



———— JIMMIE NEEDLES ————

THE 10 BIGGEST FINANCIAL MISTAKES LIFE/HEALTH INSURANCE AGENTS MAKE

AND WHAT YOU CAN DO
TO FIX THEM TODAY!

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Hey there Agent!

When's the last time you felt unsure of a business decision you had to make?

Are you afraid that you might be making serious mistakes when it comes to running your agency?

As a life/health insurance agent, you need to make hundreds of decisions every week about finances, accounting, taxes, payroll, banking, and more...And it can be hard to know if you're doing the right thing and making a good decision. Every week I talk to insurance agents all over the US who are excellent at what they do but struggle with the business side of things. If that sounds like you, it's not your fault. As a life/health agent or broker, you've spent countless hours honing your craft and providing your clients peace of mind.

But you've probably received very little education and training on how to start and grow a profitable business. In fact, I've discovered that there are 10 financial mistakes that over 90% of successful life/health insurance agency owners make when running their businesses.

The worst part is, only one or two simple mistakes can leave you working harder than you have to and pocketing much less profit than you should. But don't worry - all of these mistakes can be fixed with the right help, saving you thousands of dollars and dozens of precious hours. So let's go over each of the 10 biggest financial mistakes insurance agents/brokers make and what you can do to fix them... **today.**



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1. Not understanding the difference between profits and cash flow

One of the most important things you must understand when running a business is the difference between profits and cash flow. Every life/health agency owner starts their business with the goal of turning a profit. But what they don't realize is that cash flow is actually more important. Imagine this hypothetical.



You meet with your bookkeeper or accountant at the end of the year to review your tax return, and they report that your business turned a substantial profit. While this is good news, you can't help but be surprised. Why?

Because there's no cash in the bank and you have no idea how you're going to pay the income taxes on the profit. This happens more often than you think. A lot of insurance agents turn a profit in their business while being cash flow negative, and others have lots of cash flow but no profit to show for it.

This is because an insurance agency can have positive cash flow while having no profit if the cash comes from sources other than income, such as when an owner puts in their own money or if they take out a loan. These types of transactions aren't income, but rather liability or equity transactions that appear on the balance sheet. On the other hand, an insurance agency can have negative cash flow while having a large profit if the owners take cash out of the business to pay personal expenses or use it to make investments or loans to others. These types of transactions where cash is taken out of the business are also reported on the balance sheet, not the profit and loss statement.

As an agency owner, you must understand this critical difference between profits and cash flow if you want to leverage your business to create lasting wealth.



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2. Failing to maximize retirement contributions early

Being self-employed gives you a certain measure of freedom, but it doesn't give you an excuse to skip out on saving for retirement. In fact, it makes putting money away that much more crucial, because unlike an employee who might have access to an employer-sponsored 401(k), you are on your own.

The biggest mistake agents make when it comes to planning for retirement is not understanding the value of time. To effectively build lasting wealth, you need to harness the power of compound interest and put it to work for you. Warren Buffett, billionaire investor and business magnate, once said "My wealth has come from a combination of living in America, some lucky genes, and compound interest."

Consider this scenario. Let's say that I have \$100,000 invested today, and each year, I add \$25,000 to it. I expect a return of 8% per year. In 25 years, I'll have \$2.6 million. In 30 years, I'll have over \$4 million, even though I've added only \$125,000 over the additional 5-year period.

As you can see, it is important to begin saving early, and it's also important to live below your means, because the more you save and invest, the more compound interest will be able to work for you. Always be sure to max out contributions to tax-advantaged retirement plans, such as 401(k)s and IRAs, before investing excess savings in a brokerage account. I also recommend automating your savings and investing plan. Decide on the amount you want to put towards savings each month and have that debited into a savings account. You can then invest the money in that savings account into your retirement plans and brokerage accounts.





3. Not performing regular, accurate commission audits

Let's face it. Commissions are your life blood. It is what you use to run the business, in fact it is why you got into business in the first place. Did you know that carriers can make mistakes from time to time? You should have in place a system for periodically auditing your polices to make sure you are receiving or have received the appropriate commissions. You could be leaving hundreds or thousands of dollars on the table each year, simply because you don't have a system in place. It is recommended that you do a thorough initial audit and then either audit on a monthly or quarterly basis depending on your volume. I can show you how to perform commission audits easily and effectively on a regular basis.



4. Waiting too long to expand

Many of the agency owners I talk to everyday feel that expanding their business currently is out of their reach. Several factors could play into this mindset.

Some feel that they're not creditworthy enough to obtain a business loan, due to their student loan debt or existing debt from business or personal loans. Others might feel that they don't yet have all the business experience and financial knowledge needed to make such a sizable investment.

The truth is, there is never a "good" time to start or expand. There will always be other things going on in your life that will make the transition difficult, and you'll never feel fully prepared to make the leap on your own.

To have the best chance of success, you need to work with an expert who has successfully guided dozens of agents/agencies through the process of growing their business by expanding their existing agencies, and adding additional sales and support staff.

There are several critical steps you need to do to prepare to grow. You should work with your bookkeeper to make sure you have a clean set of books that will meet a lender's requirement, so you won't have any trouble getting a bank loan.

You'll also need to plan your tax strategy for this move in advance, because you won't be able to do anything about it looking backward. But with a solid plan and the guidance, you can do it.



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5. Not separating personal finances from business finances

As a life/health insurance agent, it's crucial to remember that your company is an independent entity that is separate and free-standing from you and your personal finances. Although it

may seem apparent, there are many important reasons why you need to separate your personal and business finances.

You've likely invested time and money to incorporate your business as an LLC, partnership, S-corp, or C-corp. One of the reasons you probably made the decision to do so is for the legal protections that establishing a distinct, separate business entity affords you as a business owner. But in some cases, commingling your personal and business funds can make you personally responsible for business liabilities.

Commingling of funds also makes accounting and tax preparation less accurate because there is always the risk that important business deductions can be missed. It can also cause you to incorrectly deduct personal expenses that won't be deductible or sustainable in an audit.

This can result in severe fines and penalties from the IRS and state tax authorities.

Another reason why you want to keep your personal and business finances separate is because when they become intertwined, there is no way for you to determine how much money you, as the business owner, can afford to keep for yourself. This may lead you to make poor decisions based on a distorted perception of how your business is performing.

You want to establish a financial firewall between you and your business so you can make accurate decisions, protect your personal assets, and minimize taxes and risk when it comes time to file your tax returns.



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6. Failing to track ROI of marketing campaigns

Insurance agency growth can't be left to chance. The average insurance agency retention rate is 84%. While 84% sounds like a great number, it actually means you are losing 16% of your new clients every single year.

This means that you need to be marketing so you can get your name in front of potential clients. But too often we see insurance agency owners waste thousands of dollars on "hope" marketing with dubious results that are impossible to track.

Here in our firm we find that a number of our clients who are spending money on advertising and marketing are actually losing money. They put their blind trust in marketing agencies, but they don't really understand how to track the ROI on their ad costs. And that means that it's easy to burn through marketing dollars without getting any new clients or revenue. Buying leads that are not proven, and/or not effectively developing their own lead sources are other ways agents burn through precious marketing dollars.

That's why we've developed a simple, proven system to help our clients understand their marketing expenses and see which ads and promotions are driving practice growth.

This allows you to double down on what is working and cut out all the waste.

It's also important to have processes in place to nurture your relationships with your current clients. Client retention is one of the most important drivers of overall financial success since it is 10x more expensive to acquire a new customer than to retain an existing one.





7. Not using a specialized insurance agency accounting system.

You're an expert when it comes to protecting and insuring your clients financially, but you also have to make sure that your agency is protected. One of the biggest financial mistakes life/health agents make is not having a specialized accounting system that gives you the data you need to make proactive decisions.

The chart of accounts is the backbone of any accounting system. It is the list of accounts an organization can use to track revenues and expenses. Insurance agencies need industry-specific accounts to track certain revenue and expense items that aren't relevant to other businesses.

To understand your agency's financial health, you need a chart of accounts that is customized to your practice's unique operations. This will allow you to create budgets and run reports to analyze your practice's revenues and expenses. You can then use that data to compare your numbers to industry benchmarks so you can see how your agency is performing compared to other agencies of similar size. These insights will enable you to make your business more efficient so you can make more money without working harder.

Setting up a specialized accounting system and chart of accounts will give you the insight you need to grow your practice and streamline operations.



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8. Not having a budget for your personal expenses

It's not enough to have your business finances in order. You also should have well-defined personal goals and make a budget that enables you to achieve them.

Too often, I've seen agents, young and old, who believe that they do not need such a plan because they have a highly profitable business. They think that they can spend more than they can actually afford because the business numbers look good.

But the primary goal of owning and operating an insurance agency is not to have a high disposable income. The goal is to build lasting wealth that will benefit your family for many years to come.

It's simply not enough to rely on your business's financial statements when trying to plan how much you can spend on your personal expenses. You need to have a separate personal budget that tracks all your sources of income and each of your fixed expenses.

Agents without a personal budget always spend too much and save too little. They miss important opportunities for wealth creation, such as investing in the efficiency of their business or expanding to passive income sources, such as real estate.





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9. Being late with quarterly estimated tax payments.

As a business owner, making quarterly estimated tax payments towards your federal income tax liability is one of the many compliance obligations you have to the federal government.

When you own a business, you can't just wait to pay your taxes at the end of the year. The IRS says that taxes are due regularly over the course of the year as you earn income.

If you have a source of income that isn't subject to withholding - such as dividends or profit distributions from your business that you don't pay yourself on a W-2 - you have to pay estimated taxes on that income instead. Estimated taxes are payments you make throughout the year based on what you estimate you will owe for the tax year.

Paying estimated taxes is one way to make sure you're giving the IRS enough money during the year to avoid owing a lump sum at filing time, and it also prevents you from incurring steep penalties for underpaying your taxes throughout the year.





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10. Not working with an experienced insurance CFO and tax strategist

As you've learned from going over the last 9 mistakes, there are a lot of problems that agents and agency owners can run into while running and growing their businesses.

To avoid these deadly mistakes and make good decisions that will enable you to leverage your business to create lasting wealth, you need to work with an accounting and tax expert who understands the insurance business and can guide you through every stage of the insurance agency ownership cycle.

The sad truth is many of the agents I talk with today don't have the tools they need to assess the profitability and overall financial health of their business. In fact, a lot of them are used to being behind on their financial statements and having to get "caught up" in time for tax season.

But by tax time, it's simply too late to take the steps necessary to minimize your tax liability. Tax planning needs to be a proactive process that considers the entirety of your financial situation.

Most CPAs can prepare an accurate tax return, but very few are well-versed in the unique challenges insurance agents and agency owners face. You need industry-specific advice and strategies to keep more of your hard-earned money in your pocket. You need someone who has "been there".

You also need a real-time, cloud-based accounting system that is customized for your insurance agency. You can then use this data to analyze which services are most profitable so you can focus on them and in addition, reduce your payroll, overhead, and marketing expenses.



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How would you like to increase your profits & cash flow while minimizing your taxes and risk?

If you have read this book and discovered that you might be making one of these 10 costly mistakes in your business, and you feel that your mistakes are too far gone, guess what...

There's hope for you too. This is what we do. I care about insurance agents and the insurance community. I'm here to help you overcome your mistakes and plan a better future for your business.

I'd love to give you 45 minutes of my time for free where we can deep dive into your current business structure, tax strategy, and accounting system to make sure your business isn't leaking your hard-earned money.

You can book your free Strategy Session with me here:
<https://calendly.com/j2bookkeeping/10mistakes-calendar>

There's no obligation whatsoever. I won't hold anything back. At the end of our call, you'll have a clear plan for what you need to do to turn double your commissions every year.

In fact, I believe that I can help you so strongly that I will give you a \$25 Amazon gift card if you don't think our conversation is valuable. That's the promise I am making to you, so you have absolutely nothing to lose.

The best-case scenario is that I help you save thousands of dollars and dozens of hours every year. Worst case scenario, I'll give you a \$25 Amazon gift card. Does that sound fair?

Talk soon!

Jimmie Needles, PB



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About the Author

Hi! My name is Jimmie Needles and I am an outsourced CFO and strategist with a mission to help life/health insurance agents harness their financial resources and utilize them effectively, maximizing profits and minimizing tax liability. I have been in your shoes, as a life/health insurance agent for over 10 years I have seen many success stories of insurance agents making money only to have them leave the business because of poor money management and a poor foundation in business. I realized that with my previous experience and skill set I was in the unique position to help insurance agents with their bookkeeping and taxes, cash flow management and marketing ROI, among other things.

If you feel like you are paying too much in taxes or working too hard for not enough money...

I might be able to save you thousands of dollars and dozens of hours of your precious time in just one 45-minute discovery call. This strategy call is complimentary and there's no obligation whatsoever. I'll give you my honest answers and not hold anything back. We can review your current business structure, tax strategy and accounting systems to make sure your agency is operating as efficiently as possible and that you're not wasting any of your hard-earned money!

If you want my help implementing the plan we work out on the call, then I'll be happy to talk with you about working together, but you absolutely don't have to become my client to get some awesome value from our conversation...If you want to take control of your business finances and your financial future and keep more of your hard-earned money, book a free 45-minute strategy session with me here: <https://calendly.com/j2bookkeeping/10mistakes-calendar>

I really look forward to speaking with you and helping you clarify how to create lasting wealth for you and your family.

