Hemingway &Buchanan CPA, PC

How to Thrive Financially: *A Guide for Healthcare Entrepreneurs*

Your Patients Count on You. But Who's Caring for Your Financial Health?

Whether you're a dentist, chiropractor, or OB-GYN, your work transforms lives every single day. But while patient care is your passion, your practice's financial health deserves just as much attention.

With thoughtful tax strategies and smart cash flow management, you can create a practice that's not only financially fit but primed for growth.

Here's what every solo healthcare professional should have in their financial toolkit:

Tax Planning Essentials

1. **Choose the Right Entity Structure** Still operating as a sole proprietorship? It may be time to consider forming an **S Corporation** or **LLC**. These structures offer more flexibility and may significantly reduce your self-employment tax burden.

   Choosing the right structure depends on your goals, risk tolerance, and income level. A **sole proprietorship** may be fine to start, but as your practice grows, an **LLC** or **S Corp** can offer the protection and tax advantages you need.

2. **Set a Reasonable Salary** If you're an S Corp owner actively working in the business, the IRS requires you to pay yourself a salary. Striking the right balance between **W-2 wages** and **profit distributions** not only keeps you compliant—it helps minimize taxes strategically.

   As an S Corporation owner who actively participates in the business, you're required by the IRS to pay yourself a "reasonable salary" through W-2 wages before taking any profit distributions. This rule ensures proper reporting and payment of payroll taxes. Beyond compliance, strategically balancing your salary with shareholder distributions can significantly reduce your self-employment tax liability. By aligning compensation with industry standards while optimizing your profit withdrawals, you can manage tax exposure effectively and maintain a healthy financial structure for your business.

3. **Maximize Every Deduction** Think beyond the basics. You may be eligible to deduct:
   - A qualified **home office** setup
   - **Medical/dental equipment and software** (via Section 179 depreciation)
   - **Continuing education, professional dues**, and certifications
   - **Business-related vehicle expenses**
4. **Supercharge Retirement Savings**
   - A **Solo 401(k)** or **SEP IRA** gives you the ability to contribute as both employee and employer, significantly lowering taxable income.
   - For high earners, **a defined benefit plan** can be an excellent long-term wealth-building tool.
5. **Don't Miss the QBI Deduction** If you qualify, the **Qualified Business Income deduction (QBI)** can slash your taxable income by up to 20%—a big win for service-based business owners.

   The Qualified Business Income (QBI) deduction, also known as the Section 199A deduction, allows eligible owners of pass-through entities—such as sole proprietorships, partnerships, LLCs, and S Corporations—to deduct up to 20% of their qualified business income on their personal tax return.

Do Medical Professionals Qualify? Yes, although there are specific limitations.

Medical practices—including those operated by chiropractors, wellness professionals, and OB-GYNs—are classified as Specified Service Trades or Businesses (SSTBs). As a result, eligibility for the QBI deduction is based on the taxpayer's income level.

You may qualify for the full 20% deduction if:

- Your practice operates as a sole proprietorship, LLC, or S Corporation
- Your taxable income is below: • $197,300 for single filers (2025) • $394,600 for married couples filing jointly (2025)

Cash Flow & Practice Management

1. **Budget with Seasonality in Mind** Health care practices often have ups and downs. Smooth out the bumps by planning for slow periods and building a reserve fund that gives you breathing room.
2. **Track the Right Metrics (KPIs)** Measure what matters. Metrics like collections per visit, patient retention rates, and overhead percentage can offer insights into performance and profitability.

3. **Automate Receivables** Use practice management software to streamline billing, automate reminders, and accept digital payments. Offering payment plans can improve collection rates without straining relationships.
4. **Optimize Overhead** Regularly audit your expenses—supplies, rent, staffing—and look for opportunities to renegotiate or eliminate unnecessary costs. Avoid over-investing in equipment without a clear ROI.
5. **Invest in Smart Growth** Channel profits into strategic upgrades like modern equipment, marketing efforts, or adding specialty services that can expand your patient base.

Why Every Healthcare Practice Needs a Proactive CPA Partner

Running a successful medical or wellness practice takes more than clinical expertise—it requires financial clarity, strategic foresight, and a trusted advisor who understands the unique challenges of your profession.

A healthcare-savvy CPA does more than file taxes. They become a strategic partner who helps you:

- Forecast and manage tax obligations with precision, so there are no surprises come tax season
- Plan for growth, transitions, or exit strategies with confidence and clarity
- Build long-term financial resilience by aligning your practice's goals with smart, data-driven decisions

When your finances are in order, you can focus on what matters most: delivering exceptional care to your patients.

At Hemingway & Buchanan, CPA, we specialize in helping healthcare professionals like you take control of their financial future. With decades of experience and a deep understanding of the medical industry, we provide tailored tax planning, cash flow strategies, and business advisory services that empower you to lead with confidence.
Let us help you turn financial complexity into clarity—and your vision into reality.

Schedule a consultation today.

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