

BULLOGIC WEALTH // TAX STRATEGY CASE STUDY

First-Year Practice Walks Away Saving \$90,199

Medical Practice | Illinois | Annual Savings: \$90,199

Case Study | Medical Practice | Illinois

AT A GLANCE

| TAX BILL BEFORE | TAX BILL AFTER | ANNUAL SAVINGS |
|------------------|------------------|-----------------|
| \$291,405 | \$201,206 | \$90,199 |

| | |
|---------------------------|--|
| Clients | Dr. Aisha & Marcus Bennett (names changed) |
| Business | Lakeside Medical Associates |
| Industry | Physician-Owned Medical Practice — Family Medicine |
| Location | Illinois |
| Retirement Savings | \$113,250 per year combined household |

CLIENT BACKGROUND

Dr. Aisha and Marcus Bennett came to Bullogic Wealth after completing their first full year of operating Lakeside Medical Associates, a physician-owned family medicine practice in Illinois. Dr. Bennett served as the primary physician and clinical director. Marcus managed the administrative and operational side of the practice.

The first year was a success by every clinical measure. Financially, however, success came with an unexpected price. When they prepared to file their taxes, they were facing a \$291,405 tax bill. They had an SEP IRA in place for the practice, but contributions had been minimal and the retirement tax benefit was far below what the plan was capable of delivering.

THE CHALLENGE

The Bennetts were operating as a pass-through entity without an S-Corporation election, meaning 100% of the practice's net profit was subject to self-employment tax with no ability to split income between salary and distributions. For a high-earning medical practice, that structure was leaving significant money on the table every single year.

Their existing SEP IRA was underutilized and structurally inferior for their situation. Without the employee deferral component that makes a Solo 401(k) so powerful, they were unable to aggressively reduce taxable income through retirement savings. No formal reasonable compensation study had been conducted for either shareholder, meaning their salary structure had never been optimized for tax efficiency or audit defensibility with the IRS.

STRATEGIES IMPLEMENTED

S-Corporation Election

Filed Form 2553 to elect S-Corporation status for Lakeside Medical Associates, establishing the salary/distribution split and reducing self-employment tax on the distribution portion of practice income.

Reasonable Compensation Study — Both Shareholders

Conducted a formal cost-approach analysis for both Dr. Bennett in her clinical role and Marcus in his operations and administrative role. Established defensible, IRS-compliant W-2 salaries for both positions based on industry benchmarks and time allocation.

SEP IRA Closed and Replaced with Solo 401(k)

Closed the existing SEP IRA and established a Solo 401(k) plan, unlocking the employee deferral component and significantly increasing total annual contribution capacity for both shareholders.

Solo 401(k) — Maximized for Both Shareholders

Combined employee deferrals and employer contributions across both Dr. Bennett and Marcus to maximize total pre-tax retirement contributions for the household at \$113,250 per year.

TAX SAVINGS BREAKDOWN

| SCENARIO | ANNUAL TAX BILL | RETIREMENT SAVINGS | NET SAVINGS |
|--------------------------------------|-----------------|--------------------|-------------|
| No Strategy — LLC, SEP IRA (Minimal) | \$291,405 | Minimal | — |

| | | | |
|--------------------------------|-----------|--------------|----------|
| S-Corp + Solo 401(k) Optimized | \$201,206 | \$113,250/yr | \$90,199 |
|--------------------------------|-----------|--------------|----------|

RETIREMENT CONTRIBUTION COMPARISON

| PLAN | DR. BENNETT | MARCUS | COMBINED ANNUAL |
|-----------------------|-------------|----------|-----------------|
| SEP IRA (Previous) | Minimal | \$0 | Minimal |
| Solo 401(k) Optimized | \$70,000 | \$43,250 | \$113,250 |

THE OUTCOME

The Bennetts went from a \$291,405 tax bill with minimal retirement savings to a \$201,206 tax bill with \$113,250 going into tax-deferred retirement accounts annually.

The \$90,199 in annual savings was channeled directly back into the practice, funding new equipment purchases that improved patient care and clinical capacity. For a first-year practice, this outcome changed the entire financial foundation of Lakeside Medical Associates for every year that follows.

Disclaimer: This case study is based on an actual tax plan developed by Bullogic Wealth for a real client. Client names and identifying details have been changed to protect privacy. The results shown reflect the specific facts and circumstances of this client's situation and should not be regarded as tax advice or relied upon as a guarantee of similar outcomes. Tax laws are subject to change. Individual results will vary. This information is for educational purposes only. Consult a qualified tax professional before making any tax planning decisions.