

# IS YOUR TAX ADVISOR HELPING OR HURTING YOU?



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FINANCIAL FELLOWSHIP

There are the two ways that millions of taxpayers get in trouble with tax planning, even when they rely on tax professionals:

- (1) Incompetence which leads to penalties relating to the underpayment of tax; or
- (2) Being so conservative or close-minded that they actually cost the client through substantial overpayment of tax.

When you add the federal, state, and other taxes (i.e., property, sales, gas), the affluent pay marginal income taxes of Fifty Percent (50%) or more. At these rates, the following question becomes very important: Does your tax advisor — CPA, attorney, or other professional — suffer from one of these two extremes?

**Incompetence:** Not admitting when an area is beyond his or her expertise. While it may be obvious to avoid the incompetent advisor, the signs of incompetence are not so apparent. Once you do realize that you are working with incompetent counsel, it is often too late.

**Lack of Multidisciplinary Skills:** Being skilled in one area and not the other. More common than incompetence is the situation where the client's advisor is skilled in one area of practice but not knowledgeable about another tax area. This is understandable. Tax planning is like medicine. Each area has become so complex that one can only hope to become an expert in one discipline. In the medical arena, most patients and physicians realize this and readily accept the idea that patients are regularly referred to other specialists. A gastroenterologist would no sooner make diagnoses of skin conditions than a dermatologist would handle a digestive disorder.

When an advisor is faced with an issue beyond his expertise, he or she tends to do one of the following:

1. Admit his lack of knowledge and refer the client to another expert.
2. Try to quickly get up to speed on the issue (on the client's dime).
3. Simply reject any recommendations that he does not understand. Too often, we see tax advisors resort to this option, namely rejecting a potentially beneficial strategy for their client because it is out of the advisor's area of expertise.
4. Feign overprotectiveness: "Don't listen to anyone else but me." We see accountants and attorneys who refuse to work as part of a multidisciplinary team. Often, this is because they fear losing the client to another advisor if they admit that what another advisor recommends actually makes sense. While these advisors will never actually tell the client not to listen to another professional, their behavior speaks for them when they reject another professional's suggestions with arcane arguments and references that they know the client will not be able to evaluate on his own.

We are not suggesting that you abandon your current CPA or tax attorney. We are merely suggesting that you take an active role in your tax and estate planning, bring new solutions to your advisor or bring in other professionals to assist your advisor in a coordinated team approach. Since you are the client who will ultimately pay for the planning (or lack of it) that is put into place by your advisors, it behooves you to make sure that your planning fits your needs and tax goals.

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One of our Daktori clients sold his dermatology practice for \$31 million. Contact us to learn how our team of experts can show you how to secure a superior financial future for you and your practice.

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