

# BEACHSIDE DENTAL



Survival of the Fittest: Navigating the Next  
Decade's Economic Landscape (PART THREE)

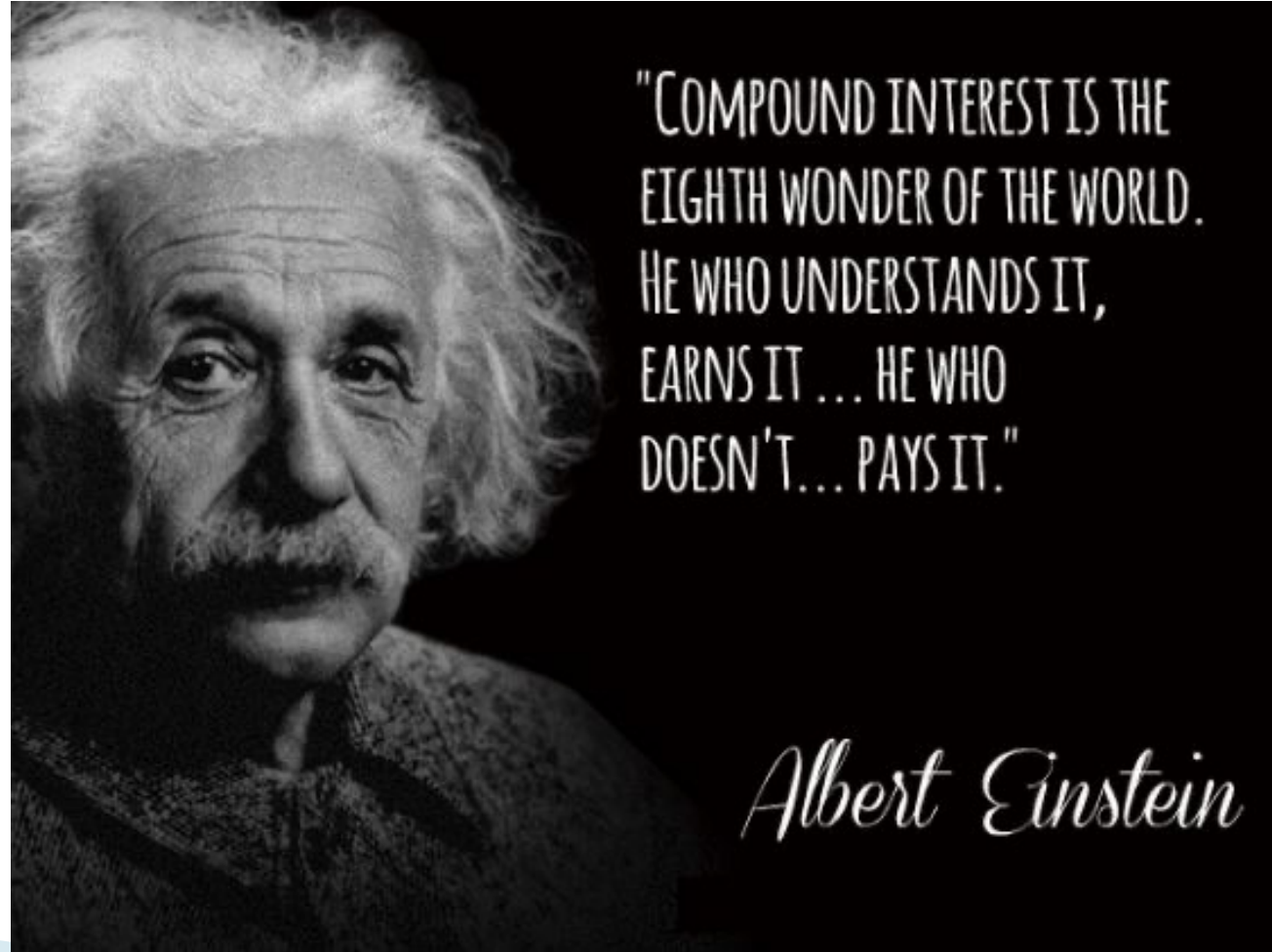
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CDS REGIONAL MEETING WEBINAR

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# ADVICE FROM AL



"COMPOUND INTEREST IS THE  
EIGHTH WONDER OF THE WORLD.  
HE WHO UNDERSTANDS IT,  
EARNS IT ... HE WHO  
DOESN'T... PAYS IT."

*Albert Einstein*

# **GOLDEN RULES OF CASH FLOW**

- 1. Non business car in excess of 45K. Leases not wise unless 80% business use, low mileage**
- 2. Timeshare/vacation home you bought to “write it off”. Take the vacation instead with savings**
- 3. Excessive lifestyle items such as jewelry, watches, golf clubs, unpaid boats, and clothes**
- 4. Women spend more, but men spend more per item (Ask Best Buy or local pro shop)**
- 5. Post college support of children. Use special needs trust if you have that situation**
- 6. Any type of loan with family or friends that doesn't have strict payback provisions. Have to claim income anyway. Watch IRS rules for loan forgiveness**
- 7. Credit card debt of any kind. Use HELOC if you have to fund business (not home) expenses**
- 8. Bartering with patients for work done on office or home. IRS Form 1099-B**

# FOCUS LESS ON FUND PERFORMANCE AND MORE ON FUNDING THE PLAN



# A GOOD RATIO TO FOLLOW

- ▶ A 35-year-old client should have 1.6 to 1.8 times his annual gross pay in investment assets as savings for retirement.
- ▶ By age 65, a client should have at least 16 times her gross pay
- ▶ Time in the Market vs. Timing the Market
- ▶ **AGE RATIO OF INVESTED ASSETS TO GROSS PAY**
- ▶ 25 YEARS 0.20:1
- ▶ 30 YEARS 0.6 to 0.8:1
- ▶ 35 YEARS 1.6 to 1.8:1
- ▶ 45 YEARS 3 to 4:1
- ▶ 55 YEARS 8 to 10:1
- ▶ 65 YEARS 16 to 20:1




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# INTRODUCTION TO FINANCIAL PLANNING

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# THREE PANEL APPROACH TO FINANCIAL PLANNING

<b>Panel 1</b> 	<b>Panel 2</b> 	<b>Panel 3</b> 
<b>Risk Management of Personal, Property, &amp; Liability Risks</b>	<b>Short-Term Savings &amp; Investments &amp; Debt Management</b>	<b>Long-Term Savings &amp; Investments</b>
<b>Cover catastrophic risks</b>	<b>Meet short-term obligations manage debt</b>	<b>Meet financial security goal</b>
<b>Evaluate the need for &amp; quality of personal insurance:</b>	<b>Evaluate the adequacy of:</b>	<b>Evaluate the adequacy of progress toward:</b>
<ol style="list-style-type: none"> <li>1. Life Insurance</li> <li>2. Health Insurance</li> <li>3. Disability Insurance</li> <li>4. Long-term care insurance</li> <li>5. Property Insurance               <ul style="list-style-type: none"> <li>• Homeowners</li> <li>• Auto</li> <li>• Other property</li> </ul> </li> <li>6. Liability Insurance</li> </ol>	<ol style="list-style-type: none"> <li>1. The emergency fund</li> <li>2. The proportion of income spent on housing (housing ratios 1 and 2)</li> <li>3. The proportion of income spent on debt other than housing debt repayments</li> </ol>	<ol style="list-style-type: none"> <li>1. The retirement goal               <ul style="list-style-type: none"> <li>• The savings rate</li> <li>• Investment assets</li> </ul> </li> <li>2. Education funding goal</li> <li>3. Any large purchase goal</li> <li>4. Legacy goals               <ul style="list-style-type: none"> <li>• Documents (will, POA, adv. med. directive, etc.)</li> <li>• Financial</li> </ul> </li> </ol>

# PANEL 1


- ▶ Risk Management of Personal, Property, & Liability Risks
- ▶ Cover catastrophic risks.
- ▶ Evaluate the need for & quality of personal insurance:
  - ▶ 1. Life insurance (Term until at least 50 and invest the difference)
  - ▶ 2. Health insurance (High deductibles paired with HSA or FSA)
  - ▶ 3. Disability insurance (Until you stop working full time)
  - ▶ 4. Long-term care insurance Rider on Variable Life Policy (over 50)
  - ▶ 5. Property insurance (renters, homeowners, auto, other property)
  - ▶ 6. Liability insurance (medical malpractice 3/1 mil and personal umbrella 1-3 mil)



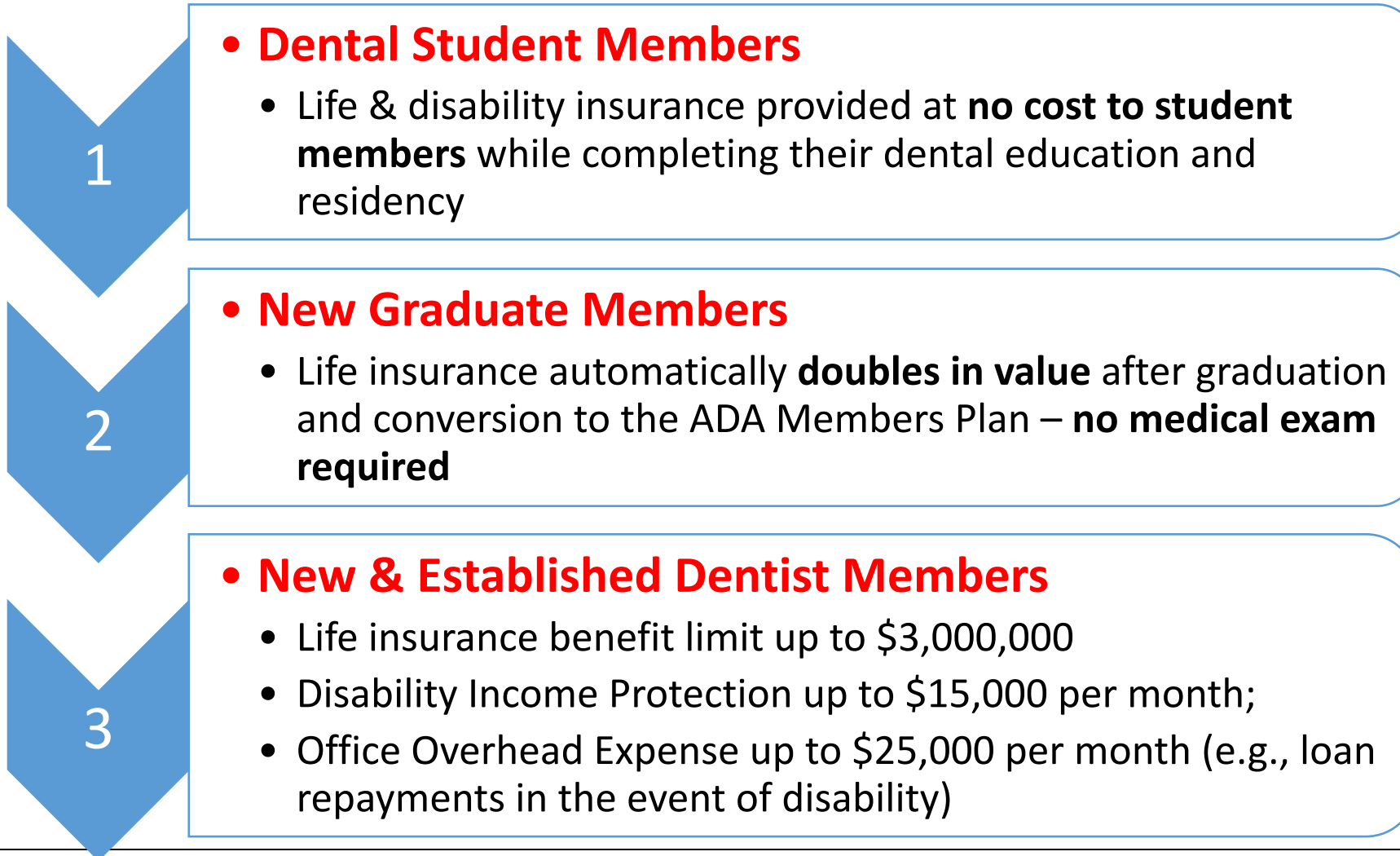
# NEED AND METRIC FOR FINANCIAL GOAL

Need	Metric
<b>Risk Management</b>	
Disability Insurance	60–70% of gross pay and at least guaranteed renewable
Homeowners Insurance	Full replacement-value and open-peril coverage on dwelling and content
<b>Short-Term Savings and Investing Goals</b>	
Emergency Fund	3–6 times monthly nondiscretionary cash outflows
Housing	Housing Ratio 1 should be <28% of gross pay.
Housing and Debt	Housing Ratio 2 should be <36% of gross pay.
<b>Long-Term Savings and Investing Goals</b>	
Financial Security	Save 10–13% of gross pay
Legacy Goals	Every client under age 50 needs basic estate planning documents. Every client over age 50 needs these documents as well but also needs trusts and estate planning.

# INSURANCE NEEDS AND INSURANCE PLANS

1. Protect your family and cash flow with life insurance and disability coverage (personal and office overhead)
  2. Chance of dying in any given year: 1 in 108
  3. Chance of getting injured and not being able to work in any given year: 1 in 8
  4. ADA PROTECTIVE has the best term life rates. Get the \$3 million policy while in 1<sup>st</sup> year of practice, and before health conditions increase your rates.
  5. ADA PROTECTIVE also offers disability insurance. Has “Own Occupation” type desired and rated highly by practice management newsletters such as “McGill Advisory”.
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## Insurance Solutions for ADA Members at each stage of their dental education and practice career



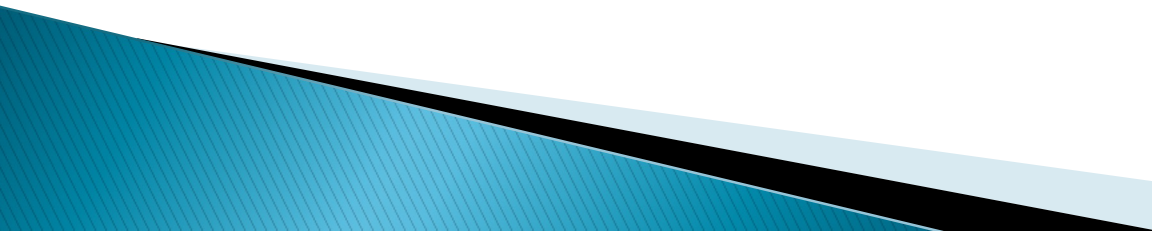
# ADA Student Member Benefits

**NO COST life and disability insurance protection** to ADA student members while completing their dental education, including residency programs.

- **\$50,000** of Term Life and **\$50,000** of Accidental Death insurance
  - July 1 of the year you graduate, your no-cost term life and accidental death insurance **automatically doubles to \$100,000**
- **\$2,000/month** disability income coverage and **up to \$150,000** in **student loan repayment** benefits in event of disability during dental school
- Coverage remains **no-cost** through December 31st of graduation year or completion of residency program
- Acceptance Guaranteed – no medical underwriting for student members under age 60

# PANEL 2

## Short-Term Savings & Investments & Debt Management

- ▶ Meet short-term obligations, manage debt.
  - ▶ Evaluate the adequacy of:
    - ▶ 1. The emergency fund (3X-6X monthly non-discretionary cash outflows)
    - ▶ 2. The proportion of income spent on housing (housing ratios 1 and 2)
      - ▶ Housing Ratio 1 should be 28% of gross pay
      - ▶ Housing Ratio 2 should be 36% of gross pay
    - ▶ 3. The proportion of income spent on debt other than housing debt
  - ▶ repayments
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# PANEL 3

## Long-Term Savings & Investments

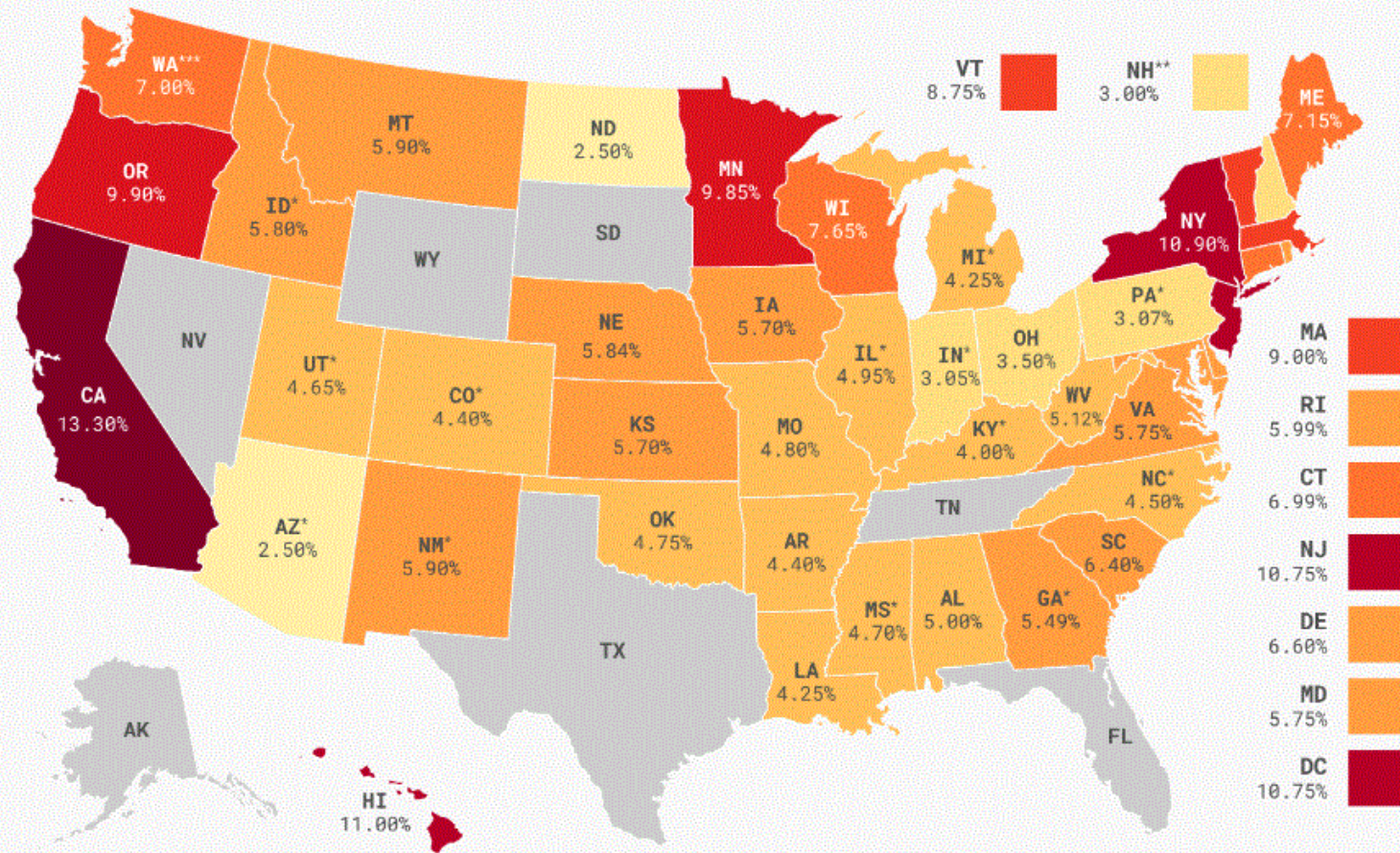
- ▶ Evaluate the adequacy of progress toward:
  - ▶ 1. The retirement goal (savings rate 10–13% of gross pay, investment assets)
  - ▶ 2. Education funding goal
  - ▶ 3. Any large purchase goal (vacation home)
  - ▶ 4. Legacy goals (endowment to cause or school)
- ▶ Documents (will, POA, adv. med. directive, etc.)
- ▶ Financial documents and copies to lawyers, accountants, executors, and any child that is designated care giver (18+)

# DOUBLE NUMBERS FOR \$200K INCOME

## ASSUMPTIONS AFFECT **PLANNING**

Assumption	Portfolio Need for \$100,000 Income (Today's Dollars)
Expectation	
30-Year Life Expectancy	\$1,723,000
2.5% Inflation Rate	
7.0% Rate of Return	
A little off..	
30-Year Life Expectancy	\$1,927,000
3.0% Inflation Rate	
6.5% Rate of Return	
A little more off..	
35-Year Life Expectancy	\$2,318,000
3.25% Inflation Rate	
6.0% Rate of Return	

# Top Marginal State Individual Income Tax Rates (as of January 1, 2024)



(\*) State has a flat income tax.  
 (\*\*) State only taxes interest and dividends income.  
 (\*\*\*) State only taxes capital gains income.  
 Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included.  
 Sources: Tax Foundation; state tax statutes, forms, and instructions.





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# EDUCATION FUNDING

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# BIG IDEAS

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- Most people pay for college out of pocket or with student loans. Alternatives include using IRA distributions, a HELOC, and the cash value from a life insurance policy. How a client pays for college must be balanced against a payment methods overall cost, risk, financial aid impact, and tax consequences.
- About 85% of college students receive some form of financial aid (commonly, from subsidized federal student loans). Students must complete the FAFSA to qualify for aid – understanding how the FAFSA calculates financial need is critical for families on the cusp of qualifying for need-based aid.
- **Always fund retirement first, then college with Section 529!**

# BIG IDEAS

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- The American Opportunities Tax Credit (AOTC) and the Lifetime Learning Credit (LLC) offer the greatest “return on investment” for taxpayers who pay for education expenses and plan ahead to maximize the use of these tax credits.
- The 529 College Savings Plan has become a widely popular place for parents and family members to save for a student’s college expenses. Benefits include tax free growth and, in some states, a tax deduction... so long as the plan is used appropriately!
  - Section 529 plans have more flexibility than prepaid college plans and can involve grandparents up to 18K gift tax free each. Remainder can be used for grad school after undergrad is done or down the road.
  - Roth IRA can be used if child works for you in the office. Can “frontload” through payroll.

# THREE LINKS TO MILITARY HPSP PROGRAM


- Here is the AF HPSP link:
  - [https://www.airforce.com/careers/specialty-careers/healthcare/training-and-education?gclsrc=aw.ds&gclid=EAIaIQobChMI64Ozk5e\\_5QIVFKSzCh1GIAkTEAAYASAAEgKYwPD\\_BwE&gclsrc=aw.ds](https://www.airforce.com/careers/specialty-careers/healthcare/training-and-education?gclsrc=aw.ds&gclid=EAIaIQobChMI64Ozk5e_5QIVFKSzCh1GIAkTEAAYASAAEgKYwPD_BwE&gclsrc=aw.ds)
  -
- Here is the Army HPSP link:
  - <https://www.goarmy.com/amedd/education/hpsp.html>
  -
- Here is the Navy HPSP link:
  - [https://www.med.navy.mil/sites/pubproto/Lists/Info\\_Pages/DispForm.aspx?ID=22](https://www.med.navy.mil/sites/pubproto/Lists/Info_Pages/DispForm.aspx?ID=22)

# MAKE YOUR KIDS WORK! (Son still has this car)




**ROTH IRA POSSIBILITIES**

# PRACTICE VALUATIONS

- Generally, there are two methods of valuing practices currently being used:
    - 1. Percentage of one year's collections (40-80% is the range)
    - 2. EBITDA (Earnings before interest, taxes, depreciation and amortization) Expressed as a multiple (5x to 8x range)
  - Your practice should be appraised at least every five years for estate planning purposes, and annually five years out from selling.
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# ASSOCIATESHIPS, SALES AND MERGERS

1. **NEVER** do any of the three above without a contract and legal advice. (90 day trial period)
  2. **NEVER** increase the size of your building or practice without a signed contract.
  3. If at all possible, have 100% financing done by the bank, preferably the one you use.
  4. Don't consider associateships until you gross collections exceed \$800,000.
  5. Make sure no passwords, address list change hands until the contract is signed
  6. Consider a merger if you are willing to practice, but don't have enough patients for two
  7. Have an "exit strategy" in case things don't work like you have planned. More than 40% of all associateships fail.
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## BSDA FOUNDED IN 1985 FROM SCRATCH AND GOING STRONG





# KEEP BALANCE IN YOUR LIFE!

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# BEACHSIDE DENTAL



Transitions • Life Coaching • Strategic Planning • Retirement Plan Analysis

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