A HURDLR QUICK GUIDE

Financial and Tax Planning for Real Estate Agents

4 Easy Ways to Maximize Your Income and Simplify Your Taxes

LET'S TALK FINANCES

We've put together some helpful tips to keep in mind when managing your finances. So let's get started.

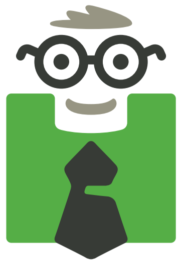
DID YOU KNOW?

Most real estate agents don't track all of their business expenses, effectively lowering their net income.

As we're sure you understand all too well, it's not uncommon for busy real estate agents (REAs) such as yourself to let financial management for your business fall by the wayside. You are constantly responding to the needs of clients, colleagues, brokerages, and of course, devoting a good deal of time and attention to developing new leads. Amongst all of these demands, figuring out how to do your accounting or learning your way around cumbersome financial software can seem like a daunting and overwhelming task. Certainly, it takes a lot of time to track expense deductions, and you may not be sure how to do the accounting yourself; the software you're using may be complicated, and you may not have the time or energy to push through the learning curve. And even if you're just keeping all of your receipts in a folder or using Microsoft Excel or Google Docs as your primary tool for financial planning — we call that "Spreadsheet Accounting" — all of these take a significant amount of time and effort to maintain and stay organized.

However, even though proper financial planning takes time, it's a crucial task for a real estate agent. On average, REA's annual business expenses exceed $6,500 (top performers exceed $10,000), and you could be saving a good deal of money by taking the appropriate deductions. This is no one's fault, of course; you have busy schedules, and if you only had more time and energy to focus on your finances, you would. In fact, every REA we surveyed would like to improve their accounting processes, if given the option.

That's where Hurdlr comes in. We are here to help ease your number crunching anxieties. We have developed this guide in order to help real estate agents simplify their accounting and save money, so when tax time comes around, you will be a little less overwhelmed by it all.



SEPARATE ACCOUNTS

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Always have separate credit card and bank accounts for "Business" and "Personal" finances.

Co-mingling your personal and business funds can be a recipe for disaster, especially if you get audited. By keeping your finances separate, it will be easier to see how well your business is doing, organize transaction records, file your taxes, and claim deductions for business expenses. Moreover, you make it harder for any business creditors to make claims on your personal assets.

BOOKKEEPING

Don't fall behind on your bookkeeping, or put off your accounting until tax time!

Make an effort to update your financial information on a regular basis. You will find it easier to remember the details of each transaction and save time and money when you need to file your tax return. If you're into using the latest apps and technology, try downloading Hurdlr or Evernote on your smartphone to keep track of your business expenses. Hurdlr simplifies financial planning for you completely. If you hate entering all of your information into some app, then take heart: with Hurdlr, you barely have to do any data entry at all. Simply sync your credit card accounts with Hurdlr, and the app pulls the transaction data for you. Then, you're set!

With Hurdlr, you can also take snapshots of receipts from business lunches and bills, and even tag them to a specific listing so you know how much you really made when the sale closes. Now, you never have to worry about keeping track of a stack of paper receipts again! You can do all of your tax planning on your smartphone.

> IRS Publication 583 is a great resource for sole proprietors and business owners to find more information on recordkeeping and tracking business expenses.

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Deductions, deductions, deductions!

DID YOU KNOW?

Real estate agents can take advantage of a number of deductions. Doing so will maximize your income. Here are a few that no agent should overlook:

Advertising

As every real estate agent knows, sell-side marketing expenses can be a significant financial burden. The good news is that all the money you spend on staging, brochures, ad placements, and open houses can be deducted as advertising expenses when it comes time to file your taxes. These expenses can significantly offset your taxable commission income and should not be overlooked by any real estate agent.

Mileage

The largest single expense category for REALTORS® is vehicle expenses, according to the NATIONAL ASSOCIATION of REALTORS® Member Profile 2018.

Let's say Gina Gogetter, a Washington, D.C.-based real estate agent for Modern Realty, drove four thousand miles last year for her business, which cost her $0.58 per mile (the Federal Rate). Gina could knock $2,320 off of her taxable income by taking the mileage deduction. Depending on her effective tax rate, Gina could save a pretty significant sum of money! This is why it's important to take a deduction, when possible.

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Deductions, deductions, deductions!

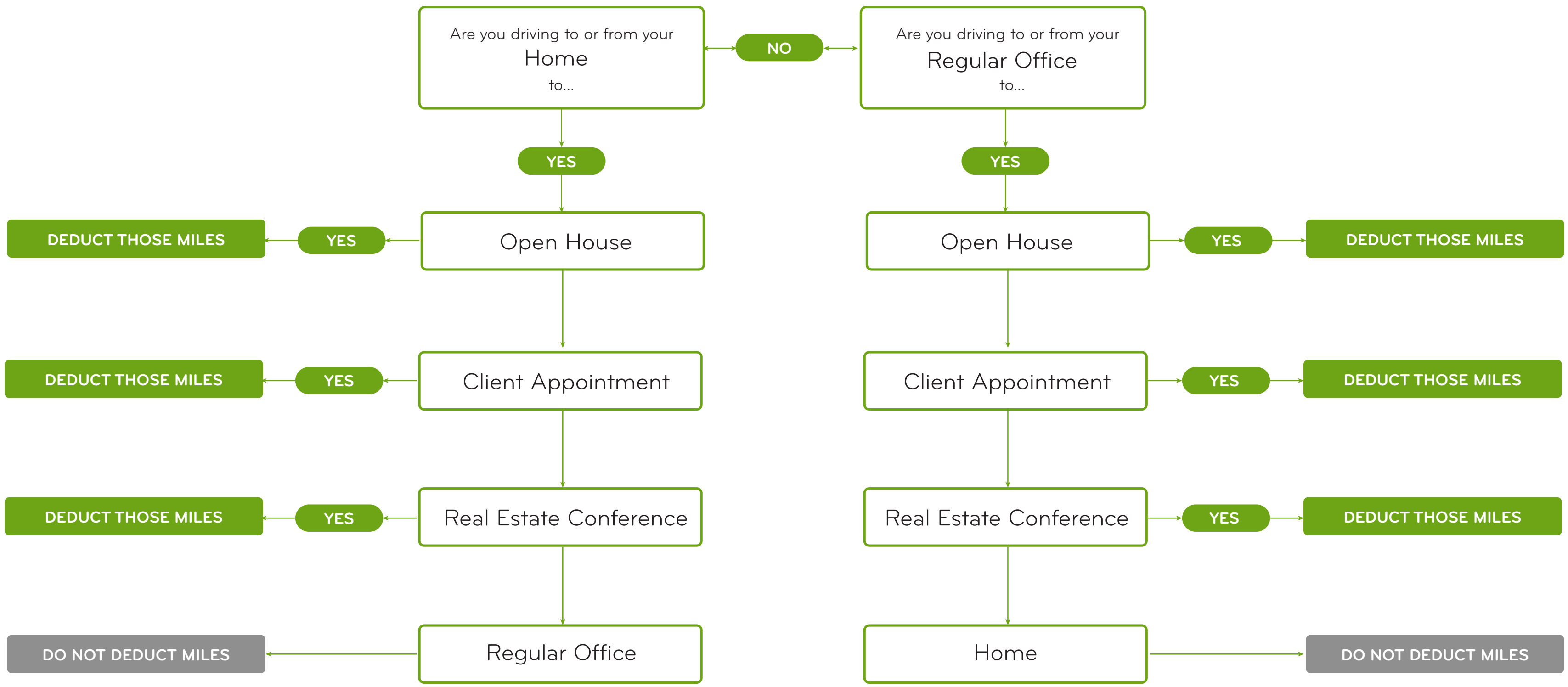
Mileage (cont.)

If you plan on taking advantage of the mileage deduction, here are a few things to keep in mind:

Track your business miles: Keep a calendar that shows your daily business activities, which will help you to substantiate where you were on certain days of the year (i.e., if you were travelling for work). There are a number of helpful apps out there to help you manage your calendar. Try Hurdlr or MileIQ to help you track the actual distance you drove.

Not into apps? Make a point to change your oil in January, at the beginning of the year. That way, you will have a third party record of your vehicle's mileage from January 1 onward.

Know what trips count: If you are using the mileage deduction, you can count trips from your home or your office to a temporary work-site or business meeting. However, the miles you drive getting from your home to your office are off the table. Use the figure on the next page to help you remember what trips can save you money at tax time.


Are you driving to or from your
Home
to...
NO
Are you driving to or from your
Regular Office
to...
YES
YES
DEDUCT THOSE MILES
YES
Open House
Open House
YES
DEDUCT THOSE MILES
DEDUCT THOSE MILES
YES
Client Appointment
Client Appointment
YES
DEDUCT THOSE MILES
DEDUCT THOSE MILES
YES
Real Estate Conference
Real Estate Conference
YES
DEDUCT THOSE MILES
DO NOT DEDUCT MILES
Regular Office
Home
DO NOT DEDUCT MILES

Deductions, deductions, deductions!

Mileage (cont.)

Know your limits: Outside of disallowed trips, there are a few other circumstances that can prohibit you from deducting your miles: depreciating your vehicle, taking a Section 179 deduction on your car, and applying the mileage deduction to more than five vehicles are all prohibited, if you want to use the standard mileage rate.

***Actual Expenses:** You also have the option to deduct your actual vehicle expenses. To use the actual expense method, keep track of what you actually spend during the year to operate your vehicle, including gas, tires, license, registration, lease payments, and repairs, and then deduct the portion attributable to business miles. Keep in mind that the actual method will require more record keeping, but it may well be worth it — you may come out ahead at the end of the year.

Apps like Hurdlr make it easy to track your expenses as they occur. Since Hurdlr is integrated with your smartphone's camera, you can simply take pictures of your receipts, and your record will be created instantly.

Deductions, deductions, deductions!

Home Office

If you are an independent agent or just don't use a local office, take advantage of the home office deduction! While some consider claiming this deduction to be an audit "red-flag," more and more people are working remotely, freelancing and ditching the traditional office lifestyle. As such, if you have a true "home-office," you are leaving money on the table if you don't claim the deduction.

Here are two things you should know about home office deductions:

Exclusive business use: This means your couch, exercise room, and kitchen table don't count. Your home office needs to be a fully dedicated work space. Further, it needs to be your Principal place of business and used regularly for management and administrative functions. Use the chart on the next page to determine if you qualify.

Simplified vs. Regular: So you made it to the magical "Deduction allowed" box; here's what you should know. If you use the simplified method, you can take a deduction of $5 per square foot for each square foot of your home used for business purposes (up to 300 square feet). If you use the regular method, keep track of all your home expenses, including maintenance, repairs, utilities, real estate taxes, rent, etc. so you can deduct the portion of these expenses related to your home office.

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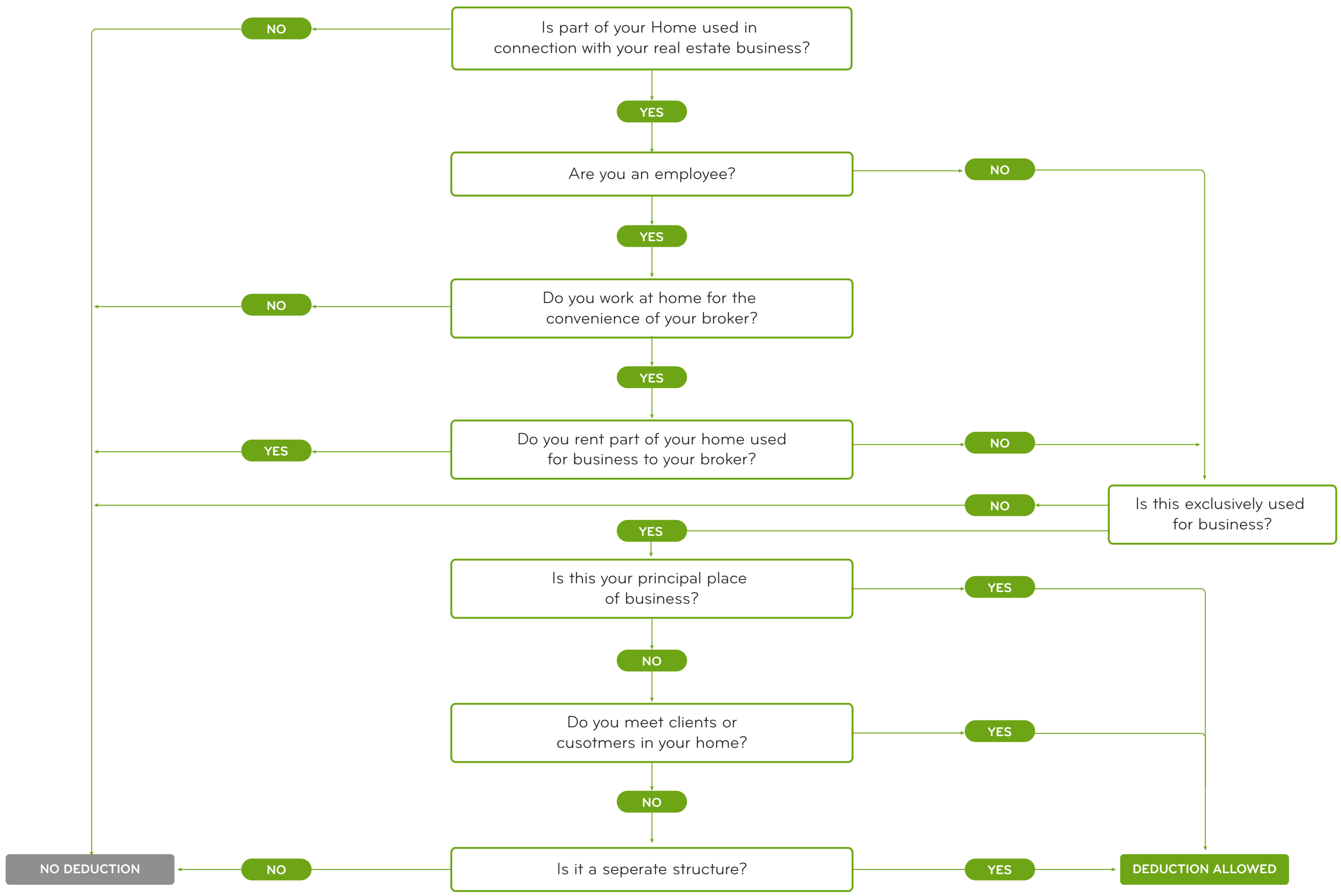

Is part of your Home used in connection with your real estate business?
NO
YES
Are you an employee?
NO
YES
Do you work at home for the convenience of your broker?
NO
YES
Do you rent part of your home used for business to your broker?
YES
NO
Is this exclusively used for business?
NO
YES
Is this your principal place of business?
YES
NO
Do you meet clients or cusotmers in your home?
YES
NO
Is it a seperate structure?
NO
YES
NO DEDUCTION
DEDUCTION ALLOWED

PLAN FOR TAXES

Don't let tax planning fall by the wayside.

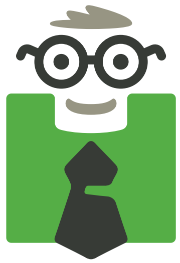
You worked hard to close the deal, and you just cashed your commission check. Now it's time to live a little! By all means celebrate your success, but don't forget that you are still subject to taxation like all the regular 9-5ers. This means that you should plan on setting aside a portion of your commission earnings to cover your federal and state income taxes, as well as your self employment tax. The best way to remit your taxes to the state and federal taxing authorities is by making quarterly estimated payments. You will be in compliance with IRS requirements and save on interest and penalties.

So how do you go about doing that? Simple!

Compute your estimated quarterly taxes based on your prior year earnings or by projecting current year income. **Hurdlr's** sales lead calculator can even help you project the value of the commissions you stand to make off all your listings, for both buyers and sellers.

Use IRS form 1040-ES to estimate your tax and make your payments. Apps like **Hurdlr** automatically calculate your estimated taxes, taking into account your projected income and expenses, so you know what is safe to spend and what you should set aside for on-going tax payments.

*Note that estimated tax payments are due on the following dates:
April 15th, June 15th, September 15th, and January 15th.



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We hope that we've provided you with some helpful tips that will allow you to maximize your profits and streamline your accounting. By abiding by these four tips, you will find that your financial and tax planning will be infinitely more simple - and infinitely less stressful! If you have any questions about how Hurdlr can help ease your numbercrunching anxieties, email us at **hello@hurdlr.com**

To learn more about how Hurdlr can help real estate agents like you visit our website: **www.hurdlr.com**

About The Author

Aaron Lesher, CPA is Head of Strategic Initiatives at Hurdlr. He's passionate about helping real estate agents achieve more financial success. Hurdlr won Realogy's FWD innovation competition, and has already helped users track $6B in finances and save $250M in taxes. Prior to Hurdlr, Aaron worked for Ernst & Young, where he provided audit and tax compliance support to Fortune 500 clients. Aaron earned his Master's in Accounting from Tulane University.

About Hurdlr

Hurdlr is a mobile-first app for busy entrepreneurs to seamlessly manage their business expenses, finances and tax planning in seconds, from their smartphones. Hurdlr for Real Estate Agents also helps you track your listings, commissions and projections, so you have a clear financial picture of your current business and can plan for future growth.

"We designed and built Hurdlr with the entrepreneur in mind. We believe accounting should only take seconds...not days, hours or even minutes. It should help you grow your revenue, not increase your expenses."

-Raj Bhaskar, Founder & CEO, Hurdlr