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TAX & ADVISORY

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Tax Advisory Readiness Guide

What every business owner, investor, and rental property owner should understand before sitting down with a tax advisor, and why it changes the conversation.

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Most people don't know what they're missing.

Tax preparation happens after the year is over. Tax advisory happens during it. They are different services, and confusing them is one of the most expensive mistakes a business owner, investor, or property owner can make.

> *By the time you finish this, you'll know the right questions to ask, the right information to bring, and the right things to expect, before you ever walk into a meeting.*

Brandon Mondragon · Founder, Mondragon Tax & Advisory

What you'll walk away with

- Five questions every business owner, investor, and property owner should be able to answer about their own taxes
- The real difference between a tax preparer and a tax advisor, and why it changes your outcome
- A quarter-by-quarter planning calendar showing what proactive tax work actually looks like
- The opportunities most people miss, sorted by whether you're a business owner, a rental owner, or an investor
- Exactly how to prepare for a first advisory conversation so you leave with a plan instead of a bill

> This guide won't tell you to "consult a tax professional." You're reading it because you're already considering that. It will give you the framework to make that conversation worth having, and to judge whether the person across from you is doing their job.

Five questions you should be able to answer right now.

These aren't trick questions. But if you can't answer most of them with confidence, you're likely paying more than you need to and carrying risk you don't know about.

01 **What is your effective tax rate, and what drives it?**
Not your bracket. Your actual rate: total tax paid divided by total income. If you can't name it, you don't have a baseline. Without a baseline there's nothing to optimize.

02 **Are you making quarterly estimated payments, and are they accurate?**
Underpayment penalties compound quietly. Plenty of self-employed people and investors write a large check in April not because they earned more, but because nobody ran the numbers midyear.

03 **Is your entity structure still right for where the business is today?**
Once profit is consistent, staying a sole proprietor can mean paying more self-employment tax than you need to. Whether an S-corp election actually helps depends on your profit level, a defensible salary, and the added payroll, filing, and California franchise tax costs it brings. It's worth running the numbers on every year. Most owners are never told to look.

04 **Do you have a retirement plan set up through the business?**
A Solo 401(k) or SEP-IRA is among the most powerful tax reduction tools available to a self-employed person. Many owners know they exist and still don't have one open.

05 **Are all your deductible expenses actually being captured?**
Home office, vehicle use, health insurance premiums, business meals, software, professional development. Most require proper documentation. If you're not tracking them through the year, they won't show up on the return.

Preparer or advisor: the difference that decides your outcome.

Most people use the terms interchangeably. They're not the same, and the distinction determines whether you're simply compliant or actually building a strategy.

A preparer documents what happened

They receive your documents after the year closes and record what already occurred. They produce an accurate return from historical information. The job ends at filing. There is no looking forward.

An advisor shapes what will happen

They work with you during the year, before decisions are made. They identify strategies, model scenarios, and put plans in place that change your liability before the year closes.

> **The core insight.** The tax code isn't designed to punish. It's designed to incentivize specific behavior: retirement saving, business investment, real estate ownership, charitable giving. An advisor's job is to line your financial decisions up with those incentives during the year, not to document them afterward.

What an advisory relationship looks like in practice

- A midyear tax projection with specific action items before December 31
- Entity structure reviewed on a schedule, with timing recommendations
- Retirement plan setup and a contribution strategy that fits your cash flow
- Quarterly estimated payments calculated, so April holds no surprises
- Your questions answered year-round, not only during filing season

What proactive tax planning actually looks like.

Tax planning isn't a once-a-year event. It's a sequence of decisions made at the right moments. Here is a full advisory year.

Q1 · Jan–Mar · Review & reset

- File the prior-year return, or extend
- Review the prior-year effective rate
- Fund prior-year retirement accounts where still allowed
- Review entity structure and bookkeeping

Q2 · Apr–Jun · Foundation

- Q1 and Q2 estimated payments
- Compare year-to-date income against prior year
- Check that deductible expenses are being tracked
- Evaluate S-corp salary and rental depreciation

Q3 · Jul–Sep · Projection

- Q3 estimated payment
- Run a full-year tax projection
- Model retirement contribution scenarios
- Evaluate Roth conversions and time capital gains

Q4 · Oct–Dec · Execution

- Max retirement contributions
- Purchase deductible equipment before Dec 31
- Harvest investment losses
- Bunch charitable giving, then gather documents

> **The key point.** Decisions made after December 31 are documentation. Decisions made before it are strategy. The window closes at year-end, not at the filing deadline.

Federal instalments fall in April, June, September and the following January, shifting for weekends and holidays. **California runs a different schedule:** weighted rather than even, with no September payment.

What most people are leaving on the table.

None of these are obscure. They're well-established provisions that get missed because nobody flagged them.

If you own a business

- S-corp election never evaluated, so self-employment tax may be higher than it needs to be
- No retirement plan, or the wrong plan type for the income level (Solo 401(k) vs. SEP vs. SIMPLE)
- Home office deduction not taken, or taken incorrectly, and vehicle use undocumented
- Health insurance deduction not taken at the business level, and the Qualified Business Income deduction not optimized

If you own rental property

- Depreciation not taken, or not segregated where a cost segregation study would pay for itself
- Passive loss rules misunderstood, so losses sit suspended, and real estate professional status never evaluated
- Repairs and improvements misclassified, changing when the deduction lands
- A 1031 exchange opportunity missed at sale, or mileage to and from the property untracked

If you invest

- Short-term vs. long-term capital gains unmanaged, with holding periods unplanned
- Tax-loss harvesting happening only in December, if at all
- Net Investment Income Tax (3.8%) not anticipated, and Opportunity Zone investments never considered
- Charitable giving not structured efficiently, and Roth conversion windows in low-income years going unnoticed

What any of these are worth depends on your numbers. Anyone quoting a dollar figure before reading your return is guessing.

How to prepare for your first advisory conversation.

The value of an advisory meeting is largely set before it starts. The more context you bring, the more specific and actionable what you get back will be.

Documents to gather

- The last two years of tax returns, federal and state, which tell the whole story of your position
- Most recent pay stubs, or a year-to-date profit and loss statement if you're self-employed
- Any 1099s received this year (1099-NEC, 1099-K, 1099-INT, 1099-DIV, 1099-R)
- Business entity documents if applicable: LLC operating agreement, S-corp election
- Mortgage statement and property tax bill if you own real estate

Questions to be ready to answer

- What do you expect to earn this year, and how does that compare with last year?
- Are any major transactions coming: a sale, an acquisition, a large purchase, an inheritance?
- Do you have a retirement account, and are you contributing to it?
- What's your primary goal: minimize this year's bill, plan for the next three to five years, or both?

> You don't need to have all the answers. An advisory conversation is a two-way diagnostic, not a test. These questions just give your advisor a starting point. The more honest and complete your answers, the more specific the recommendations you'll walk away with.

Let's apply this to your actual situation.

You've read the framework. The useful part is what it looks like against your numbers, which is a conversation rather than a document.

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Most people hear from their tax person once a year, in April, when it's too late to change anything. I'd rather you hear from me in October, while there's still time to do something about it.

Brandon Mondragon · Founder, Mondragon Tax & Advisory

Book a free 30-minute call

We'll talk through where you stand and I'll give you an honest read, whether or not you decide to work with me. No pitch, no pressure.

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