

SOME DAY YOU WILL DO A DENTAL TRANSITION

Are you Ready?
Do You Have a Plan?

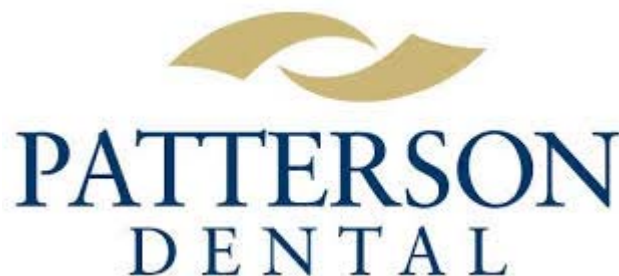


Bob Creamer, CPA

"The Dentist's CPA"

Charleston, SC

May 2, 2015



PATTERSON
DENTAL

Bob Creamer, CPA




Bob Creamer is the Director of Dental Services at AKT CPAs and Business Consultants, ranked as one of the top 100 accounting firms nationwide. He has been working with dentists for nearly four decades, helping dentists maintain efficient and profitable dental practices. Bob knows the business of dentistry and helps dentists understand and apply key tax strategies to help them keep more of what they earn to improve their quality of life.

Nationally recognized for his motivating, educational, knowledgeable, and energetic presentations, he is a frequent speaker at dental events around the country. For years, Bob has taught the "Business Side of Dentistry" at Oregon Health Sciences University Dental School. He also writes and contributes to numerous national and regional dental publications. He consults with manufacturers and distributors in the industry, and assists them with their internal training. Prior to entering the world of public accounting, he was an Inspector for the IRS.


The AKT Dental Services Group focuses on helping dentists across the country achieve their personal and professional goals through financial and retirement planning, wealth creation, dental transition strategies, practice enhancement, fee management, cost segregation studies, maximizing tax deductions and other related accounting and consulting services. Our experienced team can help you enjoy your journey through your dental career by making your practice work for you.

If you have any questions or would like Bob to speak at your next national, state, or local dental event, email us at dental@aktcpa.com or phone 503-585-7774. Connect with Bob or any of the AKT Dental Services Group at www.aktcpa.com/AKT-Dental.





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ANNAPOLIS, MD FARMINGDALE, NY CHARLOTTE, NC HOUSTON, TX KANSAS CITY, MO LOS ANGELES, CA MIAMI, FL NEW YORK, NY PHOENIX, AZ RICHMOND, VA TAMPA, FL



The First Day in Your New Practice

Is The First Day You Start To Plan For



Your Last Day in Your Practice!



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The Top 10 Mistakes Dentists Make





3

Mistake #10

Building or Buying an Overly Expensive Home



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4

Mistake #9

Building An Overly Expensive Office



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5

Mistake #8

Failure To Maximize Your Retirement Plan Contributions And Where They Are Invested



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6

Mistake #7

Failure to Do Estate Planning




ESTATE PLANNING WORKSHEET

...ect is a very important step in the ...ing process. By acce...
...ect you will be providing me with m... background infor...
... will assist me in providing the highest re... to you.
... the worksheet you may either send it...
... as to a question or a particu...
... meeting.

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Mistake #6


Failure to Maximize Tax Savings or Over-Emphasis On Tax Savings



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Mistake #5

Failure to Have Proper Amount or Type of Life and Disability Insurance



What You Should Know About...
Insurance
▶ LIFE INSURANCE
▶ DISABILITY INSURANCE
▶ LONG-TERM CARE IN...

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Mistake #4
Failure to take control of your practice and your life



AKT 10

The Goose that Lays the Golden Eggs



The Dental Practice

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Your practice is your financial vehicle that will carry you through life.




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**One Bad Apple
CAN
Spoil the
WHOLE
Basket**



AKT 13

Mistake #3
Failure to Work **on** the Practice
Rather Than Just **in** the Practice



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Dynamic Leader
Passionate Team
Dental Advisors
Inviting Office

**BUILD A
STRONG PRACTICE!**



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Seven Systems for Success

1. *Team Development System*
2. *New Patient Experience/
Comprehensive Examination System*
3. *Patient Retention System*




Source: "The Exceptional Dental Practice", Dr. M. William Lockard, Jr. DDS

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Seven Systems for Success

4. *Technical Excellence System*
5. *Time Management System*
6. *New Patient Referral System*




Source: "The Exceptional Dental Practice", Dr. M. William Lockard, Jr. DDS

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Seven Systems for Success


7. *Financial Management System*
 - Budgeting
 - A collection policy
 - Regular re-evaluation of fees
 - Setting realistic production goals for the year, month, day
 - **Determining the break-even point of the practice and its profit percentage**
 - Establishing a pension plan and savings reserve



These practices will lead to practice health.


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Mistake #2
Failure to Work on Your Marriage
DIVORCE



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Mistake #1
Failure To Have A Written Plan



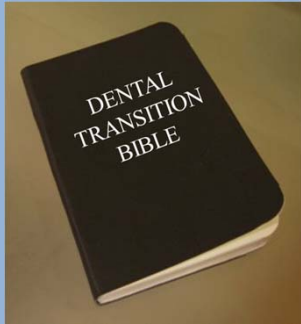
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Design Your Plan

- What do I want to **BE** before I die?
- What do I want to **DO** before I die?
- What do I want to **HAVE** before I die?
- Who do I want to **HELP** before I die?
- What do I want to **ENJOY** before I die?
- What do I want to **LEAVE?** – My Legacy

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TRANSITION BELIEF SYSTEMS



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TRANSITION BELIEF SYSTEMS

Need To Have
An Associate
So You Have
A Built-in Buyer



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TRANSITION BELIEF SYSTEMS

Must Work Harder
Than Ever To
Keep Collections
Going Up

Cannot Slow Down!



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Bologna! Bologna! Bologna!



AKT 31

CHOOSING THE RIGHT TIME!

Are You Personally Ready?

- Emotionally
- Financially
- Is your spouse ready?



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Is The Practice ready?



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Retirement Planning

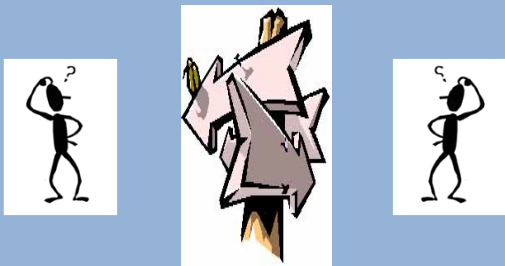
- Many financial planners will give you a magical number to reach in order to retire.
- The fact is that number is different for every individual.
- It is important what you make, but it is just as important what you spend.



“Back of the Napkin” Analysis

Assets:	Value at retirement	Annual Income	Monthly Income
Retirement plan	\$ 1 million	\$ 40,000	\$ 3,500
Social Security		35,000	2,900
Practice Sale	500,000	20,000	1,600
Practice Building Rental Income		36,000	3,000
Total	\$ 1,500,000	\$ 131,000	\$ 11,000

How To Do This Transition



Let's Think About It



Things to Consider

<u>Category</u>	<u>IRS Tax Rate</u>	<u>IRS Write Off</u>
Goodwill	20.0%	15 years
Non-compete	39.6%	15 years
Supplies	39.6%	1st year
Dental equipment	39.6%	\$25,000 1st yr/5 yrs
Office furnishings	39.6%	\$25,000 1st yr/7 yrs
Facility Improvements	39.6%	15-39 years
Consulting agreements*	39.6%	As work performed

*Also pay Social Security and Medicare Tax at 15.3%

\$600,000 Practice Transition

<u>Category</u>	<u>Allocation</u>	
	<u>Buyer</u>	<u>Seller</u>
Goodwill		\$600,000
Non-Compete		
Supplies	\$600,000	
Dental Equipment		
Office Furnishings		
Facility Improvements		
Consulting Agreements		

OPPOSING INTERESTS!

\$600,000 Practice Transition

<u>Category</u>	<u>Allocation</u>
Goodwill	\$ 530,000
Non-Compete	\$ 10,000
Supplies	\$ 2,500
Dental Equipment	\$ 55,000
Office Furnishings	\$ 2,500
Leasehold Improvements	\$ 0
Consulting Agreements	\$ 0
	\$ 600,000

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\$600,000 Practice Transition

<u>Category</u>	<u>Allocation</u>	<u>Taxes</u>
Goodwill	\$ 530,000	\$ 106,000
Non-Compete	10,000	3,960
Supplies	2,500	990
Dental Equipment	55,000	21,780
Office Furnishings	2,500	990
Leasehold Improvements	0	0
Consulting Agreements	0	0
	\$ 600,000	\$ 133,720
After Tax Cash Flow	\$ 466,280	


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\$600,000 Practice Transition

“C” Corporation

- Dental Equipment
- Office Equipment
- Supplies
- Patients

Buyer



Seller



Corporate Stock

WRONG!


\$600,000

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Sell the Stock


Seller

- Taxes = \$120,000
- \$600,000 x IRS Capital Gains Rate of 20%
- State Rate = ?



Buyer

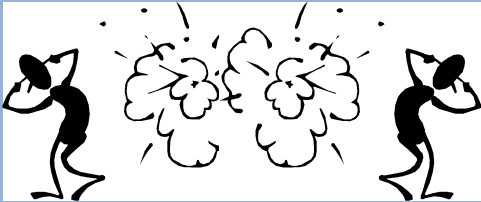
- Write Off = \$0
- Buyer has \$600,000 basis to deduct at some later date?



WRONG!

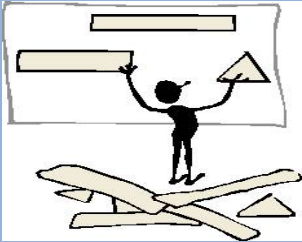
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The Blow Up




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Let's Rethink It



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\$600,000 Practice Transition

"C" Corporation		Buyer
• Dental Equipment	\$ 55,000	
• Office Equipment	2,500	
• Supplies	2,500	
• Corp. Non-Compete	5,000	
• Corp. Goodwill	<u>10,000</u>	
Seller	\$ 75,000	

	
• Personal Goodwill	\$ 490,000
• Non-Compete	<u>35,000</u>
	\$ 525,000


Transaction flow: Seller to Buyer: \$75,000; Buyer to Seller: \$525,000

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Must be a WIN-WIN



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MISSING THE OBVIOUS?

MOMENTUM-DFA

What is Your Number?

Only **44% of workers** report they have tried to calculate how much they will need to save in order to live comfortably in retirement.



\$4,575,200	\$4,347,500	
\$3,755,802	\$2,514,875	\$2,876,555


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Survey

Worker confidence in having enough money to live comfortably throughout their retirement years

- Not at all confident 23%
- Not too confident 25%
- Somewhat confident 38%
- Very confident 14%

86%



* Statistics from Employee Benefit Research Institute, 2012 Retirement Confidence Survey


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Survey

Worker confidence in doing a good job of preparing for their retirement years

- Not at all confident 19%
- Not too confident 17%
- Somewhat confident 45%
- Very confident 19%

81%




* Statistics from Employee Benefit Research Institute, 2012 Retirement Confidence Survey

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Retirement Plan

- 96% of dentists have a practice sponsored plan.
- 30% have the wrong type of retirement plan.
- 50% are not gaining maximum benefit from their current plan.

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Types of Retirement Plans

- ❖ IRA
- ❖ SEP
- ❖ Simple IRA
- ❖ 401(K)
- ❖ Defined Benefit
- ❖ Cash Balance




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What Type of Retirement Plan Should I Have for My Practice?

What are the key decision points?

▪ Cash flow of the practice	▪ Future building projects
▪ Doctor's debt load	▪ Employee demographics
▪ Years to retirement	▪ Staff appreciation
▪ Retirement funding needs	▪ Monte Carlo results
▪ Income tax savings	

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We tell our clients they may need to change their retirement plan several times during the life of their practice.




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2015 Retirement Plan Contribution Limits

Retirement Plan Compensation Limit	\$265,000
Contribution Annual Addition Limits	\$53,000
401(K) Deferral Limit	\$18,000
Age 50+ Catch Up	\$6,000
Simple Plan	\$12,500
Age 50+ Catch Up	\$3,000
IRA Limit	\$5,500
Age 50+ Catch Up	\$1,000
New Plan Tax Credit	\$500

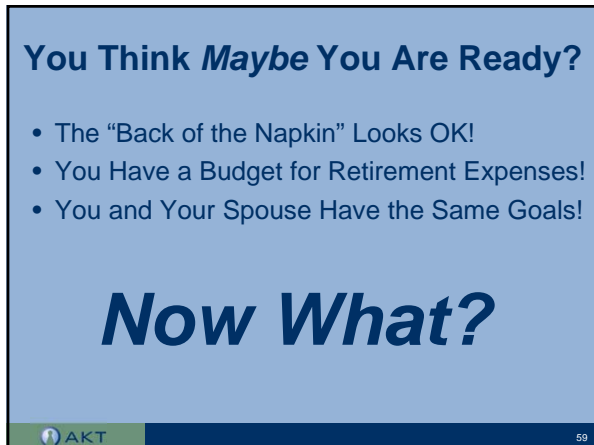
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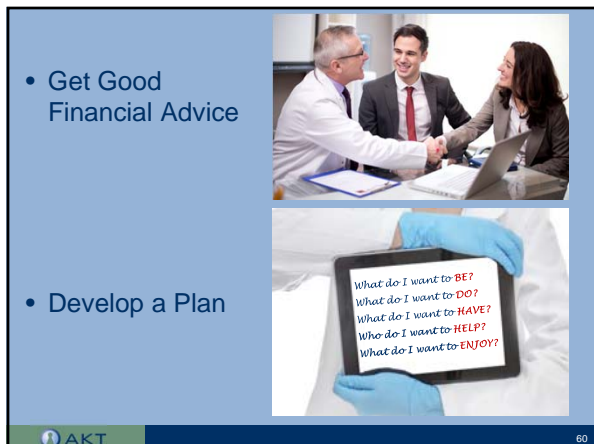
Example of 401(K) Profit Sharing Plan

Doctor (age 50) 401(K) Contribution	\$53,000	
Catch up Contribution	<u>\$6,000</u>	
	\$59,000	
Spouse (age 50) 401(K) Contribution	\$18,000	
Catch up Contribution	<u>\$6,000</u>	
	\$24,000	
Total Retirement Contribution	\$83,000	
At a IRS & State Tax Rate of	40%	
Tax Savings	\$33,200	

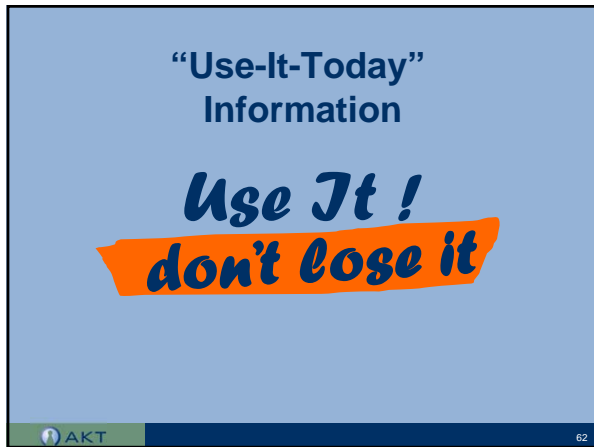
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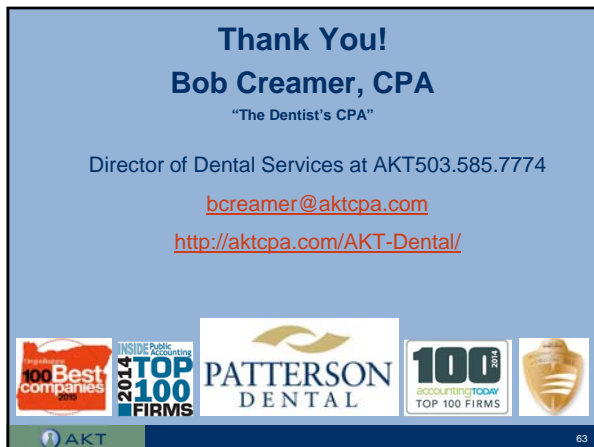












**Sources Cited &
Web Based Resources**

Book:

- Dr. Bill Lockard, DDS –
“*The Exceptional Dental Practice –
Why Good Enough isn’t Good Enough*”
 - <http://www.billlockarddds.com/>

Dental Economics articles on the internet:

- “The Unbooked Op” by Dr. Charles Blair
- “Increasing ROI by Saving Tax Dollars” by Bob Creamer

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