

Ep #198: Justin Krane - Money Strategies for Your Business



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Dr. David Phelps

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Dr. Phelps: Good day everyone. This is Dr David Phelps of the Freedom Founders Mastermind Community and Dentist Freedom Blueprint podcast. Today I'm gonna have a really fun, and I think, entertaining interview with a gentleman that I recently connected with, his name is Justin Krane. That's Krane with a K, K-R-A-N-E. Justin, how are you doing today, sir?

Justin Krane: I'm doing well. There is a doctor in the house. Only one, not me, only you.

Dr. Phelps: Well, Dr Money, maybe we can give you an honorary doctor of money, which is the one we're gonna talk about today, right? We're going to talk about money.

Justin Krane: I'll take that.

Dr. Phelps: It gets talked about a lot, Justin. but I think a frameworks in which it's discussed many times, particularly for busy professionals, small business owners, is in a context that is oftentimes confusing. It's disjointed, and it becomes a frustrating conversation many times. Because as we both know, and I've been there as a small business owner, professional practice owner, we get our heads literally down in the sand.

Ep #198: Justin Krane - Money Strategies for Your Business

We have the things we do, what we're trained to do, and the whole money thing sometimes eludes us. We're not sure exactly where all the money went, why we're paying so much in tax, why don't have any money left at the end of the day or "to retire on". A lot of issues there.

But before we jump in, I want to give people a little bit more context about who you are. Then we'll get a little into your story, because people always want to know, well, what brought you to where you are today? Why don't you do what you do? Who Do you like to help and serve? That sort of thing. So, we'll get a little bit of your background.

Justin Krane's a money strategist for business owners. His mission is to help business owners understand and get clear on the money side of their business. He teaches entrepreneurs how to be strategic with our business money, so that they can grow their businesses. He's also a popular mentor with Score, which I didn't know what it was, But Justin let me know that Score is a major platform that helps small business owners with business development. Has lead successful webinars for small business owners.

Justin isn't engaging, entertaining speaker. He's presented to many small business organizations and conferences. He's not just about cutting back and living a frugal life. He's all about getting the shoes, doing the Sushi, living the best life today while still saving for the future. His first book, Money, You Got This, was released in 2017 by Morgan James publishing. Prior to launching Krane Financial Solutions, Justin was a vice president, investments and sales manager, at UBS Financial Services Inc for 12 years in Beverly Hills, California.

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #198: Justin Krane - Money Strategies for Your Business

He received a Certified Investment Management Analyst, the CIMA designation from Investment Management Consultants Association in conjunction with the Wharton School of Business at the University of Pennsylvania. Justin is a certified financial planner professional. He attended the University of Colorado Boulder, is married and lives with his children in Calabasas.

Justin, that's great. I grew up in Colorado law. Not in Boulder, but not far from Boulder. We've got a little bit in common there. I left there and moved to Texas. You moved to California.

Justin Krane: Colorado is awesome. It's a great state.

Dr. Phelps: You get back there? I assume you're a skier?

Justin Krane: Yeah. Yeah, I mean skiing, just the life out there. It actually represents everything that I would want. It's got seasons. The people are great. It's not crazy pretentious. It could be out here in LA. I don't know. It's just old school, good stuff in Colorado.

Dr. Phelps: Yeah, well said. Well said. Let's dive in today a little bit. You work with, probably half of your client base is in healthcare: doctors, dentists, other healthcare professionals. You've worked with people like us, like me, the people that are listening to a podcast today on a regular basis. What I know Justin, is that probably the most difficult thing for a small business owner is trying to do what they do ... and that's work on people. Or if it's a veterinary surgeon on animals, or podiatrist on feet, whatever it is, that's the thing they're trained to do, And keeping up with just that side of the business.

Ep #198: Justin Krane - Money Strategies for Your Business

They doing, the technical aspect, the technology today, the regulatory environment is immense and yet we're still supposed to be, small business owners, are supposed to be able to also run a business. Really, really tough to do when you weren't trained to do that, and in really learning how a business needs to run is very, very difficult.

The money aspect, which is what you help them do. How do you enter the field with your clients you help? I mean, I assume that most of your clients, somebody is doing the accounting, the payables receivables for them in their practice, their business, either inside or outside.

Somebody who does their taxes, possibly an accountant or CPA. They have the legal world, people that are helping with legal compliance issues. Maybe someone helps them with estate planning. Maybe they've got a 401k, Office 401k, so they've got someone who's helping them with that, with some kind of money management.

But what I see is, a lot of this times, this is all disjointed. The small business owner gets confused and they, feel like they're in the middle. They're trying to figure all this stuff out and they get frustrated. How do you enter the playing field, if you will, and help straighten all this out.

Justin Krane: Well, first of all, I want to thank you really for having me on. I'm super psyched to be here. I think you're running a great show. I've listened to a lot of episodes. The content is great, and I'm here to help out what everyone else has contributed to your podcast. I think I fell into it. I mean, I started out as a CFP, just doing personal financial advising and all of that kind of stuff.

Then I got divorced back in 2010, and I was like, "Okay, the only way that I'm going to get myself back on my feet,

Ep #198: Justin Krane - Money Strategies for Your Business

is to be smart with how I'm dealing with my business money, to use that as the engine to grow the personal side of things. Because if you're not smart with the profits and cash, and really understanding that the nuance and the flow of money coming in, how are you ever able to begin to build wealth? Whether it's real estate, a 401K, paying down your mortgage, whatever it is? You gotta know what's going on the business side, because that's the engine that is going to fund the personal goals.

That's what I did with my business. I just dove in and taught myself accounting. I don't have an MBA in finance, and I'm not some mucky muck CFO, but I taught it to myself. I was like, "I got to own this. I need to be a prosperity thinker, and actually take the action and do this," and I rolled with it. Lo and behold, half of the new people that I brought in as clients were dentists, periodontists and endodontists.

I was like, "Wow, this is really interesting. They're having a similar problem that I had," and what the problem is, has to do with connecting the dots between the business money, which is sales expenses, profits, cash in taxes, with the personal money. And what people want to do with that to give them what I call a return on life. That could be vacations, paying down, debt, saving for the future, whatever it is. There's this disconnect between the business and personal money, and not that many advisors will own the fact and advise on both. That's what I do.

Dr. Phelps: So a lot of times, and you mentioned divorce. I've been through one as well. A lot of my colleagues, as since you helped them, have also been through a divorce. That's devastating, and there's different reasons for that, but one

Ep #198: Justin Krane - Money Strategies for Your Business

of them is certainly can be around management of money, let's put it that way. Management of money, and in lifestyle. And as you said, connecting the dots between business and personal.

So I'm just gonna ask you this question, how important and how do you help the primary business owner with having that connection and communication with the spouse or significant other, who maybe sees top line revenues for the practice? That could be, seven figures plus, and she, I'm not being chauvinistic here, could be he but he or she feels like, "Well, I want a bigger life," or, "I want more stuff." Which usually means, "Honey, I wish you weren't working so much. I wish I had more of you."

So to satiate that, it's like, well, let's have a vacation home on the beach. Let's have a vacation home in the mountains. Bigger car. I'm getting kind of personal space, but how much of that do you have to deal with and try to get the conversation to be more of an even keel? Is that something you try to do, or can even go there?

Justin Krane: Yes, 100 percent. I got remarried about four and a half years ago, so I'm in the trenches again. Totally happy, got a great blended family. But you have to know the type of spouse that you're dealing with, with respect to money. Do they like to know the details? Or do you feel that they need to know the information on a need to know basis? I think, if you're listening and you're trying to figure out how do you connect the dots and how do you teach your spouse?

I would say something like this, "For every \$1 we bring in, our profits are thirty cents, and after taxes it's twenty cents. Our living expenses are fifteen cents, so we have

Ep #198: Justin Krane - Money Strategies for Your Business

five cents that we can do for every dollar that we bring in." That's very, very simple, but it's very empowering if you just know a few metrics that you can communicate, not only with your spouse, how about with you? How about just knowing those? Your world will change when you have clarity between the business and personal money, and how they connect.

Dr. Phelps: That's so wise. How many times do I hear colleagues in dentistry will be going through the year, and it ends up being first quarter and getting close to April 15th, and they get the call from their CPA, "Write the check, and it's this much," and they're floored. Oftentimes they'll think, if it's not too late at the end of the year, if it is the end of year. But they'll say, "What capital expenditure can I go and make so I can get some tax write off? Right? So I don't have to pay the tax."

Just kicking the can down the road, which is obviously the total wrong way to approach this thing. You help the small business owner, the doctor dentist, endodontist, periodontist you help them with kind of coordinate all this. How would you tell that kind of person who keeps running into these roadblocks with a CPA who provides kind of historical data, but nothing that helps project them on the planning side, both in the business and personal? What do they need to get from the CPA that maybe they're not getting or paying attention to, if they are getting it?

Justin Krane: Well, I think it's one word. It's being intentional. Intentional is the biggest thing. So if you're intentional about something, you've made a decision that you're going to do the best that you can to try to control an outcome on the factors that you have control over. I'll let just give an example. Let's say that you're a dentist and you want to

Ep #198: Justin Krane - Money Strategies for Your Business

invest in real estate, but all of a sudden your staff expenses are going up, so you're trying to invest in real estate, taking money out of your business to get some passive income.

But next thing you know, the quarter ends and your profits are down, I'm making it up, by \$32,000, whatever the number is. Then all of a sudden your profits are down. They're still up, your profits are down, you're trying to take money out of the business to make this investment, and you want to make sure you're staying on track with respect to taxes. So what do you have to do? Well, number one, you need to do a quarterly ... I do this with everyone, a quarterly call with the CPA to look at what happened for the next quarter.

Then you can look out three months and make some decisions, intentional decisions on what you want to have happen in the next quarter. Now I'm not talking about seeing one extra patient a day. But if you're trying to be strategic with either taking more money out of your business, hiring an associate, maybe laying off two staff members, doubling up, investing in some equipment. I mean I could go on and on. Setting money aside for retirement, or whatever. Look at the quarter, see what you owe in taxes, either set that money aside or pay it.

Then be intentional about the strategic decisions you want to make for the next quarter. Then make some, I have no problem saying this word, guesses. Literally guess what you think you're going to spend. That's at least a start. Right? It might not happen, but at least if you can guess and plan for it, you'll feel way more in control. Rather than just reacting and being like, "Oh no, I have this big tax bill. What am I going to do?"

Ep #198: Justin Krane - Money Strategies for Your Business

I mean, the way to build wealth, I mean, is to be smart with your business money and have it fund the other side. So, that's quarterly calls with the CPAS and quarterly projections. Just look out three months, and just go in with the intention, "You know what? I got this. I might not be perfect, but I'm going to figure it out."

Dr. Phelps: That's so smart, and so often that that doesn't happen. You'll have somebody, like yourself, that kind of helps quarterback those conversations. Because again, the business owner, the professional practice owner is just busy in a swirl. But to have some things on the calendar, of a point where he or she is going to show up and have a conversation with somebody else that can help drive it, because their head's in 50 different places. But just to come back in one spot, and really focus on what's key.

You said, which I totally agree with it, that the business, the practice in this case for our professional practice owners, that is the engine that drives everything. Whether you like where you are now or you don't. Shiny bright objects syndrome, as I call it, the investments where you try to hit a home run and hopefully you can exit. That just doesn't happen in real life. So optimizing that engine, that practice is the key.

Since you are a small business owner yourself, you've gone through these iterations. As you said you, you had to figure out for yourself what it really took to connect the dots between the business and the personal. Reverse engineering. In other words, as you said, is as you project out quarter by quarter, and you look ahead to the next quarter and you say yourself, I would like to invest in some type of investment. Maybe it's technology, or human capital, or expansion of the facility.

Ep #198: Justin Krane - Money Strategies for Your Business

I'm talking about the business now, right? So deciding where to put that money. So I need to have this extra capital. I don't want to go borrow it. Someone I use existing cash flow profit, so I'm going to take X amount, I'm projecting ahead, so you can reverse engineer that, right? You can say, Okay, to do this without going into debt, then you need to have this much additional profit. So, let's extrapolate. Let's go at that quarter. What needs to happen to make that happen?

What else do you do? You help that business owner turn the dials, right? There's certain dials you can turn, and you can help them dial A, B, C, D, E. Let's say there's five. Which ones would give you the highest opportunity? Maybe there's one or two to focus on, and go after those. Right? Now you're making those guesses, those projections, they may not come exactly true, but what if they come close?

Justin Krane: Totally. I mean, can I call you Dr D? I like that. Do you like Dr D?

Dr. Phelps: Sure.

Justin Krane: Dr D, I think it comes down, and I don't want to make it so simple that people are like, "Oh, this guy does this for a living, this is hard for me." But I just got to say, the statement of cash flows, it's a very, very simple report to look at. It just looks at what was the cash balance on, let's say January first, and what was the cash balance on March 31st. There was one value and another value. Then you can figure out the difference in cash, and just in that quarter you can see where did the money go?

Did you take too much money out of your business? Did you not make enough in profits for that quarter? Did you

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #198: Justin Krane - Money Strategies for Your Business

make a lot of investments in to your business? Did you buy another operatory? Did you pay down some debt? Did you pay off a loan? So the statement of cash flows will show you, on average, how much cash your business is generating each quarter, each month. So all you can do is you can look back and say, "Over the last quarter of last year, how much cash is my business generating?"

Then you can look at that extra cash, and you could say, "Oh, okay, now I have \$50,000, \$20,000, \$40," whatever the number is. "Now I know I can use that amount to go make an investment." So it's different. It's the cash that the business is generating, to be able to make an investment back in the business. I'm not talking about using the money from your sales, I'm talking about using the money from the cash, which is net of expenses, net of taxes, net of distributions, all of that stuff.

Dr. Phelps: You can only do that if you've got cashflow projection. So when you're helping a client determine what investments to make, again that could be inside the practice, the engine. That might be a certain time, as we talked about, into alternative investments somewhere else. Whatever it is, how do you help your client determine where their best leverage point is with that capital investment? What do you look at it?

Justin Krane: Yeah, I'd say over half of the time they're trying to make investments outside of their business. They're realizing that they want to take time away from working. They have made some good investments in their business. It could be better software, it could be some more staff. If you're listening to this, you're probably thinking, "How can I diversify my income, so I don't have to go into work every single day to make a living?"

Ep #198: Justin Krane - Money Strategies for Your Business

So what they're trying to do is, they're trying to figure out, "How much money can actually take out of my business, which allows me to make other investments? Yet still have money in the bank to ride out the fluctuations." I think it's more about that. It's more about being intentional with how much they can take out. That might mean a 401K or a SEP IRA, a piece of real estate. Some clients I work with actually make investments tangentially into other dental fields.

It doesn't just have to be what I just discussed. But what the pain that they're having is, how can I figure out a plan to monetize what I'm doing? It's really, really important to them. I know valuation, selling your business maybe to a DSO or buying another smaller practice, but they're thinking about diversifying their net worth and wealth away from their business.

Dr. Phelps: Yeah, that's a key. You mentioned a minute or so ago, in regards to the different investments, one investment could be just paying down debt. I mean that is an investment. That's a big part of everybody's lives. There's consumption debt, which is maybe not so good. There's no business or investment debt, which again, in the right investments can be good. How do you help your clients determine whether or not it's strategic to pay down certain debt? Is there any formula, or is that also based on risk tolerance of your clients, or maybe a combination of both?

Justin Krane: I think it's everything, David. I think it's purely economics too. If you can borrow at four percent and go and invest in something that makes seven, then of course. That's simple and people get that. But there is also an emotional side to money. I'm just telling you, for me, my mortgage is in the high threes. I know I could make more than that

Ep #198: Justin Krane - Money Strategies for Your Business

investing long term. But I haven't seen that many people go wrong with paying off their mortgage, and have much less fixed expenses in retirement.

What that allows people to do is live, is the ability to say no to some of the BS that you say yes to because you need the money. I really think it depends. Some of my clients, they're fine having a mortgage, and they're okay with debt. Some of them use it strategically. They want to buy out their partner. They want to invest in a specific equipment, or machine or something like that, but I think it's both, David.

You really have to look and ask yourself, "Where do I want to be in five or 10 years?" And, "What is my view of money and debt?" Putting politics aside, you ask someone like Trump, he loves debt, right? It's leverage, that's what he lives in. But if you talk to someone like, oh my God, I cannot believe I'm drawing a blank on him.

Dr. Phelps: Dave Ramsey.

Justin Krane: Ramsey, of course. He's got avalanche and snowball, these two theories. He's like, "Don't have any debt." You really have to go with what you feel comfortable about. I did mention return on life, return on life is making decisions that are congruent with your values. With your values and what's important to you. I mean, what do you think about that?

Dr. Phelps: I agree. I agree very much. I think you do need to look down the road five or 10 years and say, "Where do I want to be?" Then you've got to reverse engineer. But it has to be around your values, around what lets you sleep at night. There's people that are gonna be more aggressive about trying to get from point A to point B and closing that

[Dentist Freedom Blueprint](#) with Dr. David Phelps

Ep #198: Justin Krane - Money Strategies for Your Business

gap. I think somebody you who can have that strategic oversight, that 30,000 foot elevation of the big picture, when someone can actually articulate to you ... and again, I think it's important for husband and wife to do this together. "Where do we want to be in three years, five years, 10 years?"

Lay that out and then just bring it back. Okay, if we're going to want to get there, and this is what we want our return on life, as you said, to be. It's not just about the money. Yeah. But money is important, right? We have to keep score, we have to have metrics, we have to have KPIs to know how we're doing. We have to pay taxes, we have to pay overhead, we have to pay our lifestyle. But in the end we want exchange that money for something called life.

And I think the key is, can we do that sooner and not wait for that mystical Sunday when everybody says, "Well, when I'm 60 or 62," or the other day, I saw the ADA statistics Justin, that said that the average age for a dentist to retire now went from age 62 about ... maybe it was back at the last downturn in 2008, 62 to 68.9 years. That's a huge increase. And that's when people say, well, "That's when I'll start living my life."

Well, what happens when, when the people that you want to make life with, your spouse, your kids, your parents, whoever, maybe they're not physically able to live life anymore? Maybe they're gone. That's what happens, right?

Justin Krane: It's so important. It's so important. My father recently passed away, and I had a big "C" change about mortality, and about living, and about how we're not all going to live

Ep #198: Justin Krane - Money Strategies for Your Business

forever. I think you're right, and I think everyone who's listening, you really want to have both. You want to make sure that you have money for your future, but you also want to make sure that you can benefit on what you're doing for today.

I think Wall Street and a lot of financial advisors, their whole business model is on saving so you can live the life that you want to, when you're 84. Where you'll have \$82 billion. The thing is, is you have to have a balance of both, and you have to figure out what is it that you really want to do? What is really important? That's hard, it's not easy to do. But once you make those decisions and actually, I don't know, go on a vacation that really lights you up, be with your kids, grandkids, or whatever. Those things are precious. And they mean a lot.

Dr. Phelps: It's nice to talk to somebody who has gone through some of those epiphanies in life. I was just the opposite for the first half of my life, the first 20 years as an adult and into professional practice into dentistry. It was, I was driven, I was driven to hit some number, and I didn't even know what that number was, Justin. I didn't know what that was. I just knew I wasn't there, because I wasn't retired. I didn't think I could "retire", which I hate that word by the way.

I don't think people should ever retire, until another body or the mind just doesn't allow them work. I think there should always be a next. But I had this idea that I was just driven to go full speed ahead, and if it were not for some things, adverse situations that happened in my life, which happens in everybody's life, to wake me up to the realization that I can't wait for everything. So yes, I think it's so important to have that balance. It's nice to talk to somebody who has also gone through that.

Ep #198: Justin Krane - Money Strategies for Your Business

Because if you're not working with somebody in whatever regard it is, as a mentor or a professional advisor, a money manager, I don't care what it is. If you're not seeing eye to eye, then you're gonna have someone that may be driving you with advice that ... I'm not saying it's wrong. But it may not be a fit for you, right? You may not be a good fit.

To find someone who will also has gone through that and thought through the process, helping you also to see the light that you don't need to be waiting until you're in your 70s to start to live a little bit. There's a better way to do it. I think that's really important. I appreciate your insight, since what you've gone through.

Justin Krane: I need to take this one step deeper, because I know someone is listening to this and they're like, "Man, you know what? I'm with you, Justin. I'm with you David. I get it". But in order for that person to take actually a step, to take action, what they need to see is the results of a retirement plan, to show them where they'll be in their 60s and 70s. Based on, I'm making it up, working three days a week, taking some money out of retirement accounts. Seeing what the business can generate with you, if you're working three days a week. Seeing what your real estate investments could be worth. Maybe selling a house and buying down.

If someone can see their money, what they'll have, with a compounding rate of return of whatever it is, net of inflation, their living expenses, and they can see that they're going to be okay, they'll be okay spending some money today. But most people think, "How do you do that?" You can't do it with excel. You can't. You actually have to use software in planning it out. When people

Ep #198: Justin Krane - Money Strategies for Your Business

begin to see that they actually will be okay. And if they spend an extra \$3,000 a year, it's not gonna make or break them, they'll go and they'll do that.

They'll get the massage once a month, and there'll be okay. And they can live with that. Savers out there need to see that there'll be enough money there, so they can spend. The spender People need to see that they're going to run out of money, and they need to save. It's just a balance. It's a balance of both.

Dr. Phelps: Yeah. No, well said. Well said.

Justin Krane: Thank you.

Dr. Phelps: How can people have a chance to learn more about you, follow you, contact you if they'd like to just talk about what you do, and how you serve people?

Justin Krane: Absolutely. There's gobs of ways. You can just go to LinkedIn and type in my name, Justin Krane, K-R-A-N-E. You can go to my website, KraneFinancialSolutions.com. You can find me on Facebook, Justin Krane. You could probably yell, and I will probably hear you.

Dr. Phelps: Super. Very, very good. Well listen, I really enjoyed the conversation today. It was fun for me. I hope it was fun for you. I think it was fun for our listeners. I never know where these are going to go, because I just have to take it from how I feel at the moment. But I enjoyed this one a lot, Justin. I appreciate you being here and coming on. I hope we gave some inspiration. Some hope, and maybe a better design on what one's future can be if they do find that balance.

Ep #198: Justin Krane - Money Strategies for Your Business

Particularly, I think it's important to have somebody on your team that you can talk to. Besides the specific advisors that you need in some respect, yes. But someone who gets it, and can have that conversation, and be intentional about setting up the regular meetings so that you aren't losing track. Just hitting the sand, and just going full tilt in one direction, which may not be the right direction at all.

Justin Krane: Well thank you. It's been great to be on your show. Everyone who's listening money. Money, You Got This. I totally believe in you. You guys can do this. Thanks for coming on today.

Dr. Phelps: Thank you Justin.

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