June 17, 2021

Financial Wellness in the Arts
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Disclaimer

This information is for educational purposes only. This information should not be relied upon for tax, legal, or accounting purposes, or to avoid penalties under Section 230.

Tax laws are nuanced and specific and learning about these topics in a group setting is no substitute for consulting with a professional who knows the details of your unique situation.
GROUND RULES

- Take space & make space
- Equal parts teachers & learners
- Stories stay & lessons leave
WHAT ARE WE DOING?

Organize income and expenses in a financial framework
Identify key metrics to build financial wealth
Describe ways of diversifying income to meet needs
Articulate next steps to meet creative and financial goals
Organize income and expenses in a financial framework.
Friendly Reminder
You will not master financial wellness in a ninety-minute workshop, *nor are you expected to*. Be patient with yourself and take a breath.

Small growth is still growth.
What is a framework?

FINANCIAL LENS

• Knowledge *(things I need to know)*

• Action *(things I need to do)*

• Intention *(things I need to believe)*

• Results *(what I want to happen)*
What is a framework?

**FINANCIAL LENS**
- Knowledge *(things I need to know)*
- Action *(things I need to do)*
- Intention *(things I need to believe)*
- Results *(what I want to happen)*

**RESULTS TO WATCH**
- Amount to exist as human
- Amount to exist as creator
- Amount for taxes
- Amount for savings
- Assets
- Debt
Let’s start with “money in.”
“Money in” comes from a variety of sources. A portfolio career helps you organize those sources.

PORTFOLIO CAREER: A framework for organizing your income that maximizes your strengths while balancing your financial needs.
PORTFOLIO CAREER

Starring Role

STARRING ROLE

This is your thing —
What you love to do more than anything else.

$
PORTFOLIO CAREER

Starring Role

Supporting Cast Roles

STARRING ROLE
This is your thing —
What you love to do more than anything else.

$ 

SUPPORTING CAST ROLES
This work is related to your starring role,
but it's not exactly the same thing.

$ 
PORTFOLIO CAREER

Starring Role

Supporting Cast Roles

Production Assistance Work

STARRING ROLE
This is your thing —
What you love to do more than anything else.

$ 

SUPPORTING CAST ROLES
This work is related to your starring role,
but it’s not exactly the same thing.

$ 

PRODUCTION ASSISTANCE WORK
This work is unrelated to your starring role,
but it provides some financial support.

$ 

So What Do I Do With This?

- **Starring Role**
  - STARRING ROLE
  - This is your thing — What you love to do more than anything else.
  - 

- **Supporting Cast Roles**
  - SUPPORTING CAST ROLES
  - This work is related to your starring role, but it's not exactly the same thing.
  - 

- **Production Assistance Work**
  - PRODUCTION ASSISTANCE WORK
  - This work is unrelated to your starring role, but it provides some financial support.
  - 
Action Items

1. Estimate what you’ll earn from each category this year.

Key Point
Be specific in defining subcategories within each bucket of income. (This detail will help you evaluate those opportunities in case the balance is off.)
Registration Question
How do I make a quantum leap in generating income?

Key Point
Be specific in defining the quantum leap. How many projects? How many partners? What is the potential success rate of each?
Action Items

2. Track what you actually earn (and the time you actually spend on various projects).
Action Items

3. Get clarity around what you do (and don’t do) in each category:

- Think about what you do well (your strengths).
- Figure out who needs those strengths (your opportunities).
- Identify opportunities that are ripe now, and those that might be ready in a year (or two).
Open Q&A

What questions do you have?
Bio Break

Take 5 minutes to stretch, get some water, and take a quick break.
Now let’s figure out where money goes.
MONEY OUT

“Money out” doesn’t always leave your pockets (although some of it does).

This section is about building intention around where money goes (and why).
THE CATEGORIES

Cost to exist as a human
Registration Question
Can you recommend a free/low-cost budgeting tool?

Key Point
YNAB is a great option ($12 per month or $84 per year).
Your existing financial institution may have some (free) options as well.
And a good, old-fashioned spreadsheet can be magical.
Action Items

1. Estimate your human costs for the year.

Key Point
Consider who is covered by this number and your overall priorities.

Remember annual costs, irregular costs, and debt payments too...
THE CATEGORIES

Cost to exist as a human

Cost to run a creative business
Action Items

2. Estimate your business costs for the year.

Key Point
Get clarity around the real costs to do what you do for those you serve.

Remember to include reinvestment in the business.
Registration Question (again)
How do I make a quantum leap in generating income?

Key Point
Build a budget that reflects the quantum leap, then invite others to join the vision.
THE CATEGORIES

Cost to exist as a human

Cost to run a creative business

Amount to set aside for taxes
3. Estimate your income tax costs for the year.

**Key Point**
You can do this by taking 30% of your income (ish).

You can also do this by looking at Line 24 of your 2020 tax return to see what your actual tax costs were last year. Then do the same thing for your state and/or city return.
Registration Question
Can you recommend a tax calculator?

Key Point
I really like Smart Asset’s tax calculator as a starting point: https://smartasset.com/taxes/income-taxes#uHUmAlii78f
Smart Asset’s Tax Calculator

Enter your financial details to calculate your taxes

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Location</th>
<th>Filing Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>$57,509</td>
<td>Sacramento, CA</td>
<td>Single</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>401(k) Contribution</th>
<th>IRA Contribution</th>
<th>Itemized Deductions</th>
<th>Number of State Personal Exemptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>1</td>
</tr>
</tbody>
</table>
# Smart Asset’s Tax Calculator

## Your Income Taxes Breakdown

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Marginal Tax Rate</th>
<th>Effective Tax Rate</th>
<th>2020 Taxes*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>22.00%</td>
<td>9.94%</td>
<td>$5,714</td>
</tr>
<tr>
<td>FICA</td>
<td>7.65%</td>
<td>7.65%</td>
<td>$4,399</td>
</tr>
<tr>
<td>State</td>
<td>8.00%</td>
<td>3.68%</td>
<td>$2,114</td>
</tr>
<tr>
<td>Local</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Income Taxes</strong></td>
<td><strong>21.26%</strong></td>
<td></td>
<td><strong>$12,227</strong></td>
</tr>
<tr>
<td>Income After Taxes</td>
<td></td>
<td></td>
<td>$45,282</td>
</tr>
<tr>
<td>Retirement Contributions</td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Take-Home Pay</td>
<td></td>
<td></td>
<td>$45,282</td>
</tr>
</tbody>
</table>

* These are the taxes owed for the 2020 - 2021 filing season.

Self-employed folks double this amount.
Registration Question
Are there tax benefits as an LLC or sole proprietor?

Key Point
Nope. From a tax perspective, an LLC and a sole proprietorship are treated in the exact same way. There may be liability protection with an LLC that helps, but depending on your state, there may be additional annual fees as well.

S Corporations come with some payroll tax benefits, and $125,000 of income is a good time to start doing the math to see if those tax benefits make sense for you.
Registration Question
I’m looking for a knowledgeable, affordable tax preparer.

Key Point
Does anyone have a recommendation to share in the chat? Lean into your network for ideas...

Brass Taxes is a great affordable, online option for creative individuals. Your peers, local arts council, and small business associations may have recommendations as well.
**Registration Question**
Can you recommend how to negotiate a tax settlement for overdue taxes due to challenges with 1099s?

**Key Point**
A payment plan is a good first step, or you can explore an Offer in Compromise: [https://www.irs.gov/newsroom/irs-explains-how-offer-in-compromise-works](https://www.irs.gov/newsroom/irs-explains-how-offer-in-compromise-works)

An ethical accountant can help, but be wary of companies that make big promises or charge high fees.

Also, the IRS’s Taxpayer Advocates may be able to help: [https://www.irs.gov/advocate/local-taxpayer-advocate](https://www.irs.gov/advocate/local-taxpayer-advocate)
THE CATEGORIES

Cost to exist as a human

Cost to run a creative business

Amount to set aside for taxes

Amount to set aside for savings

- **COST TO EXIST AS A HUMAN**
  What does it cost you to exist as a human in the way you want to exist?

- **COST TO RUN A CREATIVE BUSINESS**
  What does it cost you to run your creative business in the way you want to run it?

- **TAXES**
  How much are you setting aside to pay your taxes?

- **SHORT-TERM SAVINGS**
  How much are you setting aside in your emergency fund?

- **LONG-TERM SAVINGS**
  How much are you saving for your own future needs?
Action Items

4. Estimate your short- and long-term savings for the year.

Key Point
You can do this by taking 20% of your income (ish).

You can also do this by spending a bit more time getting clarity around savings goals and setting a dollar amount to aim for.
Registration Question

I am interested in approaches to investing when you have a fluctuating income.

Key Point

You may need a larger emergency fund than someone else, based on fluctuating cash.

You may also prefer investments that pay dividends (and provide a small amount of income).

You may consider investing *some* in a retirement account and *some* in a non-retirement account (so you can access it if you need it).
Registration Question

I would love advice on smart investing. I am very conservative with my savings and not earning interest on it.

Key Point

First figure out how much you can invest.

Then, choose a diversified index fund or exchange traded fund for a relatively low-risk option. (It still has some risk though.)

You may also like a bond index fund.
Registration Question
I’m curious to learn more about retirement savings and investing (other than IRA/Roth) for self-employed people.

Key Point
SEP-IRAs are really wonderful from a flexibility standpoint. The contribution comes from the company and can layer on top of an individual’s IRA contribution for the year.

For Further Reading

Registration Question
How can I build retirement savings when I am already in middle age?

Key Point
You are perfect just where you are. Today is a great day to start.

Plus, there are “catch up contributions” that kick in if you are older than 50.
5. Choose a *vehicle* for saving, then choose how to *invest* the funds.

**Key Point**
Your favorite financial institution can probably help you get set up with an IRA or a SEP. (And for a SEP there are extra tax forms to file in the first year.)

Just make sure your favorite financial institution isn’t holding the funds in cash.
Joe Biden says:

“Don’t tell me what you value. Show me your budget, and I’ll tell you what you value.”

Key Point
Align your values with your spending, your contribution to your community, and your savings.
Open Q&A

What questions do you have?
Bio Break

Take 5 minutes to stretch, get some water, and take a quick break.
Now let’s figure out what this actually looks like.
Starting Place...

Look at the numbers you gathered.

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Think about the income you earn in three categories. What do you earn from each?</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Starring Role</th>
<th>This is your thing — what you love to do more than anything else.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supporting Cast Roles</th>
<th>This work is related to your starring role, but it’s not exactly the same thing.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production Assistance Work</th>
<th>This work is unrelated to your starring role, but it provides some financial support.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL: $55,000**

<table>
<thead>
<tr>
<th>Short-Term Savings</th>
<th>How much are you adding to your emergency fund?</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long-Term Savings</th>
<th>How much are you saving for your own future needs?</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxes</th>
<th>How much are you setting aside to pay your taxes?</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost to Run a Creative Business</th>
<th>What does it cost you to run your creative business in the way you want to run it?</th>
</tr>
</thead>
<tbody>
<tr>
<td>$13,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost to Exist as a Human</th>
<th>What does it cost you to exist as a human in the way you want to exist?</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40,000</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL: $80,000**
Solution #1

Cut back on savings and some expenses.

This is a good start, but it doesn’t work long-term.

Key Point
Any difference in this scenario goes on a credit card (or other debt) and there is no savings.
Solution #2

Add more supporting income to support savings.

Pay attention to actual results to make sure this is working.

Key Point
Any tax “overpayment” can go to savings here.

<table>
<thead>
<tr>
<th>MONEY IN</th>
<th>MONEY OUT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EARNINGS</strong></td>
<td><strong>SHORT-TERM SAVINGS</strong></td>
</tr>
<tr>
<td>Think about the income you earn in three categories. What do you earn from each?</td>
<td>How much are you adding to your emergency fund?</td>
</tr>
<tr>
<td><strong>STARRING ROLE</strong></td>
<td>$2,000</td>
</tr>
<tr>
<td>This is your thing—what you love to do more than anything else.</td>
<td></td>
</tr>
<tr>
<td>$25,000</td>
<td><strong>LONG-TERM SAVINGS</strong></td>
</tr>
<tr>
<td><strong>SUPPORTING CAST ROLES</strong></td>
<td><strong>TAXES</strong></td>
</tr>
<tr>
<td>This work is related to your starring role, but it's not exactly the same thing.</td>
<td>How much are you setting aside to pay your taxes?</td>
</tr>
<tr>
<td>$25,000</td>
<td>$18,000</td>
</tr>
<tr>
<td><strong>PRODUCTION ASSISTANCE WORK</strong></td>
<td><strong>COST TO RUN A CREATIVE BUSINESS</strong></td>
</tr>
<tr>
<td>This work is unrelated to your starring role, but it provides some financial support.</td>
<td>What does it cost you to run your creative business in the way you want to run it?</td>
</tr>
<tr>
<td>$15,000</td>
<td>$8,000</td>
</tr>
</tbody>
</table>

**TOTAL:** $65,000

**TOTAL:** $65,000
Solution #3

Maximize savings and reduce debt (to minimize costs) with production assistance work.

**Key Point**
This might make “money sense” but not “life sense.”

<table>
<thead>
<tr>
<th><strong>MONEY IN</strong></th>
<th><strong>MONEY OUT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EARNINGS</strong></td>
<td><strong>SHORT-TERM SAVINGS</strong></td>
</tr>
<tr>
<td>Think about the income you earn in three categories. What do you earn from each?</td>
<td>How much are you adding to your emergency fund?</td>
</tr>
<tr>
<td>$5,000</td>
<td>$7,000</td>
</tr>
<tr>
<td><strong>STARRING ROLE</strong></td>
<td><strong>LONG-TERM SAVINGS</strong></td>
</tr>
<tr>
<td>This is your thing — what you love to do more than anything else.</td>
<td>How much are you saving for your own future needs?</td>
</tr>
<tr>
<td>$0</td>
<td>$6,000</td>
</tr>
<tr>
<td><strong>SUPPORTING CAST ROLES</strong></td>
<td><strong>TAXES</strong></td>
</tr>
<tr>
<td>This work is related to your starring role, but it's not exactly the same thing</td>
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</tr>
<tr>
<td><strong>PRODUCTION ASSISTANCE WORK</strong></td>
<td><strong>COST TO RUN A CREATIVE BUSINESS</strong></td>
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<td>This work is unrelated to your starring role, but it provides some financial support.</td>
<td>What does it cost you to run your creative business in the way you want to run it?</td>
</tr>
<tr>
<td>$37,000</td>
<td>$8,000</td>
</tr>
<tr>
<td><strong>TOTAL:</strong> $70,000</td>
<td><strong>COST TO EXIST AS A HUMAN</strong></td>
</tr>
<tr>
<td></td>
<td>What does it cost you to exist as a human in the way you want to exist?</td>
</tr>
<tr>
<td></td>
<td>$37,000</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL:</strong> $70,000</td>
</tr>
</tbody>
</table>
You get to choose...

Plan → Watch → Adapt

**Key Point**
There are not usually absolute right answers. But there is probably a good answer for you.

<table>
<thead>
<tr>
<th>MONEY IN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EARNINGS</strong></td>
</tr>
<tr>
<td>Think about the income you earn in three categories. What do you earn from each?</td>
</tr>
<tr>
<td><strong>STARRING ROLE</strong></td>
</tr>
<tr>
<td>This is your thing — What you love to do more than anything else.</td>
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<tr>
<td><strong>SUPPORTING CAST ROLES</strong></td>
</tr>
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<tr>
<td><strong>PRODUCTION ASSISTANCE WORK</strong></td>
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<tr>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MONEY OUT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SHORT-TERM SAVINGS</strong></td>
</tr>
<tr>
<td>How much are you adding to your emergency fund?</td>
</tr>
<tr>
<td><strong>LONG-TERM SAVINGS</strong></td>
</tr>
<tr>
<td>How much are you saving for your own future needs?</td>
</tr>
<tr>
<td><strong>TAXES</strong></td>
</tr>
<tr>
<td>How much are you setting aside to pay your taxes?</td>
</tr>
<tr>
<td><strong>COST TO RUN A CREATIVE BUSINESS</strong></td>
</tr>
<tr>
<td>What does it cost you to run your creative business in the way you want to run it?</td>
</tr>
<tr>
<td><strong>COST TO EXIST AS A HUMAN</strong></td>
</tr>
<tr>
<td>What does it cost you to exist as a human in the way you want to exist?</td>
</tr>
</tbody>
</table>
The difference builds wealth.

- Spending less than you earn increases assets.
- Making debt payments (more than interest) decreases debt.
Open Q&A

What questions do you have?
Now What?

1. Get to know your numbers (where they are and where you want them to be).

2. Monitor these metrics:
   - Spending
   - Savings rate
   - Tax rate
   - Income by category
   - Assets & Debt

3. Keep doing it.
RECAP

Organize income and expenses in a financial framework
Identify key metrics to build financial wealth
Describe ways of diversifying income to meet needs
Articulate next steps to meet creative and financial goals
Thank You!