



Practice Transitions Made Perfect™

Newsletter Article Reprint

Retirement Planning is about More than Money

November 2009

Our Financial planning for dentists is generally different than those plans developed for other type of clients. As dentists, your plan must often consider:

- In-depth Debt Reduction Strategy.
- Practice Exit Plan.
- Retirement Funding Plan.
- Risk Management Techniques for Both Professional and Personal Perils.

In terms of planning for retirement, dentists must do more than accumulate investments to produce adequate retirement income. You must also decide how to dispose of the business you have built over a long career and make sure that disposition fits acceptably into your overall plan.

In order to do this, retirement planning should be an on-going process. We encourage you to meet with your advisor(s) at least annually to review plan progress and make necessary adjustments. Further, we have long advocated that by the time you reach the point in your career when you estimate you are five years or less away from retiring from practice, you should have already planned or be in the process of considering the development of your exit strategy. Your exit strategy should include having your practice and building (if applicable) valued, making reasonable assumptions on the sale of your practice net of debt and taxes, as well as determining if the retirement plan funding strategy you are using is sufficient.

One strategy that is often considered is recruiting an associate to eventually buy your practice. This is a technique that could be especially important if a doctor practices in an area where a practice sale could take a period of a few years. The process could be a phase-in/phase-out transition where the owner doctor will reduce the hours they work and let an associate pick up the hours they are no longer working. This can keep the practice running at full-capacity and gives the patients the opportunity to begin to meet with the future owner. It also allows the owner doctor to begin to adapt and assimilate into a retirement lifestyle, while allowing the associate to begin to learn their managerial and leadership skills to become the eventual owner of the dental practice.

As an initial thought, the phase-in/phase-out transition seems like a very appealing path for most dentists as they consider retirement. It seems logical that a gradual change in the ownership will have the smallest negative impact on the existing practice for both patients and staff. There are requirements for this type of transition to be successful though. Aside from the obvious issue concerning doctor compatibility, a very important consideration to the success of this transition is the ability for the practice to financially support both the owner and associate while working toward retirement. Changes in the practice are inevitable and must be considered thoroughly as this process is evaluated.

For most dentists however, this is not the most practical type of transition. Many practices are simply not large enough to support both doctors during the associate phase, and a lack of appropriate preplanning often leads to dissolution of the association before the planned retirement date. Since most dentists practice without associates throughout their careers, many can find it difficult to adjust to having another dentist in the office. Due to these and other considerations, most transitions involve the immediate retirement of the seller and the immediate assumption of the practice by a buyer. Which transition strategy is best for you can only be determined by assessing your actual needs and evaluating your practice.

As you begin contemplating retirement, you also need to think about the lifestyle you are entering as well as the one being left behind. Quality of life in retirement is more than just being financially independent. It is also about having something meaningful to do with your newfound free time.

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Many dentists envision retirement to be long days filled with their favorite leisure activities. However, as they soon discover, that enjoyment quickly fades. They miss having the daily social interaction they had for many years with their patients and staff. No longer are they the "boss" or the "Doctor." This is an adjustment that can take some getting used to, and in this instance, an argument can sometimes be made by working part-time, or volunteering their talents either locally or abroad.

The decision to retire from the practice of dentistry and how to do so is not one that should be made in haste. There are many things to consider both in terms of the quantitative calculation and quality of life in retirement. These are questions that transition specialists should discuss with you in assisting you with your plan. If you have questions about your plan, or do not have one, contact ADS Florida, today.

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