

Planning Considerations for Dentists



Approximately 76%¹ of dentists own their practice, and this makes them small business owners. In addition to making their practices profitable, dentists have many other business challenges that must be addressed. Is your wealth advisor prepared to meet these challenges? Dental schools offer excellent technical training, but they often fail to prepare you for the planning considerations of running a private practice. Could there be techniques or strategies that you are missing out on?

Consider the Following

- Nearly 60% of business owners who are baby boomers do not have a succession plan.²
- Many business owners have 80% or more of their personal assets tied up in their businesses.³
- Only 49% of business owners have performed a business valuation.⁴

It is important for small-business owners to understand how their personal and business finances are interlinked and how challenges or shortfalls within one area may be reflected in the other. A myth exists which is, “If my clinical skills are excellent, I will have a successful practice.”

In actuality, you have to be a proficient clinician, entrepreneur and a manager.

Short and Long-Term Business Planning

Just as you work with an advisor to build a personal wealth plan, it is important to factor in both short- and long-term planning. For the short term, the question is “Do I have an estate plan in place which properly deals with the continuation of my business if I were to become incapacitated or unexpectedly die? In such a case, is my family taken care of?”

Many dentists nearing retirement believe that their practice has a certain value, however that is often not the case. Many are disappointed by low offers to purchase their practice and end up losing out on hundreds of thousands or even millions of dollars. One example affecting this is not having proper planning in place to ensure that patients remain with the practice after retirement. This makes the practice worth more to a prospective buyer.

Depending on where you are in the life of your business, consider engaging in expertise to help with succession planning, valuation and/or financing options. It can be especially beneficial to work with a wealth advisor who has this type of experience in-house, as this can potentially lower fees and help ensure collaboration across all areas of your long-term plan.

Retirement Planning

While many employees of corporate America are secure in the knowledge that their employer provides a 401(k) plan to help them save for retirement, many dentists neglect to develop a retirement saving plan of their own.

The first step is to design a long-term personal retirement plan. The benefits of creating such a plan include helping the business owner:

- Define “retirement” and his or her retirement goals
- Understand cash flow needs today and what they may be in the future
- Understand the importance of saving outside of the business
- Plan for a future business transition

There are several options available to help small-business owners save for retirement, including:

- Simple
- SEP
- 401(k)
- Cash Balance Plan (A unique solution for dentists to maximize tax deductible contributions)

Estate Planning

Estate planning is especially important for business owners such as dentists. There are several important issues a business owner should consider when planning his or her estate, including developing a plan to smoothly transition the business from one generation to the next, a third party sale, and addressing any liquidity issues that may impact the transition.

Another critical task is to perform a cash flow analysis (stress testing multiple scenarios) to quantify how much is needed to fund your retirement.

Also, with the estate tax exemption likely to change in the future, having the liquidity to pay any estate taxes due at death is also an important consideration.

Taxes and Pre-Sale Planning

There are often significant opportunities available to business owners to reduce their tax liabilities prior to a sale or business transition. Some techniques require several years to properly implement, so it is important to consider timing. Periodic valuations or appraisals of the practice can also be very useful for comparing the value to market conditions and also identifying opportunities for higher valuation multiples.

Insurance

As you plan for future opportunities, don't forget to address possible risks. Ensuring adequate levels of insurance coverage is a key component to the long-term success of any business. It is important to analyze coverages for each of the following:

- Life
- Key person
- Funding buy/sell agreements or cross purchase agreements with co-owners
- Disability
- Umbrella
- Business insurance (workers' compensation and other commercial lines)
- Long-term care

Your Partner in Small-Business Planning

At Mariner Wealth Advisors, we understand the challenges faced by dentists who are small business owners. We specialize in addressing each of the planning considerations mentioned above as we create long-term plans to help our business owner clients grow and protect their businesses, mitigate risk and establish transition plans. Our services for business owners include:

- Investment banking, valuation, forensic accounting and business advisory services
- Tax consulting and preparation, including creative tax analysis and year-round planning strategies to help ensure efficiency in the business's tax plan and compliance
- Trust, estate and multi-generational planning services to help plan for the next generation of business leaders
- Cash flow and underwriting services through a captive management solution
- Tax-efficient investment strategies based on a combination of proven investment techniques and a deep understanding of the current market environment
- Retirement plan design and consulting services



For more information visit: marinerwealthadvisors.com

¹ [Changing Demographics And Economics Are Leading To A Seismic Shift In How Dental Practices Operate, As Fewer Dentists Run Their Own Business](#)

² [Business Succession Planning in the Era of Baby Boomer Retirement.](#)

³ [Warning! Your Business Is Not a Retirement Fund!](#)

⁴ [Wilmington Trust Survey Reveals Vast Majority of Business Owners Unprepared to Sell Business or Transition.](#)

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