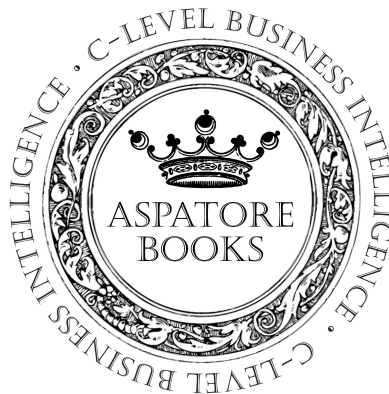


Real Life Financial Planning For the Young Dental Professional

A Dental Professional's Guide to Financial
Security

Marshall W. Gifford &
Todd D. Bramson



1

Introduction

Why the title, Real Life Financial Planning for the Young Dental Professional?

Quite simply, dentists, orthodontists, periodontists, endodontists, oral surgeons, prosthodontists, pediatric dentists, and other dental specialists have unique financial needs. You have so many financial issues and options on a personal and business level. This complexity can make decision making very difficult. With our thirty years of combined experience catering to the dental profession, we have not seen a resource like this book.

Our experience reveals that most dental professionals have a significant interest in most financial issues, but many are simply too busy to take the time to learn what they need to know. During school, you must focus on your training, and few curriculums teach financial planning. There may be a class on practice management or contracts, but none that really address the actual details of a financial plan for you or your practice.

After graduation, your time is spent getting established as an associate or setting up and/or building a practice. In addition, many of you will get married and start a family, which can delay financial planning even longer. Before you know it, years have gone by and still...no financial plan.

If you have a comprehensive plan—congratulations. This book can serve as a reference to reinforce what you are doing. Like a root canal that can't

be put off for years, you must begin immediately to initiate your financial plan. This book will give you the start you need.

There is so much information “out there,” but sometimes not much wisdom. This book summarizes the wisdom we have gained and shared with our clients in individual meetings throughout the years. *Real Life Financial Planning for the Young Dental Professional* is simply a practical method of understanding, organizing, and prioritizing financial decisions.

Most financial planning publications, and financial plans themselves, assume everyone lives a long, healthy life and saves a good portion of their income in quality investments that always do well. This book addresses the issues that happen in **real life**, good and bad.

A solid financial plan should make your life simpler by letting you focus on the issues you excel at and enjoy. This may include practicing dentistry, spending time with your family or pursuing hobbies. These activities are more enjoyable knowing that your finances are in order. We hope you take the time to read this book and work with a trained professional to develop and implement a financial plan that meets *your* goals and objectives.

As a young dental professional, you wear many hats, especially if you are self employed or a partner in a practice. With that in mind, surrounding yourself with advisors that can help you is crucial to your success. We recommend you have the following specialists on your team:

Your Advisory Team

-Financial Advisor – Your financial advisor is often the quarterback to the entire team. They can help organize and prioritize all of your goals and objectives, both business and personal. A comprehensive plan is developed, which coordinates your risk management, savings, retirement, debt management, and tax reduction needs.

-Banker – The banker’s role will be to arrange financing for buying a practice, equipment or expansions. The banker will also help determine the most favorable loan terms. On a personal level, the banker can help with

loan consolidations and mortgage financing, as well as cash management accounts.

-Attorney – Select an attorney who is well versed in setting up your corporation or limited liability company. In each state there are very specific documents that need to be drafted and requirements that need to be met to make sure the corporation is truly providing the liability shield. The attorney will also be vital in drafting contracts and reviewing contracts.

Your attorney should also work with you and your financial advisor to set up your estate plan. This includes drafting your will, appointing guardians for your children, and establishing a trustee to manage your assets for your minor children if you die.

-Accountant – An accountant will not only make sure you are properly filing your tax returns, he or she may assist you in the setting up of bookkeeping systems, practice valuation, compensation formulas, and payroll services, as well as depreciating and expensing equipment.

-Practice Management Consultant – A practice management consultant can help you with the day-to-day operating of your practice. This can include thoughts on marketing, hiring, office layout, computer systems, and expansion ideas. They may also offer insights into the best systems to have in place for scheduling patients and collections.

Financial success isn't, as most people might suspect, the ability to make one or two decisions that turn a buck into a million. Rather, financial success is the result of many small but sound decisions that, when compounded, add up to substantial financial security.

You are in complete control...or at least you should be. When it comes to spending and saving, investing and paying taxes, many may offer good advice, but you're the only one who can do anything about it. Maybe you're unsure of your investment options and how to prioritize them. Maybe you don't have a clue where your paycheck goes each month. In any case, if you're reading this book, you already understand the importance of getting

your future under control, and that's the crucial first step to financial freedom.

Financial independence and the accumulation of wealth are no accident. Granted, it's not possible to plan for every single event in life, but even tragedy can feel more manageable when you are financially prepared for it. *Many people spend more time planning for a family vacation than for their financial future!* Whether it's preparing for the future, planning for the transition of your business, insuring your family against tragedy or planning for the good times, your money deserves your undivided attention.

Car accidents, marriage, divorce, children, changing practices, death, retirement, taxes, for better or worse, are the realities of life. Planning for any circumstance, both happy and sad, may seem like a burden right now, but the proper planning will rescue you when (not if!) unforeseen circumstances arise.

The truth is we all need to plan for our financial futures. The question is not whether to plan, but how to go about making a plan, and whether you need a professional to help.

Also, the information age has intensified the field of financial planning. It is interesting to consider that twenty-years ago financial news may have made top headlines two or three times throughout the year when the stock market would do particularly poorly or well, or if there was some other major economic news. Today, however, we have news programs dedicated to nothing else 24-7, and the number of financial headlines in the daily papers can be overwhelming. Still, there is a big difference between information and wisdom, and that's where the insight of a trusted professional can help.

Should you hire a Financial Planner?

Several situations which may call for a financial planner's expertise are:

- *You are very busy without much spare time.* In this case, a financial planner can save you a bit of your most precious commodity—time.
- *You are easily bored or overwhelmed by financial questions.* If, for example, preparing a budget is such a nuisance that you can't even imagine having to sort through anything more complex, then hiring a financial planner may be money well spent for greater peace of mind.
- *You are considering a complicated set of employee benefits in combination with personally owned insurance and investments.* You don't want your new benefits to conflict or overlap with your current investments and insurance. A careful review will avoid gaps and overlap.
- *You are recently divorced or have lost a spouse who had previously been the one handling financial affairs for the household.* As if dealing with the trauma of divorce or death is not enough, being thrust into unknown financial waters without a trusted advisor can be difficult.
- *You have recently graduated from school or just finished a residency and are suddenly expected to become financially independent.* The saying "an ounce of prevention beats a pound of cure" is an important one in the world of financial planning. Seemingly insurmountable debt plagues the future of many young dental professionals. Learning whether you should consolidate your student loans to budgeting properly and choosing from insurance options and making wise investments are necessary life skills. Getting professional advice **now** beats paying for costly mistakes later.
- *You are self-employed.* In this case, you most likely have to "wear many hats" as an entrepreneur. You are the dentist, the marketer, the practice manager, and probably don't have time

to investigate or be aware of the many planning options available to you and your employees. A financial planner can help you sort through the many issues facing you.

The topic doesn't matter, whether it's religion, politics, stocks, insurance, sales loads or how to finance your house, just to name a few. There are always many individual considerations, and the correct solution depends on a variety of factors. We get leery of advice that suggests you should "always" do this or "never" do that. We believe life, as well as most financial decisions, is far more gray than black or white.

We are not the first to say this, and we certainly won't be the last: *"It is crucial to trust your own judgment and instinct before taking action, no matter how good someone makes their argument."* The best way to gain confidence in your own judgment is to educate yourself on the topic at hand.

Have you thought about any of the following questions?

- How much money should I have in emergency reserves?
- Should I consolidate my student loans?
- In which order should I go about paying off my debt?
- What is the right kind of insurance for me and how much do I need?
- What insurance should I have for my practice?
- How should I go about setting up a savings plan?
- What are my investment options?
- What is the best type of retirement plan for me and my employees?
- How should I plan for college education for my children?
- How much do I need to save to retire?
- What tax sheltered options are available to me?
- How do I establish a budget?
- What do I need to do to buy a practice?
- What are the most common financial mistakes people make?

If you don't know the answers, just keep reading, because you're about to find out.