be actually earnings on the investment. But what actually happens with the K 1k. One is showing what your taxable income is from the reporting entity. So if it's a piece of real estate, you know, it's it's actually showing did that piece of real estate make any money after all expenses, and depreciation, So, typically, on a real estate investment, the nice thing about what you're going to see on a K one is you're going to see a loss due to depreciation, so you're going to actually not have any taxable income to pay on at the same time, you're getting a cash outlay from your investment. So that's why real estate can be pretty powerful for some.

Mike Stohler

Absolutely. Talk about how long you've been doing this, and your passion, you know, you're not just wanting to help people save money, just do their taxes, but, you know, make sure they have a plan in place, you know, and we've talked outside of this, and you're gonna be helping us a little bit, but why do you have this passion for helping people, especially with taxes?

Ryan Giolitto

Yeah, it's just, you know, I guess it's just a thing where, you know, I find myself in a position of having the skill set to be able to do this. And, you know, we started helping people, you know, the last few years, quite significantly on reducing taxes, and we just found out that, you know, that's a skill set that, that we're very good at, that we, you know, that we're very able to help. And so, you

know, a lot of people choose their field, you know, not because it's the greatest, you know, money making thing that they've ever done in their life, it's to really help people. And so that's, that's really why I'm in the field I'm in because, you know, my, my financial knowledge is significant enough to be able to help people with reducing taxes and advancing their financial situation, simply because I've been reading personal finance for, you know, over 20 years at this point.

Mike Stohler

Yeah. What kind of recommendations you have, for people like me, but you know, other investors that are looking to reduce taxes? What else can you?

Ryan Giolitto

Yeah, I mean, I'll give you a, you know, some recommendations that I usually give to people we work with, just on a general level. First. One thing, you know, that a lot of investors probably should be thinking about is, you know, the first thing that that you want to think about, is, you want to determine, you know, how much cash you really need on the sidelines, and how much liquid cash you have available to go and reduce taxes. And the reason you want to know that is because a lot of times what you'll need, you'll need to reinvest in something, to reduce your taxes, we talk to people all the time that, you know, they want to remain 100% liquid. And the first thing I'll tell you about that situation is if you want to remain 100% liquid, there's a very good chance that no one's going to be able to reduce your taxes because you're not reinvesting. So I think that's the very first thing that, that I would recommend for any of the real estate investors is determine, you know, how much cash you have available to really put toward that goal, reducing taxes. From there, you know, my second suggestion is work with some type of advisor on getting a financial plan together, meaning that, you know, what do you want to invest in what is appealing you what, what looks good to you, you know, depending on how much kit, you know, current income you need versus growth, that, you know, all sorts of factors will drive your decision to allocate assets to different sectors and different investments. So, work with an advisor there. I say advisor and I don't necessarily mean financial advisor, it could be a financial advisor, or it could be someone else. But the most important part of that advisor role is you want someone that's, that's independent. So you don't want a portfolio manager and you don't probably want an insurance salesman because those people are going to be biased toward allocating assets to things that they get paid for.

Mike Stohler

Yes, yes. Yeah, I'm well aware.

Ryan Giolitto

well aware that Yeah, so so we like you know, independent advisors. You know, that's one of the reason that the you know, the the capable CPAs Are you know, that their planners are very good advisors, because they're, we're completely agnostic to whatever you invest in it. We don't get paid based on that. So the CPAs are good people to work with and the financial manners that really do financial planning, not an asset, Portfolio Manager, but more of a financial planner. So those are good people to have in your corner there. And then, you know, once you get your your amount that you're ready to go and reduce taxes with and you have your targets financially, you want to basically target that financial plan and say, Okay, well, this is what I'm looking to invest in, how can I? How can I coordinate that with my tax strategy? And how can I actually invest in what I want to invest in, but also get tax benefits? And so I think those are the three things that recommend.

Mike Stohler

Yeah, and, you know, it's it's so important, Ryan, because it's, you know, we first had a conversation prior to this meeting. And, you know, for everyone out there is listening, like, Look, it's, it's never too late, you know, but it's also never, never too soon. You know, for me, it's like, okay, we have a couple hotels, we have a bunch of single family homes, we've had a lot of multifamily, we have all these different type of assets, I've invested in different companies, startups. And I have no idea. You know, I don't know what I don't know. So having you, Ryan, to sit down and say, Look, you know, here's some planning, let's look at what I've potentially left out, you know, and not taken advantage of. So, you know, you're you and your firm is something that we're going to go through, and have this very detailed analysis on just giving us advice on, you know, what we've done, where we've, where we've come from, and, and basically, maybe what we've left on the table, because I have no clue, right? And, you know, that's why we need professionals like yourself. So I appreciate that, you know,

Ryan Giolitto

I think that's important. I mean, you know, like you, like you explained earlier, you know, really the goal, our goal is to be you know, really kind of a almost like a silent partner along your side, you know, in the back office so that you can focus on your business. And then you know, we can we can kind of look at your situation together and help move it forward. But that's, that's always our goal is to help people in that respect so they can focus on their business.

Mike Stohler

And listeners, can you do consultations, you know, what is like the first step? You know, number one, how can people find you, what's your website?

Ryan Giolitto

Sure. So we are on the web, you know, our website is just the www.FoleyGiollitocpa.com and that's fo le y. And then my last name GIOL i t to and then CPA at the end.com So it's fully Gilo, CPA. com, and they can they can read about us online a little bit there, they can also contact us through our website. So that's a good way of getting a hold of us just to review their initial situation. And what we do is, you know, we do offer review anyone situation that's interested in potentially working with us for the future, we typically will review anywhere from one to three years of of past tax returns, that's pretty typical. And if they're using an accounting system, like QuickBooks or anything like that, it's helpful for us to kind of look at that, and see how that matches up with the returns as well.

Mike Stohler

And once you have consultations, and you know, you can hire, everyone can hire your firm, and then, you know, it just becomes part of that that partnership and part of that ongoing. Yeah, do you usually do something like once a year, or kind of a sit down towards the end of the year or the beginning of the next year?

Ryan Giolitto

Yeah, we have, we have several different options. It does depend on, you know, the different client we work with whether what their, what their preferences as far as frequency, at a basic level, we're obviously going to be talking during tax time, you know, that'll be the very basic at tax time, we typically talk about the past year, but we also talk about the next year, which is something that a lot of CPAs don't do. So we're always at least at a minimum talking about the past year and the coming year. Typically, that's as far out as we get and then we have some other offerings where we will talk to you more heavily in the fall, do a plan then and typically our focus is that current year and then the following year when we have those discussions. We do have quarterly and monthly options. Those are available as well.

Mike Stohler

Perfect. Everybody. You know, we thank Ryan for coming on, you know, again, the website is fully julito CPA. dot com. Ryan, I appreciate it. And thank you for coming on.

Ryan Giolitto

Thank you. Thank you. I appreciate it as well and I hope everything was helpful today. Feel free to get in touch with us if, if anyone listening has any needs that we can help.

Mike Stohler

Thanks for tuning in to the Richer geek Podcast, where we're helping others find creative ways to build wealth and financial freedom. For today's show notes, including all the links and resources from our show, and more information about our guests, visit us at www.therichergeek.com slash podcast. And don't forget to jump over to Apple podcasts, Google Play Stitcher, or wherever you get your podcasts and hit the subscribe button. share with others who could benefit from listening and leave a rating and review to get the podcast in front of your eyes. I appreciate you. Thanks for listening