

Ep #282: The Benefits of Keeping Up With Your Accounting - A Discussion with Dan Keslin

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Maddy Roche

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Narrator: [00:00:01] Join your host, Maddy Roche, as she brings you into a community of fee-only financial advisers who are successfully building profitable businesses that serve the next generation of clients. Learn from innovative advisers whose unique stories will inspire you to dream big and take action on your goals. Are you ready to live your best life and help your clients live theirs? Then you're in the right place.

Maddy Roche: [00:00:30] Hello and welcome to this episode of #XYPNRadio. I'm Maddy Roche, your host. I'm excited to have XYPN teammate Dan Keslin on the show with me today. Dan is the team manager of FA Bean Counters, XYPN's outsourced accounting and bookkeeping services. And he joins us today to shine light on the responsibilities of the RIA owner when it comes to keeping books and financial records accurate and updated, a task that many advisers underestimate when starting out. As Dan explains, not only are accurate books and records a compliance requirement, but many firms need evidence of a financial statement and many require net worth requirements just to get registered. Dan talks about how a deep understanding of your accounting allows you to make strategic decisions about your firm, compare yourself to other benchmarks, seek credit and even know when it's the right time to hire. Although most folks know what reconciling books and creating a chart of accounts means, for those of us who don't, Dan walks us through those terms. And he also gives his perspective on what FABC can offer advisers and what to take into consideration when looking to outsource aspects of your business specifically around this space. If you're interested in what it's like to balance your own books or outsource it to the pros, then this show is for you.

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Maddy Roche: [00:01:48] Avocado toast, selfies, a mountain of student loan debt. Gen Y is anything but traditional and with over seventy five million people, it's a population you don't want to ignore. Learn more about how to serve this unique population in our guide called Attract and Profitably Serve Millennial clients in your RIA. Discover three key ways to tap into the millennial market and six things that they want from their financial advisor. Visit XYPlanningNetwork.com/Millennials for your free copy.

Maddy Roche: [00:02:19] You can find any of the resources we mentioned during the episode at XYPlanningNetwork.com/282. Also, be sure to go to XYPlanningNetwork.com/VIP to join our private group, just for #XYPNRadio listeners. It's a community of advisors we've all been looking for that's there to provide support when we need it the most. Best of all, it's free. I encourage you to check it out. Again, that's XYPlanningNetwork.com/VIP. Without further ado, here's my interview with Dan.

[00:02:46] --swish--.

Maddy Roche: [00:02:47] Welcome to #XYPNRadio, Dan. How are you?

Dan Keslin: [00:02:50] I am doing well, Maddy. How are you doing today?

Maddy Roche: [00:02:52] I'm doing great. I'm so looking forward to chatting with you this hour. You have so much good information to share

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with the #YYPNRadio listeners and I'm excited to dive in. But before we do, Dan, just paint a little bit of a picture of who Dan Keslin is.

Dan Keslin: [00:03:07] Yeah, thanks, Maddy. So my name's Dan Keslin, I grew up in New Hampshire and moved to Montana for college, really to pursue a career in skiing, I guess you could call it that. But in college I studied accounting in business and really enjoyed understanding business, understanding strategies. And that sort of led me to a career in accounting. I enjoyed doing anything accounting really looking into accounting as a whole and what I can do for your business and how it can really help you better understand your business.

Maddy Roche: [00:03:37] Awesome. So what does that mean for your current role? What do you currently do at the YYPN team?

Dan Keslin: [00:03:42] So at XY Planning Network, I'm the Team Leader, Team Manager of FA Bean Counters and FA Bean Counters as you all are probably aware of, is-is an outsource bookkeeping and accounting system or option for advisors, financial advisors. I manage a team of five different bookkeepers now, so any issues that come up with that team as well as handling any questions, they have, upper level accounting problems. It's something that I help them out with managing team meetings as well. Aside from that, during business development, practice management for FA Bean Counters so that's sales calls, signing people up, making sure all the payments can go through and then engagements contract appropriately. Aside from that, workflow management just making sure that no one is too overloaded on our team. No one doesn't have enough work so that they're able to deliver the bookkeeping sort of deliverables on a deadline and make sure that all the reporting is done on a timely basis.

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Maddy Roche: [00:04:43] So you keep the ship moving forward it sounds like.

Dan Keslin: [00:04:46] Trying to keep the ship moving, yeah.

Maddy Roche: [00:04:48] Absolutely. I understand as a-as a fellow manager that a lot of your time as a manager is spent managing and not necessarily doing. -

Dan Keslin: [00:04:56] Yeah.

Maddy Roche: [00:04:57] - Which wasn't always the case Dan. I guess talk to us a little bit about how you became the manager of this department.

Dan Keslin: [00:05:02] Yeah. Has been a bit of a transition, becoming a manager. It's been hard to feel like, I used to just crank out a bunch of books, I would do sixty sets of books, and you could clearly see what you get done in a day. You can see how much you get done. But it's a little different transitioning into a management position where you are getting all these things done, but it's just not the things that you typically see on like checking off taxes off the list or checking things on your to do list, but at FABC, I started out as a bookkeeper. I, was had moved away from Bozeman for a little bit and I came back and was skiing with some friends and went to a brewery after skiing and ran into Haley Stewart, who was the Director of FA Bean Counters up until recently. But she told me that they were hiring and looking for new bookkeepers to join the team. And we went

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to college together at Montana State, both in the accounting program and that sort of budding a new working relationship. I went and met with the Director of Operations or the COO at the time, and Alan that next day while I was in town and had a very informal interview. I was kind of concerned because I didn't have a button down shirt or fancy pants to wear, but it was great to see that the company culture is very relaxed. And from there, I kind of just I mean, I got really good at doing accounting and bookkeeping, I helped advisors understand their books better. I was able to take on some more complex clients with higher level accounting problems. And really from there was figuring out the relationship between bookkeeping and compliance and what that means to really focus on this niche of financial advisers, like why is compliance and why is bookkeeping such an important part of their business and how do those sort of intermingle. From there, I just kept relating to the executive team and talking with others at the company about my experience running business and expressing the desire to manage a team and make strategic decisions for the business so that kind of led me to the path and moving toward the management track rather than this technical sort of expert track. I think that's kind of how we we came to be where we are now.

Maddy Roche: [00:07:09] Awesome. And as someone who works with advisers, I'm still, you know, kind of putting together what does it actually mean to do accounting for an RIA and what kind of responsibilities do different advisers have for their businesses? We'll get into that. But I guess just tell us a little bit about FABC and what services you offer to state registered RIAs.

Dan Keslin: [00:07:31] Yeah. So FABC offers services, not only state registered RIAs, but those that are regulated at the SEC level so we can do bookkeeping and accounting for those RIAs. The services that FABC really

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offers though is the monthly bookkeeping that's where you completely offboard and outsource that accounting function to our team. We go in and do all the categorizations of those transactions we-we put in. What that really means is moving all the transactions that come through your bank account. So you have your checking account, your credit card account, your sundry account typically. Those connect to QuickBooks with the exception of sundry account that one does not. But we categorize all those transactions to the accounts on the appropriate chart of accounts. What that means is we're moving, say, an expense to XYPN for your monthly dues to dues and memberships account. We're moving your midmonth dues to RightCapital or whatever other tech stack you used to the technology and software account or if you're using eMoney marketing to a marketing account. So we categorize all those appropriately. What that really does is makes a it paints a picture of your finances. So it puts things in the appropriate buckets to be able to have a profit and loss statement. From there, we're making sure that all the balances on the balance sheet are accurate. What that, how that's done through reconciliation.

Reconciliations look at the bank balance as of a given date, sort of like the end of the month balance showing up in your account. It looks at the bank statement and looks at those transactions that we have categorized. A lot of times the reconciliations are very straightforward, like there's no issues and so sort of checks out. There's no discrepancies. It balances out. But sometimes there are issues that pop up like a check is written, hasn't cleared the bank account yet, like you've written a check to a vendor there and cashed it yet. So that could throw the balance off and you sort of have to understand why that is and really look into it to understand what's going on. Sometimes the balance will be showing up incorrectly. And you don't understand why. You can look back at that reconciliation and realize that a check hasn't cleared that account. And therefore you'll have a better understanding of why the balance sheet balance does not exactly match the bank statement as of the given date.

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Maddy Roche: [00:09:40] Wow, that's a lot, Dan, and I say that only because I also know it's kind of the competing other priorities advisers have as they build businesses, the idea of doing just this feels like a full time job. I guess, could you just paint a picture of what are the the accounting responsibilities of an adviser going into this? If we're talking directly to folks maybe who do not have firms yet, what's a short answer to kind of what-what do you need to know and expect in terms of responsibilities for this role?

Dan Keslin: [00:10:12] Yeah, well, there's a lot to really think about there. And you think about the bigger picture items like you need to have your chief compliance officer. You need to be operating under what your state says that you need to do as far as your regulatory environment that you operate in. You have to have your, you have to meet your net worth requirement, for example, in California. So that's obviously something that's dictated by the regulatory board. But how do you know what you are at there? Like, how do you look at that if you don't have books? So that's where I saw the back and operations coming in and making sure your books are ready to go, make sure you have your accounting done. So if you need to be able to show your regulator that you have your net worth requirement and you're filling out that report at the end of the year to show them that you have your net worth requirement. That's where the accounting really comes into play to really as part of your responsibility to be able to fill that out, you have to have your accounting done. You have to have your books and records ready to go. The other side of things as an adviser is pretty much every state, I don't know if I've seen one that doesn't say this, but pretty much every state says that you need to maintain accurate books and records. Part of that is your bookkeeping really that books and records comes from all the transactions that go through your bank account that you use in operating your business. Those books and records, I mean, or those transactions that come through, you categorize by doing the bookkeeping to prepare your financial statements. That really

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gives you those reports that you're going to be using at any point in time, that regulator could decide to audit you. You need to be able to provide them with financial statements. Sometimes they give you five days, sometimes they give you three, sometimes they give you 30. You never know what you're going to get. And each regulator is different, I believe. So, I mean, that's kind of why you want to make sure you have everything ready to go for staying on top of your accounting. You're not letting it get delayed.

Maddy Roche: [00:12:00] Wow, yeah, absolutely, I would feel like no adviser would want to run a business without accurate books and records. Do you see a lot of advisors being behind the curve with this?

Dan Keslin: [00:12:12] You know, we don't see it a whole lot, but of course, there are advisors that come to us who are under an audit and realize that they've gotten behind. They don't have their books done accurately. And they're auditors requested them to provide revised financials. They kind of come to us and say, hey, I don't really have the time to do this because this audit is literally making me shut my business down while I prepare all these things that the auditor needs to be able to to be able to move forward and run my business to make sure I don't get a deficiency notice, make sure they don't suspend my operations. So we do see it pretty often. But for the most part, those that are running their business well and those that are staying on top of things maintain their books. There's just a point in time where their time is better spent doing other things and those that do not do their books, they come to us and we have to I mean, we have to do a couple of years of bookkeeping. And it really takes a lot of time to make sure that everything is up to date, make sure that everything is accurate, make sure that their tax returns that they filed in previous years are accurate as well. And then that also you have to

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think about the reports that they've filed with their regulator. Is that accurate as well? Do we need to go back and amend those to make sure that everything is accurate and filed correctly with the regulator?

Maddy Roche: [00:13:25] Wow. I didn't realize there was such a deep connection between books and records and the compliance responsibility of advisors. And I've always known that there's that to do to maintain accurate books and records and that financial statements are required. I didn't realize how deep some of these requirements are. Could you speak a little bit more about kind of the tie between compliance and bookkeeping and what you've seen from different states, knowing, of course, that you were not a compliance regulator or a compliance expert, per say, but you've had certainly a lot of opportunity to learn kind of state by state what is required.

Dan Keslin: [00:13:58] Yeah, yeah, definitely. I'm not a compliance expert by any means. We have those people on the team, luckily for you all to reach out to. But specifically states, I mean, I talked a little bit about California, but there's other states that have minimum net worth requirements that-that's really they're saying that you need to maintain an X amount of sort of net worth to be able to stay compliant or stay not deficient. California is one of them. Colorado is one of them. I believe Florida might have that as well as Texas. But those are those are just one of the sort of things that the states require of you that you need to have your balance sheet to go tell if you are meeting that requirement. The other one is Washington. Washington, we found it sort of difficult with what they are requiring from a bookkeeping and books and records standpoint. Not only are they requiring accrual books, they have a minimum net worth requirement of ten thousand dollars, but they also require for every invoice or every payment that you send a client, they're wanting to see the hours

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that you put into that. They don't really want to just say, hey, this is a retainer we've agreed on whether or not I did work this month. Here's an invoice for it. They want to know that you're actually doing work for that month for that client. So making sure that it's tracked appropriately on the invoices, making sure that the recurring invoices had the data to back that up and to be able to show the regulator that you are substantiating those invoices with actual work is a big part of compliance that is-is very closely tied to maintain your books and QuickBooks or whatever system, AdvicePay, you use to-to-to notify those clients of their charges.

Maddy Roche: [00:15:40] Wow. Thank you for that. And I hear these terms used a lot, and I need to reconcile my books. I need to create a chart of accounts and categorize things, I guess. Could you walk us through just kind of generally speaking, like what is a chart of accounts and why is it important?

Dan Keslin: [00:15:55] Yeah, a chart of accounts is-is really the baseline of your financial reporting. So a chart of accounts when you're setting up a QuickBooks account, you upload a chart of accounts. Or QuickBook's does have like their generic one that you can use. But the chart of accounts is very important because not only does it relate to how you run your business, but it can relate to how easily translatable your books are into your tax return. It can show you how you compare against others in the industry. If you use a template, a chart of accounts that others use, you can compare and say how much am I creating revenue in comparison to my marketing expense or my overhead expenses or my salary expenses? You can't really do that if you don't have a good chart of accounts that sort of templated after others in the industry. At FA Bean Counter we sort of have worked to develop a chart of accounts that we think is pretty good as far as going across the board with all businesses. Obviously, some businesses

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want to have more detail. They want to have less detail where they work with the consultant that has a specific way. They want to set up their chart of accounts for their analysis purposes. But we have what we believe to be a pretty good chart of accounts. So you can compare, among others in your industry, you can look at the XYPN benchmarking survey and say, hey, as a percentage of my revenue, I spent fifty thousand or that's bad number, five thousand dollars less than this other firm did on their marketing. But they grew twice as fast as I did this year. Maybe I should be spending more on marketing, or maybe I should be reaching out to the marketing coach at XYPN to help get more leads to increase my ideal final. Really, that chart of accounts is the baseline of that to make that happen, because if you just had advertising, promotion, marketing, and meals and entertainment all in one category, you wouldn't really be able to get that detail that you need to see how much you spend on advertising versus marketing versus business development by bringing in clients to lunch type of thing.

Maddy Roche: [00:17:49] Fascinating. Thanks for that explanation and I'm wondering, what does it mean to reconcile and how long does it take typically an adviser to do that?

Dan Keslin: [00:17:59] Yeah, so reconciling is just looking at, I mean, we talked about a little bit, but looking at the bank balance that showing up on your bank statement and comparing that to the balance sheet, making sure that all the transactions going through that bank account are accounted for. Typically that takes pretty minimal amount of time because the software allows you to do it relatively quickly. If you aren't using a software, though, that can take quite a bit of time because you have to go through that. I would recommend you probably go through that bank statement printed out and put a checkmark with a pen next to every item that you see in your books. So that's pretty time consuming. Where it really becomes time

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consuming, though, is if there are mistakes, like if there's a missed transaction, say the bank feed failed for a day and missed three transactions or the bank feed had some lapse and duplicated a bunch of transactions, you really have to understand what to look for and what could be causing those issues. Like why is the balance actually off? What happened in the bank feed to cause that? So those are things that I can take if you don't know what you're looking for, I can take you hours to figure out you'll be spending time on YouTube figuring out how to do reconciliation. They'll be Googling, why doesn't my account balance manage on reconciliation QuickBooks. You may be able to figure it out. You may be able to look in the forums, but that time that you spend, it could be it could end up being a couple of hours by the time you're done. Typically a reconciliation that goes well, though, should take a minute or two at most.

Maddy Roche: [00:19:24] Awesome, I'm starting to really understand kind of the benefits of either really dedicating true time to this every month or outsourcing it to experts, and I just didn't realize kind of the depth of which advisers really need to have a handle on what their expenses are. As someone who's really worked with a lot of business owners over these years in this capacity, what value do you see good bookkeeping bring to the advisor? And you've certainly touched on a lot and I've already taken some takeaways from this. But just from your perspective, how does this benefit an adviser long term?

Dan Keslin: [00:20:01] Yeah, well, Maddy, I'm pretty partial to one of these and it's-it's for tax returns and tax reporting purposes. And I'm partial to that because I worked at a CPA firm for four years doing taxes. The biggest gripe with always doing taxes was like when someone would bring in a box of receipts or like something on Excel. That is like a handwritten summary

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of what they did for the year. It's just it's not accurate. It's not completely representative of what they're representing, what their business did. So having a good chart of accounts and having good up to date data kept in a bookkeeping software really will allow you to have a cheaper tax return. If you bring that to a CPA, say, here's my profit and loss. Here's my balance sheet for the entire year. That data is so easily attainable for them to just put it into the tax software, some bookkeeping software even like integrate directly into the tax software. If you want to do your own taxes and you're in QuickBooks, you can connect that to Turbo Tax. But imagine going through a bank statement to figure out what your total expenses are, that time that you're going to take at the end of the year when you could be working on your business development or the time that the CPA is going to take to figure that out for you, at two hundred dollars, two hundred fifty, three hundred dollars an hour. It's going to cost you a lot of money. You probably could have gotten that done for maybe a hundred dollars a month, had financial statements every month for the entire year. When you go to your CPA, you have a better idea. Like, you know, you've made your quarterly estimated tax payments appropriately. You've been able to budget and figure out what your revenue is, what your tax liability maybe is. So you're not going to have an underpayment of estimated tax penalty at the end of the year as well. So as far as taxes go, it's the the value is insurmountable. You need to have accurate books. You got to put that into a tax return. And it's not going to be worthwhile for your CPA or you or your time, just have to figure that out from receipts at the end of the year. Another one, aside from tax returns, though, is financing. When you go to buy a house or buy a car, they're going to ask you to see your W-2 if they want to see your prior year tax returns. And if you are a business owner, whether or not you have a W-2, they're going to want to see your profit and loss statement. They want to see how much money your business generates and make sure that's sort of tied into what your tax return does. So you're going to have to be able to produce that in the event that you need to get financing. You need to send that Schedule C or send that profit and loss statement to the lender to make sure that you have everything lined up and ready to go. If you have

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sort of a last minute need for a loan and you need the loan to be able to operate your business for some random event, if you're going to be scrambling to put that data together and you're going to kind of be losing out on other business and development opportunities for your business.

Maddy Roche: [00:22:50] Fascinating, Dan. Anything else on that note, I know you could probably list off a whole bunch, but these are really fascinating points if you've got others.

Dan Keslin: [00:22:57] Yeah, one of the other big ones we have is the benchmarking. Many people want to know how their business stacks up against others. Like we talked a little bit about this already, but how do you know how much you're spending on marketing if you're not keeping track of it in your books and recording things correctly and appropriately? How do you compare, among others in the industry, like if you're in a third year firm and you are sort of behind the curve, you-you'll at least be aware of that and maybe you can make changes, maybe you can realign your goals or set different initiatives to help meet those developing goals of your business. Without having accurate books, you just can't do that, you don't, you'll be able to sort of look and see your credit card statement, how much you spend each month on a recurring transaction for a tech stack, for example. But it will be really hard to see as a whole for that software and technology category. How much are you spending in comparison to others in your industry? The other thing is like peace of mind is a huge one for just having your books. If you have had a regulatory audit before, I think you will sort of understand and realize what the peace of mind brings in having accurate books and records like your books are prepared exactly with how the state wants them to be. You've never had a deficiency notice before and they just want to see financial statements. You send them to them. You don't have any worries. You're not thinking like, oh man, what if they see

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this or what if this is done incorrectly? Did I do this correctly? It's just like a big piece of mind knowing that you're having someone who focuses on just this industry, preparing those financials for you and preparing those statements for you in the event they come back and say, hey, we've noticed these are this has done a little differently. We want you to make changes. We can help you make those changes. So you're not sitting there trying to figure it out and trying to do it on your own. We'll be able to help you out and sort of hold your hand through that regulatory process as it comes to your financial statements.

Maddy Roche: [00:24:54] Wow. No, I love so many of those points and I think just kind of having an understanding of your business is really how-how could you know if you were doing well without this stuff and without a continued pulse on your finances.

Dan Keslin: [00:25:09] Yeah, really understanding your business is another good one there too Maddy. I mean, your books, paint a picture of the overall health of your business as much like tracking your personal health and nutrition. If you're going to be tracking, if you're, say, on a weight loss program, for example, or a muscle training program, for example, you're going to be looking at what you eat. You're going to be looking at your health. You're going to be looking at your nutrition, weighing yourself, counting your calories, those types of things, bookkeeping tracks for your business. It's going to tell you overall how your business is doing, were you're profitable this month. Were you not. I mean, it's very easy to see that when you have good, accurate books. Another thing is like goal setting, if you're a goal oriented person and there's nothing wrong with this, if you're not like if you're a lifestyle practice and just enjoy running this business and sort of taking it as it comes, happy with that, that's totally fine. There's nothing wrong with doing that. But many of you are very goal oriented and

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sort of have goals for meeting X amount of revenue levels by a certain date. And you want to hit certain-certain profit margins or you want to have like a 15 percent of net income to go to our gross income to net income ratio. You'll be spending a lot of time reviewing your reports and really digging in there and allowing yourself to have those reports available so that you can just go in and do that analysis knowing that the bookkeeping is done. You can do that every fifteenth of the month for the entire year. Just knowing it's done is pretty valuable.

Maddy Roche: [00:26:31] Wow, incredible. Thanks, Dan, I'm wondering, you know, how do you recommend advisers track this on their own, say they don't outsource. Is this something that you just recommend advisers carve out a certain number of hours every month to do? Or is this a daily type activity? I guess, paint the picture of what to expect if you were choosing not to outsource.

Dan Keslin: [00:26:54] Yeah. You know, the biggest thing is to just make sure it gets done. Whether if you're the person who likes to get in the books every week and you want to have an amount of time set aside each week, say 30 minutes on Friday afternoon to go in and do your books so you can look at weekly reporting, then, yeah, that's-that's going to work for you. But if you do it at least once a month or maybe once a quarter, if you don't have a whole lot of sort of random transactions going on, that's that will work as well. But monthly bookkeeping is what we do, is what we recommend you do. That way, there's no point in time where you are two or three months behind on what has happened. Your books are more up to date and again in the event of an audit or request financial statements from you, you're going to have to get three months of work done in a matter of a couple of days. That's going to take away from your time spent working on your business and your time meeting with clients and developing the business

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that you really set out to do on your own. I mean, you probably didn't set out to do this business to be able to maintain your books, but that is something that you need to do. On another hand, if you sort of like doing the bookkeeping and you have the time to do it, you want to do it on your own. There are some advantages to having some help, really understanding what your business is doing. And we kind of recommend you hire a business consultant or work with, like the Executive Business Coach at XY Planning Network or the Financial Planning & Process Coach there. But they can help offer some insight into your business and really seeing how you're doing in comparison to that benchmarking survey. They can help you develop some strategies to get those revenue markets you want to hit the target revenue levels and the growth goals that you have. And then having the books, whether you're doing them or hiring someone out to do them or outsourcing that, having all that data is something that they will need to be able to see to-to be able to help you with those those consulting type questions of those consulting level strategic problems that you're working on.

Maddy Roche: [00:28:49] Yeah, it's never a bad idea, I mean, especially for folks who are building businesses to consult other people on how to continue to do it better and better. There really are experts in these different areas. And any time you're taken and spinning your wheels on things that you're not good at or you don't love, we always encourage you to go out and get expert advice around it. Dan, I'm interested in the software space. It feels like a lot of this is manual. A lot of this takes up a lot of folks time. Is there a way to speed up this whole process in terms of have we gotten to a point where some of this is automated?

Dan Keslin: [00:29:20] Yeah, a lot of it can be automated, Maddy and as far as needing the software, yeah, we recommend you have software.

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Whether that's if you feel good enough and excel to save the twenty five dollars a month for QuickBooks, go for it. I mean, if it means you're going to do your books versus not, please do it in Excel versus not doing it. It's-it's relatively hard to do it in Excel. And we really we've talked about this quite a bit on the podcast already, is-is QuickBooks online is the system that we recommend you use. And really it's because it does double entry accounting. It keeps track of everything. You can set rules to automate things. You can set up recurring transactions to automatically send invoices to your clients at the end of each quarter, at the end of each month or-or however you want them to show up. Aside from that, the QuickBooks can integrate with tax software and so you can link it to Turbo Tax to automatically pull your profit and loss statement into that Schedule C or into your S Corp return. As far as softwares though, yeah, I mean, software is going to save you a lot of time, but there is a cost associated with it. There are other softwares out there that we don't necessarily know a whole lot about because we haven't really we've decided to become focused on one software so we know the inside and whether we know how to use it really well and that everyone is on the same software. Therefore, we can sort of have the expertize that we need to understand the software and help you all with your bookkeeping. QuickBooks is the one we recommend. Definitely recommend you schedule some time with myself or anyone on the team to really help figure out how you can automate some of that, like setting up banking rules. We wrote a blog on that. It'll save you a lot of time if you have a lot of recurring transactions, you can just set those up to automatically pull into the appropriate chart of accounts so you don't even see them when they come through your bank feed. All you have to do is that reconciliation at the end of the month.

Maddy Roche: [00:31:10] Do you have a preferred technology?

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Dan Keslin: [00:31:14] Yeah, well, QuickBooks hands down that's the one we know, and the one we may be a little bit biased because that's the only one we use, but I'm sure all the others out there can do exactly what QuickBooks is doing. But QuickBooks does it really well. It's more user friendly from what we found on the other ones. And there's more automation allowed like you can, as mentioned the banking rules isn't something that I saw in Wave. And it is-it is something that you can do in QuickBooks. And that was, I mean, it takes time upfront, but it's definitely something that will save you time at the end once you have those rules set up.

Maddy Roche: [00:31:45] Yeah. Wow. Interesting. I always learn so much on these podcasts. I'm interested in kind of FABC generally and how you help different advisors at different stages of their businesses. As you know, we have these different business phases that advisors work their way through preparing and implementing, to building, to scaling. Do your services change and where based on where the advisors are in the business phases?

Dan Keslin: [00:32:12] Yeah, well, we're pretty flexible as far as what we can provide an advisor depending on their business phase. Like if you're obviously advisor that's starting a new RIA and say you have no clients, we have a service that's probably we would recommend you use rather than the monthly bookkeeping service, because you don't necessarily have the revenue to substantiate more monthly expenses. We don't want to recommend bad business advice by spending another one hundred, one hundred fifty dollars a month. We don't really have that revenue to support that, but we do support you in helping you get your chart of accounts and get your QuickBooks account set up. So that's our set up and train services for new firms. In that service, we'll show you how to navigate QuickBooks,

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how to pull reports and connect your bank accounts, what it really means to be doing your bookkeeping will go over how to categorize transactions and what the mapping looks like going from your bank account to your expense account or whatever chart of account you decide to use. From there, we'll show you if you use AdvicePay or if you have specific nuances to your books. If you use AdvicePay, for example, we'll show you how to record that appropriately because AdvicePay you may have noticed when the deposit comes in its net of the fee that you pay AdvicePay for that processing. We like to record the amount of the gross amount in the event that the 1099 that you receive shows the gross amount on there. So we're going to split that deposit to show two hundred dollars of gross income in a two dollar bank charter or merchant deposit fee. We'll show you how to do all that so that you feel comfortable doing it. The other side of that is getting the sundry account set up, if you are doing asset management for your clients, as many XYPN members are, considering that you mostly use as TD Ameritrade, TD Ameritrade doesn't connect to the bank accounts feed in QuickBooks. It doesn't connect to any accounting software that we found. So you have to manually update that and we'll show you what that means to go through the banking register in QuickBooks and manually add those deposits, manually make those transfers and then add the interest income that you earn on those balances that are sitting in there.

Maddy Roche: [00:34:11] Fascinating. Thanks Dan. Go ahead.

Dan Keslin: [00:34:15] There was another sort of offering that we have for new firms, whether or not you decide to use our set up and train service to or just do the bookkeeping on your own. We do off for a year end review service, and that's really for anyone, whether you're in the fifth, eighth year of running your business or really just starting your business on your first year, it really gets an extra set of eyes on your books to make sure that the

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books are ready to go accurate, usable for the end of the year for tax planning purposes. Do you need to make another estimated payment in January for the year end to make sure you don't have that payment penalty or just make sure that everything is categorized appropriately and that will sort of get you a little bit of coaching as well. You'll work with our senior accountant on-on that year end review process. You'll get a sort of a one page with review notes, recommendations for how you should do some things differently, recommendations for changes, as well as a follow up meeting to review that with the bookkeeper. At that time, you can ask them any questions that you have about your bookkeeping or why reconciliations are off or how to do reconciliation more quickly. You can use that time sort of pick your brain and help develop better accounting practices.

Maddy Roche: [00:35:26] Awesome. Dan, I'm wondering and you've touched on it before, but say someone finds themselves in a bind. If they're being audited, what can they expect from you guys if they've come to you and they have an audit that is pending?

Dan Keslin: [00:35:39] Yeah. So if they're already working with us on their books, that's that's one thing. We'll really just sort of be hands on deck to help them out. We're going to pull financial statements if they need them. We'll go and fix things as they need, just making sure that they meet those deadlines for providing revised financials. Hopefully, they by-by working with us, they don't have issues with their with their financial statements from the auditor in the first place. Hopefully they just get the check to go, keep moving forward and have no issues come up. With that said, we-we do our best to operate and prepare things in accordance with what the state regulators say. But we found that sometimes that is hard because different regulators and even in the same state sort of have different expectations, have different experiences with understanding accounting in

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general. So that's not always, always the case. If you aren't working with us already, we're happy to try and help you out. I mean, the time frame is a little bit hard sometimes when you have to turn around revised financials in 10 days, 12 days. But we-we've had some insight on just recently where they are going through their first regulatory audit. And they had a call with us without before they got back the auditors findings. And she said, hey, if we can figure out how to work together to-to get this done before the twenty third of November when I have to provide revised financials, I'm happy to work with you guys in the future. So we're able to really expedite that process to be able to work with you all in the future to help you all out, make sure that you're you're not going to get deficiency notices, make sure that you're still able to run your business and keep things operating while you're going, that while you're going through that audit because you don't want to leave your clients behind. You don't want to leave unkept or unfinished projects behind where a client is going to wait on you and maybe go look for someone else in the event that you are taking too long to provide them something they're looking for. Just reach out, get some help on that. It's worth it.

Maddy Roche: [00:37:29] Great, great advice, Dan, what's your take on outsourcing generally? I know some advisors get into this business because they want to be their own bosses. And so when we propose outsourcing, folks are like, no, I'm doing it on my own. Can you shine any light on the choice to outsource different aspects of businesses and why you would or would not recommend it?

Dan Keslin: [00:37:50] Yeah, I mean, I think it's, I'm a very numbers oriented person, so I look at it as like the time value of money there. Like, how much, if you were to charge someone for your time to help them develop a plan or like hourly consulting, what would you charge is that 200

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dollars an hour is a two hundred fifty? I think that's pretty much average for the XY Planning Network community. But if you think about how much time did your bookkeeping take you, it's taking you even a half an hour or an hour or two. Is your time maybe be better spent trying to get at one more client? And then if you pay one hundred dollars, one hundred and fifty dollars for that bookkeeping for the month, if you get just one more client that will really cover that cost and allow the peace of mind for you to not have to think about doing your bookkeeping, you'll just know it's getting done. You'll have the support on the back end if you go through a regulatory audit. I mean, outsourcing things in general, like if you're not good at it, it probably or if you don't want to do it, get it off your plate sooner than later, it's going to just cause anxiety if it's sitting there for four months, you say, I'm going to do it this month, I'm going to do it this week. I'm going to do it this time. I swear I'm going to, like, not delay doing this again if it just keeps happening, just-just get it off your plate. I promise it's going to make you feel better. You're not going to have to think about it on Friday when you're trying to go on a trip, when you're thinking about what you can do for fun, like thinking, man, maybe I should work this weekend to get my books caught back up if that's not what you want to be doing. You started this business school to help-to help clients be able to make an impact on their financial lives, not really starting it to do your bookkeeping, although that is definitely an essential part of running your business and being a CO, being a CFO of your business.

Maddy Roche: [00:39:29] Great advice, great advice. Dan, as we round out this podcast, you've given such incredible advice to our listeners, I'm wondering when they think about outsourcing, what are some of the tips that you have for them to consider?

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Dan Keslin: [00:39:44] Yeah, really consider the costs and consider sort of the expertise level of those that you are deciding to outsource to, if you think about outsourcing to a, I mean, you can go to any bookkeeper. There's bookkeeping businesses in every town in America, I'm sure, or around the world. You could go to them and they'll probably charge at an hourly rate, twenty five, thirty dollars an hour, who knows what it is. But if they don't know what they're doing with your books and you operate in such a highly regulated environment, they can make mistakes that could cause you to have deficiency notices. I don't know what the cost benefit of that is for you, but you can sort of dig into that on your own. But if that mistake cost you the ability to run your business for a couple of months because they suspend your operations, was it worth paying thirty dollars an hour or was it worth paying ninety dollars for a month of bookkeeping? Those are really some considerations there. The other thing is working with CPAs who understand this business as well as pretty important. We had a client specifically in California who was working with their local CPA. I think it was someone they had been using in their family for a couple of years and that CPA, this was their first year in business, first off. That CPA hadn't worked with different RIAs before, didn't really understand the highly regulated environment that you all operate in. They made some adjustments when filing that tax return that caused that client to become deficient because they didn't meet the net worth requirement anymore. I can't remember specifically what they did, but they transferred funds from the asset account to an equity account, so they were no longer meeting that net worth requirement. We had to reach out to the CPA after they got the deficiency notice and the client reached out to us with that, to sort of explain to them why that shouldn't have happened, why they need to keep these funds in that account so that they're not going to be working with XY Tax Solutions and us. We understand what these things are because this is the sole focus that we are in. This is our niche. Like Kitces talks about this all the time. You all have your niche. We have our niche as far as working with advisors, only working with RIAs or IARs on their businesses. Making sure that you outsource to the appropriate people is just as important as

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making sure that you're freeing up some of your time to go to work on your business. Because if you do bring it to the wrong people, it might cause you a headache like this specific example with the CPA cousin to get that deficiency notice.

Maddy Roche: [00:42:05] Oh, what uncharted territory for so many folks as they go through their first rounds of needing to show their finances and talk to regulators and all that stuff as we round out this episode. Dan, do you have any final words of wisdom when it comes to accounting for state registered RIAs? Any folks that may be hesitant around it? Any tips of advice that you'd like to end this podcast with?

Dan Keslin: [00:42:29] Yeah, I mean, really leverage the resources that XYPN provides for you. FABC offers monthly office hours on the last Tuesday of every month. Sign up for those. It's on the XYPN members events calendar, I believe. But attending that, you can really just come with your questions. You can listen to others that have other questions, that may sort of spark something that you were thinking about but forgot to ask about and maybe helps you consider some of the things that you should be doing. Aside from that leverage, leverage our-our team for the year end review service. I mean, we can help you sort of identify and fix problems relatively quickly within an hour or two of looking at your books that will help you make sure that you're on the right path with bookkeeping and accounting going forward. One other sort of final tip is, is subscribe to our blog. We put out a lot of good content there on that blog. And not only do we do like diving into what is depreciation and amortization and how to pay yourself depending on the entity type that you choose and really looking at those different entity types, for example. But we do some QuickBooks specific blogs where we show you tips and we talk about tricks that you can be doing, how to set up rules, how to split transactions. There's a lot of

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valuable information that you can get from there that might save you a bit of time if you are planning to do the bookkeeping on your own.

Maddy Roche: [00:43:45] Great advice, Dan. Well, you have made accounting and bookkeeping way more fascinating for me who even someone who does know the space. And I hope that this energizes some of our listeners into really taking a proactive approach to their books as they enter into this space. Because as you've listed in this podcast, there's so many things that start with good books and records. And I think your advice is-is so valuable to all of our listeners. Dan, it's a total pleasure working with you. And it's been even more fun to have this podcast today. So thank you so much for all of your hard work and supporting advisors around the country.

Dan Keslin: [00:44:19] And thank you Maddy. It has been awesome being here with you.

[00:44:22] --swish--

Maddy Roche: [00:44:22] Avocado toast, selfies, a mountain of student loan debt. Gen Y is anything but traditional and with over seventy five million people, it's a population you don't want to ignore. Learn more about how to serve this unique population in our guide called Attract and Profitably Serve Millennial clients in your RIA. Discover three key ways to tap into the millennial market and six things that they want from their financial advisor. Visit XYPlanningNetwork.com/Millennials for your free copy. Be sure to join our VIP community at XYPlanningNetwork.com/VIP to hang out with other #XYPNRadio listeners, ask questions for future mailbag

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episodes and finally to find a community of like-minded financial advisors. Thank you so much for joining me today. We'll see you next time.

Narrator: [00:45:09] You are not alone and you are not crazy. It's scary starting, building, and growing your own financial planning firm and that's why we put together a free private community just for you, the cutting edge financial planner. Go to XYPlanningNetwork.com/VIP or text #XYPNRadio to 33344 and join a network of thousands ready to change the lives of Gen X and Gen Y clients.