VETERINARY NEWSLETTER

Thaney & Associates, CPAs Quarterly Newsletter

Client Update Newsletter

Now that the April 15th tax filing deadline has come and gone, you could wait until January to think about taxes again – but that's a bit like waiting until the night before a major exam to start studying...you might get through it, but it probably won't yield the best results. If you want a smaller tax bill in 2025, consider starting now to come up with a strategy.

In this month's newsletter, we've included four areas to review as you begin creating your 2025 tax plan.

You will aslo find information on how pet insurance is boosting revenue, a veterinary industry update, and the outlook of the veterinary industry for 2025.

Please pass this information on to anyone that may find it useful and call if you have any questions or concerns.

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THANEY & ASSOCIATES
Certified Public Accountants

UPCOMING DATES

MAY 11TH
- MOTHER'S DAY

MAY 26TH
- MEMORIAL DAY

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Starting Your Tax Planning

Lowering your tax bill next year works best as a planned event. So if you are interested in breathing a sigh of relief come next April, consider a review of these four areas as you create and implement your tax plan for 2025.

#1 - Your Home

Your home can create unexpected tax liabilities. Property value appreciation, home improvements, and refinancing your mortgage influence how much tax you pay.

When your home's value increases substantially, you might pay higher property taxes. Selling a home can also lead to capital gains taxes if you've lived in the property for less than two years or exceed the home sale exclusion amounts.

Tax Planning Tips for Your Home:

- ✓ Get a professional property assessment to ensure you're not overpaying property taxes. If so, know your location's time frame and process to amend your property's value in their formula.
- ✓ Consider timing home improvements to manage potential tax consequences by being smart about when assessments are applied in your location's property value.
- ✓ If selling, understand capital gains exclusion rules ($250,000 for single taxpayers, $500,000 for married couples)

#2 - Your Investments

Review your refinance closing disclosure to identify deductible mortgage points or fees
Investment income can impact your tax bill. Capital gains, dividend distributions, and frequent trading can all cause tax consequences.
Different investments also face different tax rates: Short-term capital gains get taxed at higher ordinary income rates and long-term gains typically receive more favorable treatment.

Tax Planning Tips for Your Investments:

- ✓ Implement tax-loss harvesting to offset capital gains
- ✓ Hold investments for more than a year to qualify for long-term capital gains rates
- ✓ Consider tax-efficient investments like index funds or ETFs
- ✓ Maximize contributions to tax-advantaged accounts like 401(k)s and IRAs

#3 - Your Retirement

Retirement accounts offer financial opportunities. But they can also cause tax pitfalls. Required minimum distributions (RMDs), early withdrawal penalties, and the tax treatment of different retirement account types influence your tax bill.

Tax Planning Tips for Your Retirement Accounts:

- ✓ Understand RMD rules and plan withdrawals strategically. Sometimes the most cost-effective plan withdrawals occur long before the RMD rules come into play!
- ✓ Consider tax-efficient Roth conversions to manage future tax liability
- ✓ Maximize health savings account (HSA) contributions as an additional retirement account
- ✓ Explore catch-up contributions if you're age 50 or older

#4 Your Life Events

Major life changes can dramatically change your tax situation. Marriage, divorce, having children, changing jobs, or experiencing significant income shifts can all reshape your tax liability.

Tax Planning Tips for Life Changes:

- ✓ Reassess your filing status as life changes may affect your tax bracket and deductions
- ✓ Track new deductions and credits as life events like adoption or education expenses may qualify for specific tax breaks
- ✓ Understand the age triggers built into the tax code and plan accordingly. This is especially important to understand as your children get older.

Sometimes your tax plan will show you an unavoidable, upcoming tax event, but you can plan for it to avoid a surprise. Other times your plan can help lower your tax liability, so it is best to begin as soon as possible.

PET INSURANCE BOOSTING REVENUE

Veterinary practices have benefited in recent years as more pet owners and agricultural producers seek out vets regularly to care for their animals. At the same time, medical advances have been emerging in veterinary care, extending care beyond preventive measures into specialized areas like immunotherapy and musculoskeletal conditions. Pet owners' evolving attitudes have also been driving pet spending in recent years, as more owners are willing to spend a premium on food, medicine or treatments that improve or extend their pets. Growing adoption of pet insurance, specifically for dogs, has also underpinned growth, as more owners can afford high-margin medical treatments. This willingness, combined with a record-high pet ownership rate, has strengthened the industry's in supporting pet owners. These trends have led industry-wide revenue to climb at a CAGR of 1.9% over the past five years – totaling an estimated $69.4 billion in 2025 – when revenue will rise an expected 2.4%.

Pet ownership trends are among the most influential drivers for veterinary care in the US. According to the American Medical Veterinary Association, nearly 70% of US households had at least one dog or cat in 2024. Between 2016 and 2024, the dog population grew by over 12 million, while the cat population added nearly 16 million new cats. Higher pet ownership translates into a larger client base for vets, supporting revenue growth. Higher prices for vet visits have also contributed to the industry – data from the Bureau of Labor Statistics shows that the price for vet care rose faster than inflation between 2020 and 2024 and has jumped nearly 60% in cost between 2014 and 2024. Several factors contribute to price hikes, but higher costs are beginning to slow growth as pet owners defer the time between appointments, avoid elective visits or forgo ownership.

Trends in pet ownership won't continue moving forward, creating a steady demand for comprehensive veterinary care. Still, the industry will face challenges addressing current headwinds, like labor shortages and rising operating costs. These challenges will likely maintain consolidation activity in the industry, creating a larger divide between corporate-owned or private equity-backed clinics and small, independent ones. Larger veterinary groups will also be able to offer more competitive wages to new graduates and access innovative tech advances, shifting competitive dynamics in the industry. In all, Veterinary Services' revenue is expected to expand at a CAGR of 1.7% to $75.6 billion over the next five years.

VETERINARY INDUSTRY PERFORMANCE UPDATE

The demand for veterinary care is at an all-time high due to the record pet population in the US. This surge in demand is driven by shifting attitudes towards pets, increased pet insurance coverage, and rising prices for veterinary services. Additionally, services provided to livestock have seen an uptick, supporting industry performance. However, concerns arise from the growing private equity involvement in veterinary medicine, raising questions about patient care and costs.

- **A record-high pet population leads demand for veterinary care to exceed supply.** The pet population in the US has reached record highs due to the COVID-19 pandemic, with 45.5% of households owning a dog in 2024. This increase in pet ownership has led to higher patient volumes and a surge in demand for veterinary practices. Pet owners now view their pets as part of the family, resulting in increased spending on advanced medical procedures and preventative services.

- **Services provided to livestock increased, supporting performance.** The need for veterinarian services has risen due to concerns about disease in livestock animals like cattle, sheep, and chickens. Veterinarians play a crucial role in ensuring the hygiene and well-being of farm animals before slaughter. Higher per capita meat consumption and consumer spending have also contributed to the growth in services provided to livestock.

- **Private equity involvement in veterinary medicine creates concerns.** Consolidation of independent veterinary practices into larger corporate groups has accelerated, driven by financial incentives and growing demand for quality pet care. Private equity investment in veterinary medicine has surged, raising worries about prioritizing profit over patient care. Critics warn that this trend could lead to higher costs for pet owners and potential medical errors.

THE DRIVING FACTORS CONTRIBUTING TO THE OUTLOOK OF THE INDUSTRY

The healthcare sector's technological advancements are influencing veterinary medicine positively, allowing veterinarians to offer a wider range of services to cater to pet owners' increasing willingness to pay for new treatments. As pets live longer, aging pets require more frequent vet care, prompting veterinarians to provide biannual wellness exams for elderly pets to reduce the risk of diseases and mobility issues.

Technology from the healthcare sector impacts veterinary medicine to bolster growth

Veterinary practices are witnessing an uptake in pet owners willing to pay for new treatments due to technological advancements from the healthcare sector. Services like full serum chemistry profiles, blood pressure screenings, and radiographs for pets are on the rise. With pets living longer, there is a growing demand for senior pet care, prompting veterinarians to include biannual wellness exams to improve the quality of life for aging pets.

Rising pet insurance rates will incentivize visits to veterinarians but adds administrative costs to practices

The growing popularity of pet insurance, with over 5.3 million insured pets in North America in 2022, encourages pet owners to seek high-cost treatments. While it decreases out-of-pocket costs, administrative tasks related to insurers may pose challenges to practice profitability. Despite this, the rise in insured pets presents significant growth opportunities for veterinarians to expand their services.

Private practice to go corporate

Observing a trend towards corporatization of veterinary practices, the landscape of the industry is shifting. Corporate-owned practices, benefiting from lower operational costs and access to advanced technology, lure skilled professionals with higher salaries. This trend poses a threat to small private practices, yet it offers an appealing exit strategy for owners looking to sell or retire.

Concern for environmental and animal welfare to provide opportunities for veterinarians

The emphasis on environmental welfare is driving the need for veterinarians in the agriculture sector to ensure USDA compliance. Additionally, the rising concern for antibiotic resistance in animals is heightening the demand for veterinarians to regulate antibiotic usage thoughtfully. As consumers prioritize animal welfare in food production, veterinarians play a crucial role in ensuring humane treatment, nutritious diets, and suitable living conditions for food animals.

Estate Planning: *Tips for Every Family*

If juggling priorities were an Olympic sport, young parents would win the gold medal. Raising kids, advancing careers, paying off student loans, and saving for a home is a lot. All this makes estate planning feel like a tomorrow problem.

But estate planning puts you in charge of your family's financial future if the unexpected happens.

Here are three ways you can protect your family's future by starting your estate planning today.

Protect your current income

Your current income is the fuel that keeps your household going. Here are several ideas to protect your earnings:

- ***Minimize tax liabilities*** using tools such as trusts or family limited partnerships can shield assets from estate or capital gains taxes.
- ***Protect against lawsuits and creditors*** by structuring ownership through legal entities or trusts. These separate legal entities can make it harder for lawsuits or creditors to reach your personal income or business revenue.
- ***Ensure income continuity if incapacitated.*** With powers of attorney and living trusts in place, you can tap someone you trust to manage your income and financial affairs if you're unable to do so.

Protect your future income

Estate planning isn't just about distributing assets, it's a proactive way to secure financial stability down the road. Here are several ideas to protect your future income.

- ***Preserve wealth using tax planning strategies.*** Trusts, retirement accounts, and gift giving can minimize your future estate and income taxes, helping you retain more of your earnings over time.
- ***Safeguard business and investment income.*** Planning for succession or setting up buy-sell agreements ensures that income from businesses or investments can continue in the future, even after death or incapacity.
- ***Provide long-term control over assets.*** Set specific terms in wills or trusts to dictate how and when income-generating assets are used. This can protect them from mismanagement or being wasted in short order.

Protect your children

Estate planning isn't just about money – it's also about protecting your kids if something happens to you. Here are several ways to protect your children.

- ***Ensure guardianship.*** If you pass away or become incapacitated, a will lets you name who should raise your children. Without this, the decision goes to the courts, and a judge will choose a guardian. Naming someone in your estate plan ensures your children are raised by someone you trust, in a stable and familiar environment.
- ***Control their inheritance.*** A well-structured estate plan allows you to manage how and when your children receive their inheritance. For example, you can create a trust and decide when to distribute money and for what purposes, such as education, health care, or buying a home.
- ***Minimize conflict.*** When your wishes are clearly written in legal documents, it leaves less room for disagreements among family members. This can help prevent costly legal battles or emotional fights over who should care for the kids or how money should be used.

Many people believe estate planning is only for the very wealthy. But as you can see, managing an estate is important for everyone, regardless of income level. Consider reviewing your situation with a qualified expert and help create peace of mind for yourself and your loved ones.