



The Dentist's Essentials

A Game Plan for Wealth Accumulation

Kentucky Dental Association
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Essential #1

Assess Yourself & Change

*“Everyone Thinks of Changing
the World, but No One Thinks
of Changing Himself”*

Leo Tolstoy

Things the Wealthy Do

Have a Written Purpose & Goals

“Success is the progressive realization of a worthy goal”

Earl Nightingale

- ▶ Purpose should be 1 sentence & inspire
- ▶ Should be easily understood by a 12 year old
- ▶ Employees should be able to recite it by memory

Things the Wealthy Do

Focus on Self-Improvement & Leadership

Transactional



Transformational

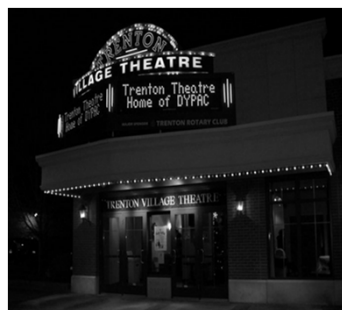


“People follow great leaders because they respect them, not because they have power.”

Things the Wealthy Do

Community Service is a core value

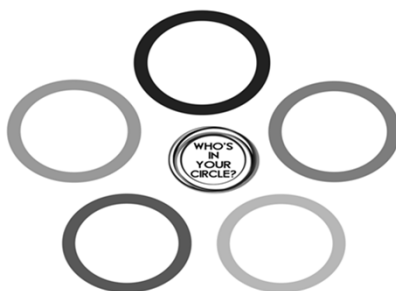
- Your patients & community judge you based on their perceptions of your warmth & competence



Things the Wealthy Do

Surround yourself with the right people

- You are less inclined to change your ways when those around you are reinforcing them



- Dental School
- Specialists
- Colleagues
- Continuing Ed.
- Study Club

Essential #2

Assess Key Practice Financial Indicators

The Financial Statement

“A Must to Manage Overhead”

	Month	Percent	Year	Percent
Revenue				
Collections	101,000	101.0%	1,212,000	101.0%
Refunds	(1,000)	-1.0%	(12,000)	-1.0%
Net Revenue	<u>100,000</u>	<u>100.0%</u>	<u>1,200,000</u>	<u>100.0%</u>
Direct Expenses				
Staff Salaries	22,000	22.0%	264,000	22.0%
Payroll Taxes	1,500	1.5%	18,000	1.5%
Lab	9,000	9.0%	108,000	9.0%
Dental Supplies	6,000	6.0%	72,000	6.0%
Office Supplies	1,500	1.5%	18,000	1.5%
Total Direct Expenses	<u>40,000</u>	<u>40.0%</u>	<u>480,000</u>	<u>40.0%</u>
Fixed Expenses				
Accounting	1,000	1.0%	12,000	1.0%
Advertising	3,000	3.0%	36,000	3.0%
Rent	5,000	5.0%	60,000	5.0%
Utilities	500	0.5%	6,000	0.5%
Etc.	10,500	10.5%	126,000	10.5%
Total Fixed Expenses	<u>20,000</u>	<u>20.0%</u>	<u>240,000</u>	<u>20.0%</u>
Net Practice Income	<u>40,000</u>	<u>40.0%</u>	<u>480,000</u>	<u>40.0%</u>
Professional Expenses				
Dr Salary	21,250	21.3%	255,000	21.3%
Dr Payroll Taxes	900	0.9%	10,800	0.9%
Auto	500	0.5%	6,000	0.5%
Continuing Ed	500	0.5%	6,000	0.5%
Travel	500	0.5%	6,000	0.5%
Total Professional Expenses	<u>23,650</u>	<u>23.7%</u>	<u>283,800</u>	<u>23.7%</u>
Non-Operating Costs				
Amortization	400	0.4%	4,800	0.4%
Depreciation	2,000	2.0%	24,000	2.0%
Interest	500	0.5%	6,000	0.5%
Total Non-Operating Costs	<u>2,900</u>	<u>2.9%</u>	<u>34,800</u>	<u>2.9%</u>
Net Taxable Income	<u>13,450</u>	<u>13.5%</u>	<u>161,400</u>	<u>13.5%</u>

The Practice Heartbeat

Dr. 1 Daily Goal _____ Practice Heartbeat for year _____ Monthly Prod. Goal _____
 Hyg. Daily Goal _____ Dr. _____ Monthly Coll. Goal _____
 # Hygienists FT _____ PT _____

Mo.	Days Wks'd Dr. 1	Days Wks'd Hyg	Total Office Product	Total Collect	Collect %	Dr Production	Dr Daily Avg	Hyg Production	Hyg. %	33%	Total A/R	A/R 30+	Refunds
Jan													
Feb													
Mar													
Apr													
May													
Jun													
Jul													
Aug													
Sep													
Oct													
Nov													
Dec													
Total													
Avg													

Mo.	NIP CDS	NIP 16+	Hygiene Patients	Comp Exams	BVX	Pano	FMX	Perio Maint 4310	SRP 4341	Adult Prophy	Comp 2330-2334	C&S, Inlays, Onlays	White	Oral Cancer
Jan														
Feb														
Mar														
Apr														
May														
Jun														
Jul														
Aug														
Sep														
Oct														
Nov														
Dec														
Total														
Avg														



Essential #3

Invest in Your Practice

Don't be Hesitant to Spend

1. **Consultant**
2. **Advanced Continuing Education**
3. **Advertising**
 1. **Website**
 2. **Social Media**
4. **Does your office portray Dentistry?**



Essential #4

**Educate yourself and understand
the growth of money**

Power of Compounding

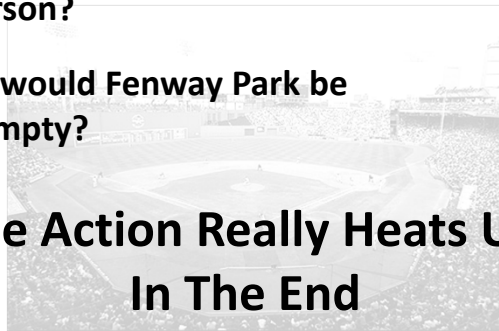


Power of Compounding

How long do we have to save
the person?

When would Fenway Park be
93% empty?

**The Action Really Heats Up
In The End**

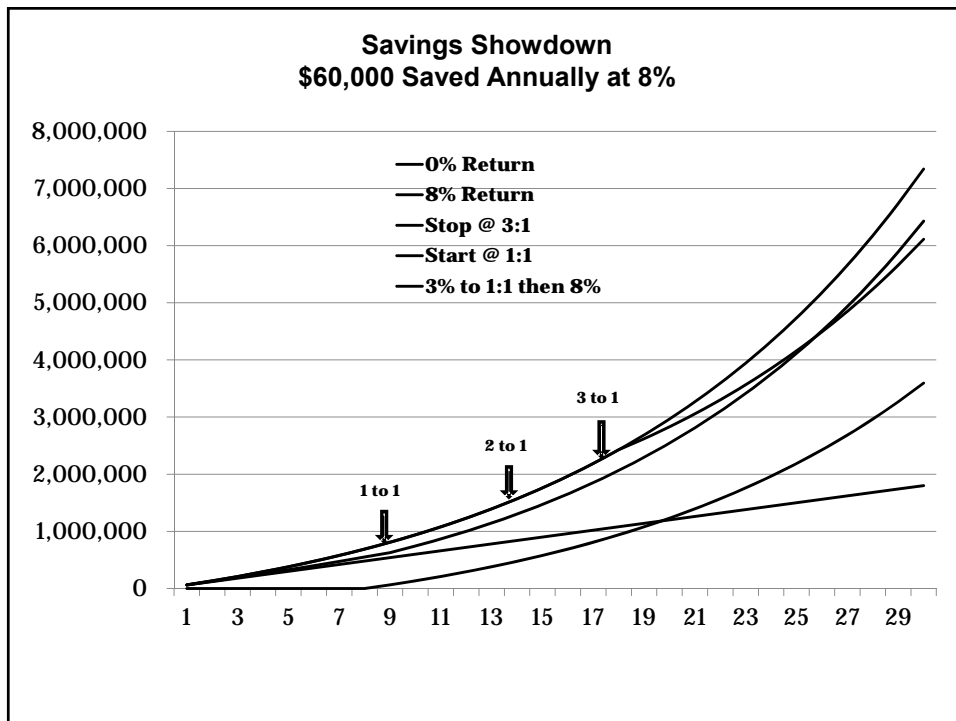


Measurement Process

1:1 2:1 3:1

**Amount x Time x Return =
Money Accumulated**

“Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.” – Albert Einstein





Essential #5

Have a Plan

The Simple Side of Planning

1. **Accumulation:** Spend less than you earn & invest the savings wisely
2. **Retirement:** Spend less than your investment income & invest the savings wisely

Why We Don't Succeed

1. Procrastination
2. Lack of Discipline
3. Short Term Perspective
4. No Perspective
5. Ignorance
6. Can't Invest Wisely

Essential #6

Create a Budget Business & Personal

Break-Even Calculation

Profit Margin = 100%-Direct Cost %

Profit Margin = 100%-40% 60%

Total Monthly-Owner \$25,000

Monthly Fixed Costs \$20,000

Total Monthly Cost \$45,000

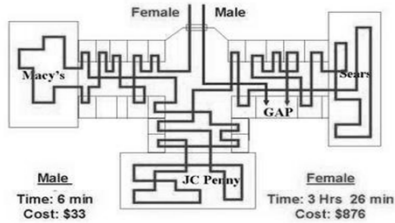
Break-Even = $\frac{\text{Monthly Cost}}{\text{Profit Margin \%}}$ = $\frac{\$45,000}{60\%}$ = \$75,000

Psychology of Budgeting

1. Understand the Reality

Women

Mission: Go to Gap, Buy a Pair of Pants



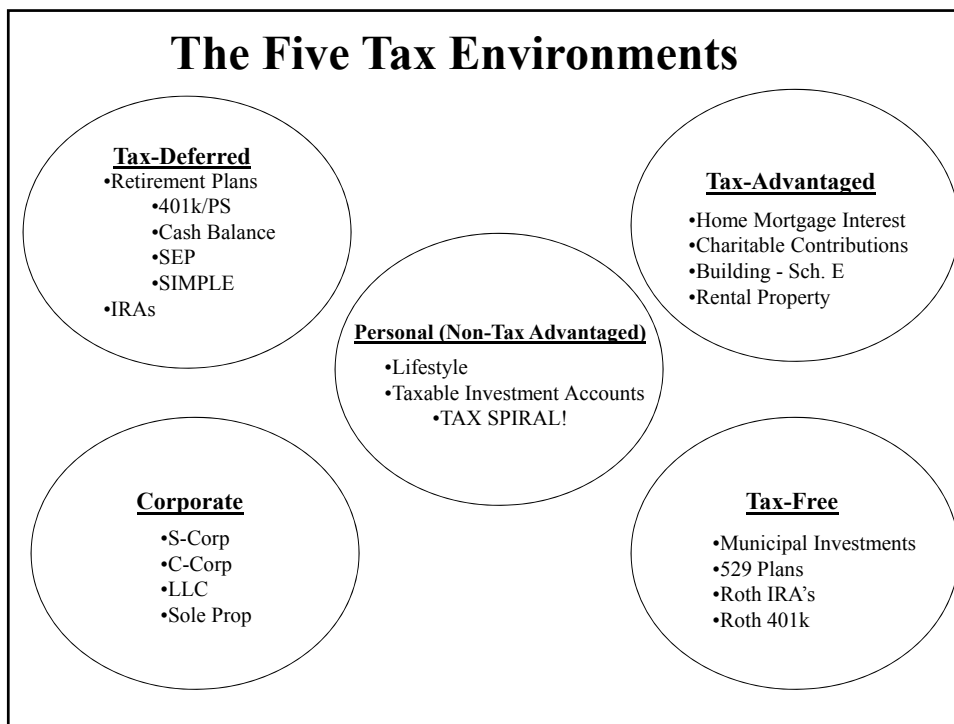
Men




2. Budget is a necessity
3. The more we earn the wider our reality gap becomes.

Essential #7

Understand Tax Planning





Essential #8

Maximize Tax Deferred Retirement Plans

Pension Planning Opportunities

401(k)/Profit Sharing Plan

Doctor 401(k)	\$17,500
Spouse 401(k)	17,500
Doctor Profit Sharing	<u>34,500</u>
Subtotal	\$69,500

Doctor 401(k) (if over 50)	\$5,500
Spouse 401(k) (if over 50)	<u>5,500</u>
Subtotal	\$11,000

Cash Balance Plan

Doctor Cash Balance (estimated)	<u>\$50,000</u>
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TOTAL **\$130,500**

Thanks Uncle Sam

401k Option		Personal Savings	
Dr Family Contribution	\$69,500	Dr Gross Income	\$84,500
Staff Contribution	12,000	Tax Rate	40%
Administration Fees	<u>3,000</u>	Dr Take Home	50,700
Total Cost	84,500		
Tax Rate	40%		
Tax Savings	33,800		
Net Out of Pocket	<u>\$50,700</u>		
Dr Benefit	69,500	Dr Benefit	50,700
Staff Benefit	12,000	Staff Benefit	0
Uncle Sam	0	Uncle Sam	33,800

Dr. Benefit is 37% higher with 401k option...Certainly beats the stock market.

Thanks Uncle Sam

401k Option	
Dr Contribution	\$69,500
Earnings	8%
Tax Rate	0%
Earnings After Tax	8%
Accumulation @ 10 yrs	\$1,087,000
Accumulation @ 20 yrs	\$3,435,000
Accumulation @ 25 yrs	\$5,487,000
Yield at 5% @ 25 yrs	\$274,000
Tax Rate	30%
Net After Tax	\$192,000

Personal Savings	
Dr Savings	\$50,700
Earnings	8%
Tax Rate	25%
Earnings After Tax	6%
Accumulation @ 10 yrs	\$708,000
Accumulation @ 20 yrs	\$1,977,000
Accumulation @ 25 yrs	\$2,949,000
Yield at 5% @ 25 yrs	\$147,000
Tax Rate	20%
Net After Tax	\$117,000

65% MORE MONEY TO LIVE ON!!!



Essential #9

The Effective Practice Transition

The Partnership Effect

Sole Practitioner
Profit – 38% \$380,000
Direct Costs – 42% \$420,000
Fixed Costs – 20% \$200,000

2 Doctor Practice
Profit – 42% \$840,000
Direct Costs – 42% \$840,000
Direct Costs – 16% \$320,000

- Profit increases by 4%. Selling doctor net income increases by \$40,000
- Fixed cost savings increase net income
- Allows for the gradual transition of income & days worked
- Transition of equity at its highest value

Essential #10



The 5 Year Effect

Assumptions:

- Retire at 62 with \$4,000,000
- Investment Return – 6%
- Inflation – 3%
- Retiree #1 works for 5 years earning \$100,000 to lower withdraw to \$100,000
- Retiree #2 draws \$200,000 at 62

	Retiree #1 \$100 K – 5 Years	Retiree #2 \$200K
70	\$ 4,804,000	\$ 4,039,000
75	\$ 4,729,000	\$ 3,755,000
80	\$ 4,358,000	\$ 3,113,000
85	\$ 3,549,000	\$ 1,948,000
90	\$ 2,101,000	\$ 37,000

Questions...



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