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SUMMER 2011

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The Make-Up of the Successful Dentist

by James Ruddy



In doing interviews and research for an upcoming ROI publication on unusually successful dentists, a number of things became obvious. Success is a very subjective matter. Unusually successful dentists come in every conceivable human form and are found in all parts of Canada.

For this project, success was measured on a number of factors, including financial success, respect of peers, staff and patients, social standing in the community, teaching and professional development status, personal satisfaction, to name but a few in a long list.

What is most apparent about this elite group of dentists is a burning desire to improve the delivery and quality of the dental care they provide for their patients.

Most of these dentists quantify their procedures using tracking devices and follow-ups in order to determine areas of service strength and weakness. They are dialed in and focused on clinical achievement and client satisfaction.

Highly organized, almost all use their 'Blackberrys', 'I' phones and computer software aids to the fullest extent, booking

appointments, scheduling, recording, emailing and in general, keeping track of the day's demands.

Many had no fears about embracing new technologies, not only in communication devices, but in their dental practices as well. They are inventive, innovative and instrumental in improving dental care delivery.

Clearly, they have a high sense of their purpose as professionals and as individuals. They are extremely focused on what they are doing at the moment. They live, in fact, in the moment.

When it comes to their practices, they are passionate and willing to share their experiences. Indeed, almost all of them were anxious to illuminate and inform. In addition to their passion, they exhibited an uncompromising empathy for their patients.

Success seems to generate empathy or conversely empathy is necessary for success.

The majority of these dentists performed 'pro bono' work sacrificing some income in order to provide a service to the needy and obtain the subsequent glow of giving. Some are devout with strong spiritual beliefs. Almost all have a strong sense of the community (particularly those practicing in smaller urban and rural settings) to which they belonged to and identified with.

fatigue, practice management and THE BIG QUESTION

Timothy A. Brown

In addition the vast majority of those interviewed can best be described as 'family oriented'. Most have included their spouse in their practice in a significant way and planned their time around family activities and vacations.

All stressed the importance of 'teamwork' in producing a successful practice. Many times the expression, "staff can make or break you" was used or implied. Invariably, they recommended attending professional development (P.D.) courses that teach the methods for building strong staff relations. Some went so far as to say P.D. should include courses on the proper ways to deal with patients, alleviating their fears and communicating the proper course of action in their treatments.

For most, it was not good enough to be an excellent clinical dentist, but, in fact, to go further and be a supportive caregiver.

This was the central premise and commonality of this unusually successful group of men and women.

Those dentists whose practices had grown so large that they were employing many associates and support staff identified a concern. For them, there had to be a high consistency in the quality of care given to patients by all their staff.

Daily morning meetings ('huddles') were needed with staff to ensure that all were on 'the same page' when it came to the care given. Staff had to be 'team goal oriented' if success was to be expected. Many dentists sponsored their staff in taking P.D. courses so that the highest standards of dental care delivery could be achieved.

The financially successful dentists related that much time had been spent learning or procuring management skills.

They believed that office managers were worth their weight in gold fillings.

Some dentists recognized their own shortcomings in managing staff and sought out the assistance of highly competent office administrators.

It was surprising the number of dentists who started out with thoughts of being a doctor. Somewhere in their early university years, they determined their futures would be better

served in dentistry. This, in part, was due to the fact that each would have better control over his/her future. Stated another way, they would have less government and more individual say in their decision-making.

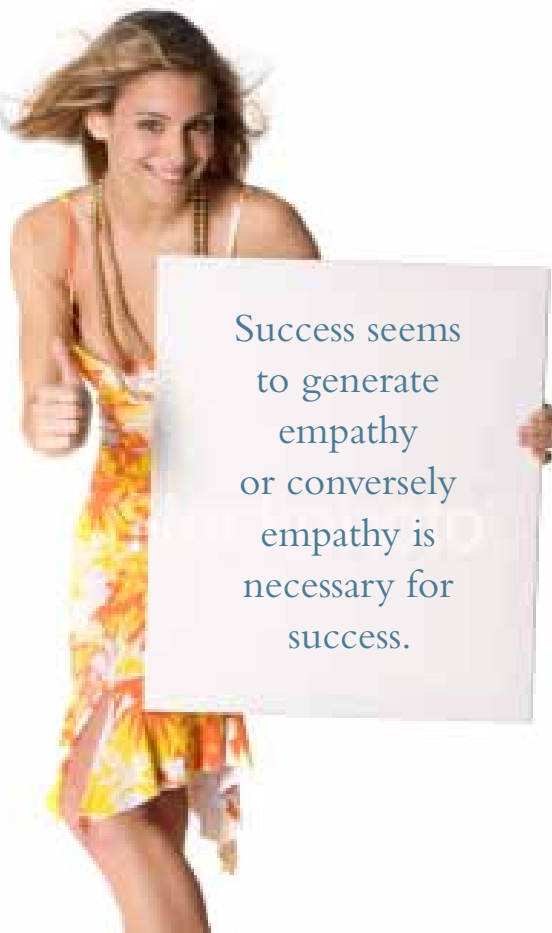
There was a strong need for independence of thought and action without 'Big Brother's' interference.

The research and interviews are still incomplete. No doubt, more will be learned and reported on in a future publication. For now, it is comforting to know that unusually successful dentists are motivated by a desire to be empathetic, clinically perfect, caregivers first and foremost.



James Ruddy

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Each week, I receive many inquiries from dentists who ask, "What is the ideal time to sell my dental practice?" I believe that a dentist should sell a practice only if one or a combination of these three reasons exists:

- ♥ You are sick, (as in long-term disability)
- ♥ You are sick-and-tired (burned-out) or
- ♥ You are financially secure enough to sell your practice.

Dentists are compassionate people. Most of my clients say they entered dental school specifically to care for other people and help them with a very important aspect of their health care. Unfortunately, this care and compassion often conflicts with the dentists' other obligations; namely, the health of their business, their personal health and their time with family and friends.

Let's consider medical doctors for a moment. It is common knowledge that most doctors work above and beyond normal hours and limits for their patients.

Are dentists also guilty of doing this?

My answer: Yes, many dentists go beyond reasonable limits and often unknowingly over commit themselves to their patients.

The life-chart of the dentist reveals the following:

As a health care provider you are a dentist, first and foremost.

As a business owner, you are responsible for the ongoing health of the practice and to ensure it can meet its financial obligations.

In life, you could be a husband, a wife, a parent, a sibling, a child and a friend. In short, there are many others who rely upon you to be healthy.

You are charged daily with the task of balancing all the above.

Some of my clients report that they feel too busy, or that they have too many patients who demand too much clinical time. Some feel stressed and worry that they are suffering from a mild form of 'burn out'.

When a client called me recently, he stated that he might be suffering from 'Compassion Fatigue'. I first heard this expression several years ago and thanked him for reminding me of it. The expression succinctly identifies a common dentist ailment; namely, dentists putting their patients before and at the expense of all else.



How can you reduce Compassion Fatigue?

Some suggestions are to schedule fewer patients each day and/or to extend your individual appointment times by one or two units of time, thus slowing down your pace. Others may need to resist the temptation to accept every single new patient that calls or to resist the choice to 'rescue' every emergency that calls the office (when ethical). Some raise their fees to make a statement about their experience and skill set, thus freeing up clinical time, because some patients will seek a lower cost provider.

As a broker, I advise dentists to put their practice up for sale only when one or a combination of these reasons exists. If, at this time, the practice is in a state of growth and it is thriving, the practice will sell for its highest and best price. If the practice is in a state of decline, perhaps due to 'Compassion Fatigue', it will invariably sell for less.

Sadly, many dentists choose to sell in the later condition when the practice is performing much like the owner's mind set – I call it 'Practice Fatigue'.

The saddest state of fatigue is the 'Tragedy fatigue' many of us have experienced as a result of the passing of a close friend, family member or colleague. Often times, these sudden or accidental deaths catch us off guard without warning. Further to this, given the na-

ture of an aging Canadian population, the number of times we will feel helpless and hopeless at the loss of another is certain to increase in the next many years.

Many dentists are not prepared and have not taken the necessary actions required to ensure their family's financial security and a smooth transition of all that is important to them.

My advice is 'be prepared' to deal with all of these issues. Recognize and take action against 'practice' and 'compassion fatigue'. Prepare NOW for the eventuality of your own demise and lessen the trauma that your survivors will experience.

All Dentists have to remember to be good to themselves, make time for reflection and seek a balance of WORK, PLAY and FAMILY. Finally, dentists must take the necessary steps to fulfill all their other obligations in the event of their death. In other words, they must find their 'compassionate self', at which point, they will still be left with the question ...

Is it time to sell the practice?



Timothy A. Brown
President & C.E.O. of ROI Corporation

Timothy A. Brown is the President & C.E.O. of ROI Corporation companies that specialize in dental practice appraisals, brokerage, consulting, Locum placements, Associate-ships and practice financing across Canada.

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Habla Espanol?

The Importance of a Second Language in a Dental Practice

by Dr Perry Shievitz

When Tim Brown of ROI Corp asked me, "What was the worst thing I had done as a dentist," I replied, "There were so many things over my 30 years in the profession that I would not know which one to choose." Tim followed with the query ... "What is the best thing I had done as a dentist." The answer to that question immediately came to mind.

The best thing I had accomplished over my 30 years in the dental profession was to become fluent in Spanish.

On The Path To Learning

I started in my late 30's to learn my second language. I had just purchased a large Spanish speaking practice in Toronto. I had created my environment that forced me to become fluent to service my patients better. My practice was my professional home, where I would spend more time than in my personal home. I was strongly motivated to learn.

Although I had taken some private lessons, most of my learning occurred in my office-working environment. Here, I was living and working in a different culture. It took me 15 months to become fluent. I made many mistakes. I constantly asked my assistants and other Spanish speaking doctors to correct me when I made errors, speaking my soon to be second language. Many patients helped me in my learning process.

Most days, I spoke more Spanish than English. My Spanish fluency helped me in treating patients, inter-acting with my Spanish speaking staff and increasing the profitability of the practice. When word spread in the Spanish community of a Canadian dentist who spoke Spanish that was not Latin, my practice grew rapidly.

While it is true that the majority of my Spanish-speaking patients spoke English quite well, speaking to someone in their first language resulted in a different level of understanding and comfort.

When I started learning Spanish, I was going through a second childhood that would have long-term effects. I realized there were many ways to say the same thing, which forced my mind to become more flexible, a benefit as one ages. As I learned to say the same thing in different ways, on a conscious level, I realized that the same thing happened

However the greatest benefit of my second language was not professional, it was personal.



many years ago when I as a child was learning English, but on a subconscious level.

I also learned that different Spanish speaking people from different countries use different words to say the same thing or refer to the same object. However, they would not necessarily understand what the other person from the other country had just said.

For example, I could use up to 5 different Spanish words for the word ‘filling’ in my practice, depending on where the patient

Fortunately, many times I could tell by the person’s accent or dialect which country they were from and used the appropriate word. Sometimes, I simply checked the chart for their place of birth.

Learning a new language later in life is more difficult than learning a language as a child. I learned as a child, how to speak first, then to read and write later, in school. As an adult, I learned to read and write Spanish first, then I learned to speak.

For me, English was a gift and Spanish was a major achievement, the result of hard work.

The personal determination and curiosity to learn another language has aided in my learning of other things, both on a personal and professional level.

The Benefits

For me, the personal benefits in learning Spanish are a more open, flexible, and younger mind. Some second childhoods are actually positive in nature. On a professional level, it obviously helped me in building a profitable practice.

Fluent But Not Perfect

While I consider myself to be fluent in Spanish, I am not perfect. I still make mistakes, but they are new mistakes and not a repetition of old ones. The number of mistakes is far less than before. This may be good or bad, depending on your point of view. Through learning a second language, I realized that not all mistakes are bad, some mistakes are good and I, like many people, learn many things best through these errors rather than through events without mistakes.

Having written 52 short articles in Spanish (about periodontal disease and implants) for a Spanish speaking newspaper was an interesting and rewarding experience. I always had my work checked prior to publication. In the beginning there were many corrections; however, as time went by and the number of articles increased, the number of corrections decreased dramatically.

Unlike English, I learn new Spanish words and ways of saying and writing things every day. With English, it seems that this type of learning stopped many years ago. I am unaware of or cannot recall having learned a new, significant English word, idiom or expression.

Conclusion

Being fluent in another language can open a door to another world and culture, if one chooses to enter.



Dr Perry Shievitz

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negotiating a dental office lease;

What to ask for in the Offer to Lease stage

by Gina M. DaRoza

A premise lease is a valuable and important agreement for any dentist who is setting up a new practice, or buying an existing dental practice at an established location. Most commercial leases start with the parties negotiating some form of preliminary agreement, such as an “Offer to Lease”, which addresses the basic business terms. These documents are typically prepared by the Landlord’s agent/broker. If important terms are not addressed in the Offer to Lease, or not addressed adequately, the dentist may not have the right (or the negotiating power) to change this in the final lease. Therefore, it is important for dentists to seek appropriate advice before signing an Offer to Lease. Generally speaking, it is often easier to “win” some points from the landlord before the commitment is made, rather than waiting until after the Offer is accepted and the formal lease is presented.

Requirements For A Binding Lease

At law, there are six requirements for a valid lease agreement:

1. Identification of the parties (landlord and tenant)
2. Description of the leased premises
3. Commencement date
4. Duration (i.e. term)
5. Rent
6. in certain cases, other essential terms that are unique to the arrangement or business in question (if applicable).

The Offer to Lease must address the first five points above in order to be legally binding. In fact, these are often the first points that are negotiated by the parties. However, this is not the end of the matter. There are other important terms that are worth raising at this stage of the negotiation, and included in the Offer to Lease. Below is a non-exhaustive summary of terms that are worth considering.

What to Address in the Offer to Lease

Renewal Rights

Given the significant amount of time and money that you will be investing in your new practice, and assuming your location is desirable, you will want to ensure that you will have the right to continue practising at the location beyond the initial term, if you so choose (for example, for at least 15 years, or even longer). The renewal options should be clearly spelled out in the Offer to Lease, including the amount of rent that will apply during the renewal term(s), and how this rent will be determined. It is also advisable to ensure that the renewal rights can be exercised by an assignee, to the extent that you decide to sell your practice to another dentist in the future. For example, some leases stipulate that the renewal rights only apply to the original named tenant. This should be avoided.



Additional Rent Matters

Landlord's often use terms such as "Additional Rent", "Operating Costs" and "TMI" (taxes, maintenance and insurance). It is also common for the agreement to stipulate that the lease is a net lease, or "triple net lease", meaning that you are responsible for your share of all operating costs (and then some), over and above the base or minimum rent specified in the Offer. Many lease offers simply provide that the tenant will pay operating costs, property taxes and other items of additional rent "in accordance with the Landlord's standard form of lease". Therefore, if you wish to negotiate any reasonable limitations or parameters on these items, you may need to do so in the Offer to Lease.

Landlord's Work/Tenant's Work

It is obviously very important to describe the Landlord's Work and the Tenant's Work in the Offer to Lease. This is usually attached to the Offer by way of schedules. It is important for you to review these provisions carefully with your own contractor, construction personnel or other experienced practice advisor to ensure that they meet your needs (and your budget). Generally speaking, whatever is not included in the Landlord's Work, must be done by the tenant (at his/her expense). Therefore, know what to ask for!

Inducements; Fixturing Periods And Leasehold Allowances

Generally speaking, it is common and appropriate to request a fixturing period (rent free period) particularly if you are undertaking significant leaseholds and/or building the practice from scratch. Sometimes, the landlord will agree to pay the tenant a leasehold allowance (for example, a specified dollar amount per square foot) in exchange for eliminating or greatly reducing the Landlord's Work. Once again, consult with your contractor, construction personnel or other experienced advisor.

Permitted Use And Exclusivity

Most Offers to Lease will specify the permitted use(s) of the premises, as this is usually of fundamental importance to both parties. Tenants generally want the description to be as broad as possible (to retain flexibility), while landlords prefer to be very specific. As a tenant, you should ensure that the provision is broad enough to cover all of the services you intend to provide. Related to this is the exclusivity clause which prohibits the landlord from renting other space in the building to competing tenants (ie. other dentists). This is usually a fundamental term for any dentist tenant. In addition to other dental offices, consider what other health care professionals and/or services you may want to exclude from the building. For example, you may not want to find yourself, one day, practising right beside a dental hygiene office in the same building. Whether the landlord will grant you exclusivity, and the extent of such exclusivity, will depend upon the specific circumstances. Remember, exclusivity is important for you now, and for an assignee (purchaser) in the future.

Assignment

In most if not all cases, the ability to assign the lease to another dentist in the future is of critical importance. If the lease is not assignable, or the landlord reserves the right to withhold its consent to the assignment arbitrarily, it could have a significant impact on your ability to sell your practice at a later time. You should therefore ensure that any consent required from the landlord shall not be unreasonably withheld. Another thing to be cautious about

is the landlord's right to terminate the lease simply for requesting the assignment, or to raise the rent upon an assignment or transfer. Surprisingly, these types of clauses are quite common in commercial leases. Dentists should resist them in the Offer to Lease stage.

Other Terms

There are a number of other issues that may be worth addressing in your Offer to Lease, depending on your specific circumstances and the form of the Offer to Lease that is presented to you. For example, if your space is not very large, how important is it to be able to rent some adjoining space at some point in the future? Do you have access to the pylon sign? Do you have the right to remove your assets when the lease expires or is terminated? What about the cabinets and/or other fixtures? Will you be required to restore the premises to the way they were before you took possession? Will you have full control over your business hours? What is your anticipated possession date? What if construction is delayed by several months or years due to unforeseen reasons? Does the landlord have the express right to relocate you to another unit in the building (this is more common in new developments)? These are but a few examples as each situation is unique. If you are planning on incorporating your dental practice, consider signing the Offer to Lease in trust for a corporation to be incorporated, or include an assignment right in the Offer. In many cases, it is necessary to anticipate what will ultimately be covered in the formal lease, and try to "win some early". By identifying and dealing with major issues up front, you may be able to circumvent what might otherwise be difficult issues during the lease negotiation stage.

The Formal Lease

A signed Offer to Lease seldom ends there. Most Offers specifically contemplate the parties entering into a formal lease (the landlord's form) which essentially replaces the Offer. Sometimes the landlord will impose a specific deadline (eg. 30 days) for signing the formal lease, failing which the Landlord may terminate the arrangement, and/or the Tenant may not take possession of the premises. You can expect that the lease document will be much longer and more comprehensive than the Offer to Lease. For example, the provisions dealing with additional rent and operating costs could go on for several pages.

If you are in process of negotiating an Offer to Lease, suffice it to say that you should avoid agreeing to sign the landlord's standard form of lease, without having seen it (especially if the agreement stipulates that the lease terms will override the terms in the Offer to Lease, in the event of an inconsistency). At the very least, you should reserve your right to negotiate the terms in the formal lease (acting reasonably), within a realistic time frame.

Obtaining professional advice on the Offer to Lease and knowing what to ask for in the initial stages of the negotiation will pay off in the long run.



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When is the right time to hang up the drill?

by Warren Mackenzie



There are four reasons why dentists continue working after age 60.

1. They enjoy their work.
2. They have not yet accumulated sufficient capital to retire.
3. They don't know what they want in the future.
4. They fear the unknown.

Let's take a look at each of these.

Working for pleasure

Research shows that people have longer and happier lives, and they remain sharp well into their old age, when they are gainfully employed at work they enjoy. If you wake up in the morning and look forward to going to work – read no further – you should continue working until the joy is gone.

Working to build a retirement nest egg

You need to continue working until you have enough to retire. The key question is how much is enough? Of course this depends on how much you want to spend each year, how much you want to leave as an estate; it also depends on your investment returns.

We are not suggesting that you put all your money into a life annuity – but a life annuity is a useful product to demonstrate whether or not you already have enough to retire. For example, assume you want an income of \$200,000



per year (indexed to inflation) and you have accumulated \$5 million dollars of liquid investments. At today's annuity rates you could simply buy an annuity that would guarantee \$200,000 per year (indexed to inflation) until both you and your spouse are gone. So if you want an income of \$200,000, and you already have \$5 million – you're already home free. Consider the eventual sale of your home and practice as additional sources of capital to provide a cushion and a legacy.

If you need an income of \$400,000 per year then you need \$10 million – but you don't need \$20 million.

A decision to retire is one you need to get right because if you retire too soon there's no going back. This type of decision involves both a financial aspect (do I have enough?) and an emotional aspect (what will I do with my free time?) and you should consider each of these aspects on its own merits. To do this you should first isolate the financial question and determine objectively whether you have enough. If you don't have enough (even when you consider the proceeds from the sale of your practice) then you should continue working. If you do have enough, then you can start to deal with the emotional side of the issue. For this you might also want some professional help. Consider speaking with the experts at the Family Advisory Council to get a better handle on dealing with the issues associated with a new 'retiree' identity.

For sure you want to avoid the sad situation where you continue to work at a stressful profession while not realizing that you have already accumulated enough to retire.

If you need to build a larger nest egg there are two routes to follow. One is to keep adding, year after year, thousands of dollars to the investment portfolio and hope that the portfolio will grow in spite of losses, fees and underperformance. The other strategy is to take charge and carefully monitor performance. If you have a large portfolio, and if you take control, insist on an investment policy statement, and stop the underperformance, that alone (over the next 20 years) will add millions to your portfolio. In many cases, simply managing the portfolio wisely (possibly with professional and independent oversight) will allow you to retire five years sooner.

Don't know what they want in the future

For many successful professionals the most difficult part of financial planning is becoming clear on the most important objectives. Is the objective to leave tens of millions in a large estate? Is the objective simply to ensure long term financial security and a comfortable lifestyle?

You really can't make the decision to sell your practice and retire until you are clear on your objectives and you are certain you can achieve them. But once you know what you want and have confirmed that you have enough – any further delay is simply avoidance. In order to maximize your happiness it is critical that you take control and make decisions that are consistent with your goals. It helps to use an independent expert who acts as a sounding board.

Fear of the unknown

Most dentists are so busy they don't have a lot of time for contemplation about the possibility of a different lifestyle. But life should be lived to the fullest. The main regret many people express on their death bed is for things not done, opportunities not explored, chances not taken.

Don't let yourself be carried along with the crowd. Take some time to explore the other things you might want to do. Time marches on and someday you will be forced to retire – ready or not. It is much better to take charge and make the change to the next phase of your life while you are still in good health and have the energy and enthusiasm to make the last third of your life the most meaningful.

Summary

It is great to be a part of one of the most respected professions. Even better is the opportunity to be well paid for practicing one's profession. Choosing to become a dentist was an important decision for you; knowing when to hang up the drill and maximize your happiness in retirement is equally important.

Part two (next issue)– will be how to take control and monitor the performance of your investment portfolio.



Warren Mackenzie

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Office Space: making the move from 'renter' to 'owner'

To buy, or not to buy?

by David Bazak

It's a question most dentists will grapple with at some point. So how do you know when it makes sense to say goodbye to the convenience and flexibility of renting office space and purchase your own building?

It's a big decision. Determining the right answer for you requires some research, number crunching...maybe even a bit of soul searching. You'll need to analyze a number of variables, including the location of your practice, the impact your decision will have on your monthly cash flows, your tolerance for risk and your willingness to carry added debt, to name a few.

Deciding to part ways with your landlord isn't a decision that should be made lightly. But as thousands of dentists have already discovered, making the move from renting to owning can have significant positive implications on the long-term success and profitability of your practice.

A thriving practice and an expiring lease

For Dr. Dennis Hewitt, the moment of truth came in late 2007. He was entering the final year of a five-year lease on an office building in Thorold, Ontario. Over the previous four years, Dr. Hewitt had developed a sizable patient roster. His practice was thriving. He had a great location and, thanks to a lot of hard work, had become known as one of the 'go-to' dentists in the area.

Things were going well. And with less than a year remaining on his \$3,500 a month lease, he was leaning toward renewing when it came due in 2008. But since he had some time, he decided to investigate his options.

"I knew that my lease was relatively inexpensive. But at the same time, I hated throwing money away every month. I thought it might be nice to own the building I was in, so I approached my landlord and asked if she had any interest in selling," says Dr. Hewitt. "Not only did she tell me her answer was 'no', but she also informed me that she was planning to bump up the cost of the lease when it came due. In retrospect, I think she believed that the future success of my practice was tied to the location in such a way that she could charge me whatever she wanted and I'd have no choice but to pay."

It soon became clear the two were not going to reach an amicable agreement on a new lease or a purchase of the building. "So I started looking around for a new building to buy for my practice," he says.

After a few months of checking out potential office locations, he got lucky. He found a new building in close proximity to his rented office. The main floor was about 2,000 square feet – more than adequate for his practice. Upstairs, there were two three-bedroom apartments he could use to generate rental income.



A temporary setback

As far as potential office locations went, this one was as close to perfect as he could have hoped for. All that remained was to get the financing in place.

"I called my bank, told them about the building I was looking to buy and said I wanted to proceed to put a mortgage in place," he says. "They came back and said that I needed to make a 25% down payment on the total purchase price of the building."

Like many of his peers, Dr. Hewitt was still paying down a substantial practice loan at the time. "I simply didn't have 25% to put down on a new office building," he says. "I said to my bank representative, 'I've been banking with you for almost five years now. I thought that should have counted for something but apparently it didn't.'"

It was a setback, but only a temporary one, as it turned out.

Dr. Hewitt was venting his frustrations to a friend a few days later and upon hearing the story about the inflexible bank representative, the friend gave him the name of an account manager at RBC Royal Bank® who worked exclusively with health care professionals.

"I got in touch with Craig (Gibson) at RBC® and after a few preliminary discussions, he met with my accountant and things quickly progressed from there," says Dr. Hewitt.

Banking on a reliable business with proven cash flows

Unlike Dr. Hewitt's bank, which was demanding a 25% down payment, RBC Royal Bank said it would be willing to finance up to 100% of the purchase price of the new building. Why the difference?

"We took into consideration the strong financial fundamentals of his practice and the fact that Dr. Hewitt had an established list of patients," says Craig Gibson, Senior Account Manager, Health Care Professionals at RBC Royal Bank. "While dental and other types of medical practices are costly to start up, in most cases, they're very reliable businesses with strong cash flows and that's important to any lender. So once we familiarized ourselves with the financial side of Dr. Hewitt's practice, we told him we'd be comfortable financing up to 100% of the purchase price for his new building."

Gibson is quick to point out, however, that the finances still need to make sense for the particular deal. "Part of the advice we gave Dr. Hewitt was that the situation had to make sense for him financially," he says. "If the costs associated with a mortgage would be significantly higher, it might not be the best financial decision. But if you can rent and buy for roughly the same price, as was the case with Dr. Hewitt, it usually makes sense."

"My only regret is that I didn't do this sooner"

Dr. Hewitt moved his practice into the new building in August of 2008 and hasn't looked back since. "Cost-wise, there really wasn't much of a difference between my old lease and my new mortgage," he says. "The decision has had a negligible impact on my cash flow. The move also gave me the opportunity to do some upgrades to my equipment, which was really important to me. But more than anything, I really like the fact that I'm creating equity through my building every month. I'm almost three years in and it's been great. My only regret is that I didn't do this sooner."

"Dr. Hewitt is still doing the same work he loves with the same group of patients," says Gibson. "But now he's buying an asset as opposed to paying down someone else's mortgage and it's not really costing him any more money. This is the sort of real estate transaction that can have a significant positive financial impact on his practice – in the short term and down the road."



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Vice President, Health Care, GTA

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What can a full service dental dealer do for me?

by Dave Love



A full service, value-added dealer such as Patterson can provide many benefits to a Dental Practitioner. This article identifies these valuable services.

Many dental offices lack a significant degree of back office support, convenience and full-service dealer capabilities that allows dentists and their staff to spend more quality time with patients generating additional revenues.

We live in a world that is complex, competitive, and forever changing, and dentistry is no exception. There are exciting technologies changing the face of dentistry.

A full-service dealer provides dentists with the following: office planning and design, equipment and service, software, integration of hi-tech equipment, and consumables.

Office Planning and Design

Typically dentists buy or set-up their own practice within five years of graduating. Many existing practice owners decide to build, renovate, expand, or modify their clinics.

A full-service dental dealer can help with most stages from conception to office opening, including location search.

Patterson, for instance, has a dedicated team that provides planning and design services for dentists, which can also include: preliminary plans, technical drawings radiation approval, and BCIN (Building Code Identification Number), which is used by the qualified and registered designer to indicate responsibility for their design activities.

Once the customer's needs and prerequisites have been established, it's critically important the design always prioritizes the work being done in the dental office. Our National Planning Team firmly believes the 'form follows function' concept. I am amazed at the quality of designs that are created by our NPT.

The most important document during planning and design is the technical detailed drawings that are used by the general contractor to estimate the cost to complete the leaseholds, obtain a building permit, and the actual build-out of the improvements.

Our experts assist in office development, equipment and the latest technology and are supported by manufacturer representatives.



The Dental Dealer works closely with the General Contractor typically experienced in building dental offices. Patterson's site inspectors monitor the phases of construction to ensure proper step by step completion.

During construction, the dentist receives regular progress reports. It is important to keep all involved parties informed and allow the dentist to carry-on with his/her responsibilities during the set-up phase.

Core Equipment

Your full-service dental dealer offers a broad range of core equipment. For this article, core equipment is operatory packages (chairs, delivery units, stools), cabinetry, utility room packages, sterilization and small equipment (hand pieces, scalers, etc.).

Equipment specialists and manufacturer reps understand the art of motion in an operatory, and can provide design and equipment solutions that allow dental care professionals to work in a functional and ergonomically designed environment.

Some dentists retire early because of an injury suffered at work in a poorly planned operatory.

Within each category of core equipment there are typically a number of dental manufacturers from which to select. Each manufacturer supports the efforts of the dental dealer and the customer.

Territory Representatives supported by equipment specialists are the main point of contact with the customer.

The dental dealer provides installation and repair for most dental equipment and customers can establish a preventative maintenance agreement with the dealer.

Financing is available from your dental dealer usually through a third party, or from your bank.

It's wise to consult with your banker and/or accountant on larger equipment purchases.

Hi-Tech Equipment

The fastest growing category of dental equipment, consists of digital radiography (sensors, pans, pan/cephs, and 3D), intra-oral cameras, and CAD/CAM (CEREC).

Hi-tech equipment allows the dentist to work, better, faster easier, and reduce expenses, as well as enhance the experience for the patient.

A prime example of hi-tech equipment is an intra-oral camera, which will provide a fast return on investment if utilized properly.

This invaluable tool allows you to see cracks in teeth, fillings that are breaking down, and cavities. Tartar or calculus, gingivitis, and other problems are easily detected allowing a sound decision regarding the best treatment for your patient.

Training is critical in hi-tech equipment. Take the time with your qualified trainer to learn the proper use of your equipment to maximize your dental care.

Consumables

Dental supplies represent one of the highest practice expenses after employee wages.

The smart Territory Representative will help customers manage their inventory and advise them when to purchase specials to save on per unit costs.

Dental dealers are usually logistics experts providing next day business delivery on most items. Orders are filled quickly and accurately.

Most dental offices purchase their supplies from an authorized dental dealer.

However, some offices purchase from gray market companies which should be a concern to a dental office. When you purchase supplies through an authorized dental dealer you are getting more than peace of mind.

Loyalty programs are often available from your authorized dealer.

Continuing Education Programs

Our company offers learning experiences in clinical care procedures, equipment usage and practice management skills.

Conclusion

Some customers believe purchasing from a full service dealer such as Patterson is expensive. In fact prices are very competitive and we offer our excellent value house brand products.

Dentists, with the support of a full service dealer, spend more time with patients, providing better care and earning more revenues.

It pays to employ a full service dental dealer !



Dave Love

Dave Love is a Territory Representative with Patterson Dental Canada, and has over twenty years of professional client service experience.

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Buying a dental practice?

Use Marketing to Deliver the Success That You Desire.

by Dan Pisek

Congratulations on the purchase of your new dental practice. You've pulled together the financing, worked with your accountant to incorporate your business and the lawyer has gone over the contracts. You have the keys and a nice patient file to get you started. You're all set to go... but are you? What's your game plan for success?

Think like an entrepreneur

It's one thing to buy an established practice; it's another to make it work and keep those patients coming back. You have chosen to be a health care provider, and that means caring the best you can for your patients. But you're also an entrepreneur and you need to think of your bottom line. Thinking like an entrepreneur starts with a clear vision of the success you desire. Successful entrepreneurs see spending money on a marketing program as important as the services of their accountant or lawyer. It's an investment in your practice and one that I promise will give you an excellent return.

Marketing is much more than just handing out flyers.

I've worked with many dentists who call me six months after buying and opening their office, wondering why their business is not rolling the way they expected. They sent out an introductory form letter at the start, but that was all. Just because you purchased an existing practice with a list of 1,000 active patient accounts, this doesn't guarantee those patients will stick with you. Loyal clients are the lifeblood of any successful business and you need to do much more to build on these new patient relationships.

Prioritize your business goals.

When opening a new dental office from scratch, your one business goal is to attract new patients. Purchasing an existing practice is a different thing completely and includes three areas of focus:

1. Maximize patient retention
2. Increase the value of the patient file
3. Attract quality new patients



Understanding your transition X-factor

The financing, accounting and legal aspects of opening a dental practice tend to be pretty black-and-white. But in my experience supporting the marketing of transitioning practices, there are things that are not so clear. I call these the "practice transition X-factors," and these X-factors come in many shapes and sizes. You need to tailor your marketing game plan to meet your specific practice transition situation. There are endless scenarios, but here are two stories of transitioning dental practices I have worked with in recent months that demonstrate this point.

The retiring doctor

A dentist purchased a practice from an established dentist who was retiring. The two had a good rapport and both wanted to see the practice succeed. It was agreed that the retiring doctor would stay on to work as an associate for a while, supporting the transition of the patient file.

My advice was to really leverage this good relationship to maximize patient retention.

The existing patients, and staff, loved the retiring dentist and were concerned about how the practice would change. But when they saw clear signs that he endorsed the new dentist they were more willing to trust her. We helped with a game

plan that got the word out quickly about the new practice while showing respect for the patients, the old dentist and his staff.

We helped write a letter of introduction that included a “feel-good” photo of the two dentists together. We rebranded the practice with a fresh new name, colours and logo. We also carried this into the look of the website.

They also hosted a patient appreciation event where clients could wish the retiring dentist well in his retirement and the new dentist could introduce herself, her vision for the practice and new services she would be offering. Like many older dentists, the retiring dentist offered basic dental services. This event was an ideal way to introduce ways to increase the value of the new dentist’s patient file.

By focusing on marketing inside of the practice first, she can now confidently reach out to begin professionally introducing her new practice in the local community to attract new clients.

The bankrupt doctor

A dentist purchased a practice from a dentist who had gone bankrupt. He’d invested a good chunk of money and was itching to get going with things to grow his new practice.

He wanted to jump in right away and start contacting the list of approximately 400 patients who were wondering where to go for their next dental appointment. While calling the patients was definitely urgent, my advice was to first channel his energy into planning a clear strategy.

We quickly got to work helping him rebrand the practice. He needed to show patients he’s not just the new dentist, but that he’s different, positive and committed to the success of the practice. We helped him create a new logo, and suggested he update the office with artwork and accent pieces that reflected his brand. It was also important to get this message out right away on the Internet. We designed a simple yet visually appealing website splash page that included a photo of the new dentist, a short introductory paragraph and contact information. This splash page was created with the short term in mind as we were building a full website to promote his practice.

Before beginning to phone the patient file, we provided a proper script to introduce the dentist. The phone calls were going to be made by the office manager, who had been with the former dentist. She was the best person to ease any hesitation they may have about trusting a new dentist.

Armed with a clear vision of his brand and strategy, the new dentist can now move his business forward with introducing new services and advertising in the community to attract new patients.

Plan your work... then work your plan

I’m a huge believer in creating marketing game plans that are tailored to each unique practice transition scenario. Whatever the transition X-factor, you need to consider these six best practices for you to achieve the business success that you desire:

1. Create your own brand identity

What is your vision for your practice? Just like any successful consumer product, your brand is what builds customer loyalty. It also differentiates you from your competition. Think carefully about the name and logo. Make sure it projects a professional image and conveys what your practice is about.



2. Focus inward first

You need to be proactive with communication to introduce yourself and your vision right from the start. I recently consulted for a dentist who had had taken over a practice and then sat on a draft letter to patients for almost a year. Patients need to know you respect them. You need to communicate up front and with some frequency to set the tone for what patients can expect as the practice moves forward.

3. Internet presence is a must

With dentistry being so competitive, having a great website is an absolute must. Your website is the focal point of your marketing. Whether to build patient relationships, internal marketing or promote your practice outside of your office, people today want more information and your website is where they expect to find it.

4. Patients are ready to refer

Even as a new dentist taking over from a well-respected dentist, you can create a positive momentum for your new practice. Get your patients excited about your vision and you will be surprised how quickly you can get them promoting you to their family and friends.

5. Look around you

We all lead busy lives these days and knowing there’s a dentist close to home is a motivating factor for a lot of people. Target advertising to homes in the local area to professionally communicate your message. This will build positive brand awareness and attract quality new patients.

6. Practice marketing is a team sport

In taking over an existing practice, you’ve also inherited the team. They are an important resource in retaining patients. You may be the new guy, but the staff are trusted familiar faces that will comfort your patients. Get them on board with your vision through regular meetings. Make sure they know and can promote the goals and unique features of your practice.

In business as in life, first impressions are important. The better that first impression, the more likely we are to spark a relationship. So before you swing open the doors for business, make sure you have considered the benefits of taking a planned and professional approach for your marketing, along with the opportunity cost of just letting things happen on their own.

After a few months of checking out potential office locations, he got lucky. He found a new building in close proximity to his rented office. The main floor was about 2,000 square feet – more than adequate for his practice. Upstairs, there were two three-bedroom apartments he could use to generate rental income.



Daniel Pisek
Owner of Full Contact Marketing

Daniel Pisek is the owner of Full Contact Marketing, which specializes in dental practice marketing.

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The Wit and Wisdom of Dr. Milan Somborac

Interview with Dr. Milan Somborac



The erudite Dr. Somborac is a prominent dentist in Collingwood, Ontario, who is highly respected, as a dentist, inventor, public speaker and is an accomplished amateur violinist. In addition, he is the author of the recently released book, *Your Mouth, Your Health: Stop and Reverse Aging* that will change forever how we look at diet and poor dental health and is the subject of a future article in this magazine.

For now, it is his purveyance of humour, his story telling and musings that interest us. Dr. Somborac believes he is very much the product of his parents. His mother was the first female to earn a law degree in Yugoslavia, in 1941. His physician/dentist father was a role model who passed on the following two accounts.

A man in severe pain walks in and is treated by the good doctor. The man says: “How much do I owe you, doc?” Doc replies: “Half as much as you were willing to pay when you came in.” The man’s response “That is way too much!” and an old European curse: “May you lose all your teeth except one, so you can suffer toothache!”

In 1965, Dr. Somborac bought his dental practice from Bill Blakely, a graduate of the dental class of 1921 and who during the Depression once went 17 working days without seeing a single patient. Dr. Blakely told the following stories about his practice to Dr. Somborac.

A wife came in with her recently deceased husband’s dentures to see if Dr. Blakely could adjust them to fit her.

Almost all treatment was of a crisis-intervention type with almost no elective procedures being done.

On finding out that Dr. Blakely charged \$1.00 for an extraction, a patient once asked if he could loosen a tooth a bit, for 50 cents.

A husband and wife asked him if he could make a set of dentures to sort of, fit them both.



Absolutely everyone kept their extracted teeth if they had any gold restorations.

When Dr. Somborac first visited Dr. Blakely, who worked unassisted, the phone rung incessantly. Dr. Blakely would always pick it up (mainly to see if it was his wife calling as there was no caller ID then) and in less than 5 seconds say: "I can't take you" and hang up. At least 10 times an hour!

Collingwood then had three dentists and a population of 12,000. Since then, with the population up 40% and the DDS population up 600%, all dentists are doing better than ever before!

When asked how his practice, has changed over the years, Dr. Somborac replied that implant dentistry takes up a lot more of his time and that he no longer does denture work. He recalled an event when a patient returned after two weeks with a complaint on how his dentures were working. The problem soon became evident. A check of records revealed that another patient had received dentures on the same day as the complainant. After a phone call and further investigation, it was clear that the dentures of the two patients had been reversed. It took two weeks before one patient complained and the other would not have if he had not been contacted!

Dr. Somborac says patients have less trepidation today about visiting dentists. Sedation and better procedures have reduced the amount of stress. He treats far less hockey injuries because of the use of mouth guards. Many dental procedures done today were not used five years ago and this trend will continue in the future.

He uses a profit sharing system that rewards his staff financially and they have responded by working overtime and on weekends when called upon to do so. Most have been with him for many years and are dedicated to a team philosophy of dentistry that produces quality care and lives by the golden rule of never suggesting any treatment to patients they would not recommend for themselves.

When queried about retirement, the good dentist sites the Warren Buffet School of philosophy. Namely, he plans to retire two weeks after he dies!

From his readings, he learned a long time ago that happiness for him was based on having autonomy (in every sense of the word), connectedness (with his surroundings and environment) and competence in the things he has to and wishes to do. His happiness is measured by the number of both work and play days that are NOT lost because of sickness and poor health: a kind of Somboracian / Maslowian fifth and highest hierarchical level of success and well-being. Brain food from a brainy guy!

The celebrated author of *Your Mouth, Your Health*:

Stop and Reverse Aging confessed relief upon finishing his book.

He likened it to being a grandfather rather than a father; he was glad it was over and behind him. His book will be featured in an article in an upcoming issue of Profitable Practice Magazine.

Stay tuned for more beneficial insights into the importance of good dental health.



Dr. Milan Somborac

Dr. Somborac practices dentistry and plays violin in Collingwood, Ontario and can be reached Toll-free at 1-866-445-0551 or by Email at milan@drmilan.com

How to increase profitability while helping patients get the treatments they need

Why a Private Health Services Plan (PHSP) makes sense!

by Mark Halpern



Dentists often mention the growing challenges on the revenue side of their practice. Many patients have limits and restrictions on their dental benefit plans while others pay for dental services with their own money when no plan is in place. They all want to spend less on their dental care. A Private Health Services Plan (PHSP) is an exciting way to increase your profitability while helping your patients to obtain the treatments they need.

A PHSP is a government benefit for self-employed individuals or owners of an incorporated business. Patients with a PHSP are able to turn medical and dental costs into tax-deductible expenses. A PHSP can cover every dental procedure while avoiding insurance company premiums and limits.

The PHSP strategy is a win/win for everyone; it reduces the net cost of dental services for patients without reducing your billings. The PHSP makes it easier for them to pay you – and increases patient acceptance of your treatment recommendations.

In short, medical/dental expenses are converted into a business expense. That is it! The list of allowable medical expenses can be found on the CRA website under "list of allowable medical expenses". This is the same list accountants use to apply the "medical expense tax credit" for individuals who claim medical expenses on their tax returns. Claimable services include:

- ♥ Medical devices
- ♥ Dental Services
- ♥ Prescriptions
- ♥ Cosmetic Surgery
- ♥ Dentures
- ♥ Doctor, chiropractic, physiotherapy, naturopaths
- ♥ Eye glasses
- ♥ Nursing services

Your patients may be claiming their expenses on their income taxes however it's unlikely that these expenses are being deducted. **This is the key.** Individuals currently apply the "medical expense tax credit" on their income tax returns which credits a portion of medical expenses back. The CRA will credit 15% of one's expenses back beyond the lesser of \$1,925 and 3% of one's net income for 2011. Even if your patient applies all of their medical and dental costs via the credit, more savings are realized by utilizing a PHSP. For example:

- ♥ A self employed individual making \$100,000/year claiming \$10,000 in expenses via a PHSP would save \$1,398.11 compared to the same expenses being claimed on their income taxes
- ♥ A self employed individual making \$50,000/year claiming \$6,000 in expenses via a PHSP would save \$380.00 compared to the same expenses being claimed on their income taxes
- ♥ A self employed individual making \$200,000/year claiming \$30,000 in expenses via a PHSP would save \$5,724.00 compared to the same expenses being claimed on their income taxes

Generally speaking, higher income patients can realize greater savings. Whether your patient is incorporated, a sole proprietor or involved in a partnership, it is clear that money can be saved by simply re-engineering dental benefits through lesser known avenues.

For your higher net-worth patients (who are more able to afford expensive procedures) a PHSP will simplify your sales process as your patient will not be preoccupied with private coverage limits and exclusions. Paying out of pocket with cash will no longer be the better option. In addition, if these patients have a private health plan, the uncovered portions could be applied to a PHSP. In some cases your patients may be better off discontinuing their personal dental insurance and claiming everything under a PHSP. For patients who claim the maximum annually allowable under most dental plans, PHSPs are still the better choice. For example:

- ♥ Male less than 45 years of age will pay \$102.10/mo (\$1,225.20/yr) for Manulife's "Flexcare" private dental coverage
- ♥ Maximum reimbursement in year 1 = \$840; meanwhile the patient spent \$1,225.20
- ♥ Maximum reimbursement in year 2+ = \$920; meanwhile the patient spent \$1,225.20
- ♥ Major procedures are only covered in year 3+ and will reimburse your patient only \$1,250 in a consecutive 3 year period – meanwhile \$3,675.60 was spent on premiums in that time
- ♥ Over a 10 year period \$12,252 would have been spent on premiums and meanwhile, this patient would have received only \$11,000 in reimbursements (assuming the maximum in dental is claimed in every year)

The PHSP advantages extend beyond facilitating better patient-provider relationship. If you have ever considered group insurance for your practice a PHSP is a viable and more cost effective option. Group insurance requires guaranteed premiums regardless of plan use whereas with a PHSP, employees are reimbursed only when expenses are incurred. In addition to this, contributions to a PHSP for an employee on behalf of an employer are excluded from employee's income. You – the employer – can decide the level of benefits for the employees based on the criteria you generate. In short, you decide who gets to claim and how much. The advantage to the business owner is that you can set the highest limits to the owners and shareholders as long as other employees are included in

The landscape of Canadian healthcare

is changing. Even though dentists' and related professionals may not feel a pinch directly, there is certain to be a trickledown effect. A recent report released by the Richard Ivey School of Business suggests that due to an ageing population Canada will find it difficult to sustain our current public health system. The report states that "Canada's health care system.... will face a sustainability crisis and.... our (Canada's) ability to withstand the repercussions of this crisis is questionable. Between 1985 and 2005, the total per capital health spending in Canada rose by at least 50% across all jurisdictions with the largest growth experienced by privately funded health services and products. In 1997, annual health care spending in Canada totaled \$79 billion; that figure had more than doubled to \$160 billion in 2007" (Transforming Canadian Health Care through Consumer Engagement, 2011). This is not to suggest the future of our system is in total jeopardy; I believe we will make the changes necessary to sustain our universal system. In some form, increasing costs will have to be downloaded to the consumer and in turn, large insurance providers will need to increase premium costs out of necessity. Considering consumers will be preoccupied with providing acute care, expensive elective procedures will take an understandable back seat to needed health intervention. In short, the insurance industry will respond to current trends with higher premiums for less coverage. Modern health-care practitioners must understand the changing landscape in order to continue providing value to their patients and remain profitable. A PHSP gives your patients a powerful tool that will increase your profitability via greater treatment acceptance. Ben Franklin said it best; "an investment in knowledge pays the best interest".

the arrangement. A PHSP is a great way to attract and retain valuable employees with no guaranteed premiums. Get the value group insurance provides without having to deal with insurance companies.

As benefits change and inflation continues to accelerate, medical professionals should be aware of ways to help their clients fund their medical needs. Whether or not you take advantage of a PHSP for your practice, simply understanding how they work will help your patients and in turn, help you.

Our team of PHSP specialists is headed by Adam Niman. Please contact us if you would like assistance setting up a PHSP program for your practice or for any other insurance needs.



Mark Halpern
Certified Financial Planner, is the President and Founder of illnessPROTECTION.com

Mark is one of Canada's top life insurance advisors with special expertise in living benefits (Critical illness insurance, long term disability and long term care).

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The information presented herein is believed to be accurate and reliable as of the date it is written. Tax laws are complex and are subject to frequent change. Professional advice should always be sought before implementing any tax planning arrangements. We cannot accept any liability for the tax consequences that may result from actions based on the contents thereof.

Those were the Days!

by Roy Brown

In the 1950's, when I met with dentists who had just graduated, their primary concern was what location to select to start a new practice. The major consideration was: do you want to set up an office near to where you want to live or to set up where you are needed? Since new patient flow was more than adequate almost everywhere, most dentists located where they wanted to live. The established dentists of Canada were booked solid for many months in advance. Most enjoyed a relaxed workweek of nine to five, taking either Wednesday or Friday off, and rarely did a dentist work an evening or a weekend.

Fifty years ago more than 90% of dental school graduates were male. Since there were few plazas, shopping centres or medical dental offices, they looked for offices on the second floor above an existing store.

The ideal set-up was a corner office with windows on both corners and room on the wall for advertising their practice. Some landlords were hesitant to lease or rent to a dentist, as they were concerned about the potential plumbing problems that might occur and the damage that would result to the tenants below.

However, dentists became prized tenants for two reasons: they were prompt with their rent payments, and they usually stayed twenty or more years in the same location. Still, the leaseholds were expensive, as they needed small partitioned rooms with specialized plumbing and wiring. These specialized rooms proved challenging and costly. Landlords provided many of the required improvements and charged two to five dollars per square foot for prime locations.

The cost of opening a new office ranged from \$7,000 to \$10,000. A single operatory with new equipment cost about \$5,000. This included a chair, delivery unit, x-ray, lights, cabinet, sterilization, compressor, lathe and darkroom tank. There weren't any Cavitrons, high-speed handpieces, pan x-rays or computers to be purchased. When the dentist's office was finished, he or she was usually fully booked within the first week of operation.

Staffing was without chair-side assistants or hygienists. The doctor required one receptionist/nurse who booked patients, collected fees, cleaned up and, if time allowed, would mix materials. The patient sat upright with an articulating head and footrest (like a barber's chair). The dentist stood up. The delivery unit was also an upright, floor-mounted device with an engine, a chair, two syringes (water and air), a cuspidor and a saliva injector. That's all.

Steel burrs were sold by the half gross; there were no carbide burrs or slow speed engines with belts and handpieces with speeds of 2,000–5,000 rpm. Dentists applied pressure as there

were no lubricants or cooling when cutting was needed. Replacement of fillings was common because materials for anterior silicates and amalgam silicates or porcelains often washed out.

Fees were low. A filling cost from \$5 to \$9; an extraction was \$5 to \$10; dentures started at about \$85; x-rays cost about \$3 each. There was little or no endodontics, cosmetic surgery or implants.

A good day's gross was \$400 to \$500 resulting in an income of \$80,000 to \$100,000 per year with overhead of 40%. The size of most offices ranged between 500 and 750 square feet, with two operatories (one that was empty and unused for varying lengths of time), a small lab, a darkroom, both a business office and private office and a waiting room. Many dentists resisted equipping the second operatory because they could only treat one patient at a time. Eventually, it became efficient and profitable to have a nurse who could clean up one operatory and set up a patient in the other.

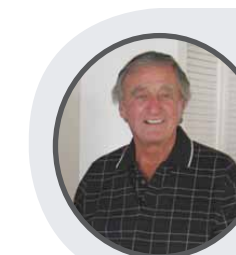
Practices were rarely bought or sold. Most practices simply closed due to retirement or health concerns. The location might merit the sale price of \$5,000 for the used equipment and the traditional payment for goodwill was \$1, only to make it legal!

In the late 1950s many changes slowly occurred and then accelerated dramatically through the 1960s and 1970s. These changes included chair assistants and technical advances such as high-speed air turbines and wash field cooling spray vacuums. Time and motion and quadrant dentistry came into practice. Denturists and hygienists did much of the cleaning and mundane duties of the practice, leaving dentists to concentrate on the technical and complicated aspects. At the same time, dental insurance plans paid for more treatments than before.

Today, 60 years later, the result of those changes and many others is staggering. A brand new dental office is usually 1,500 to 2,000 square feet, with four to six operatories, and built with superior equipment for associates and hygienists. Annual gross now ranges from \$750,000 to over \$1 million. The key to a successful new practice is constant new patient flow — and the competition for new patients is fierce!

Most dentists are being advised to buy an established practice by their bankers and accountants if only to benefit from immediate cash flow. This ensures steady, daily patient flow from the first day and avoids many of the pitfalls of high set-up costs and rents.

Ah, to think back to the 1950s — those were the days ...



Roy Brown

Roy Brown is the Chairman Emeritus of ROI Corporation, Canada's largest dental practice appraiser and broker.

You Are Your Own Best Tenant

by Todd C. Slater



owned their office. In some cases, we at ROI could sell their practice for hundreds of thousands...even millions of dollars more.” Tim went on to tell me that one main reason dentists don’t own their buildings is they don’t want to manage a building and, in some cases, the building they are in never comes up for sale. Tim reminded me,

You control your environment.

When you sell your practice you can collect rent from new Dentist.

When you sell your practice and building, your value is much higher.

There are many other positives of owning the location that you have your practice in, but the most important factor in Real Estate Investment is TIME. In the case of most dental practices today, dentists typically stay in the same location for years, which means, of course, TIME now becomes an asset of the dentist who owns his/her own location.

In a previous article, I mentioned that finding a great tenant is one of the most important factors a Real Estate Investor must consider. **YOU CAN BE YOUR OWN BEST TENANT!** That is correct...you can be your own tenant. There are many ways for you to own your building and have your dental practice as the tenant. A good tax advisor will give you the best advice on how to structure this.

Owning your location is going to grow your future wealth as well as give you control of a wonderful asset. As in the case of Dr. Smith, he could have had a million dollar asset when he retired which would have provided him with considerable ongoing passive income.

Consider your options and remember that ‘Today is the Tomorrow you thought about Yesterday’.

PROFITABLE PRACTICE

In the last issue, I wrote on Real Estate Investing and hopefully inspired you to take control of your passive income. In this issue, I review one of the biggest costs that you as a Dental Professional will have in your career and how, for some, it is money thrown away.

A few months ago, I was advised that my dentist Dr. Smith (not his real name obviously) had sold his practice because it was time for him to retire. His office staff decided to have a retirement party for him and invited some of his long-term patients to say good-bye as well to meet the new dentist taking over the practice.

Never one to miss a social get-together, I decided to attend and give Dr. Smith my best wishes. Upon my arrival, I could see his staff had done a nice job with decorations and food, and everyone was having a good time. When I saw Dr. Smith, he was quick to say ‘hello’. He always remembers my name, even without my patient chart. “Hey Todd...How is Real Estate treating you?” he asked. I love talking about Real Estate and we had a quick discussion on the market. When we had finished, I asked Dr. Smith if he was going to miss coming to work every day. He asked me if I was crazy, saying that he

was looking forward to losing his mind chasing that infamous little white ball. Then, he said something very interesting; “You know Todd, I have been working in this same place for 35 years and I don’t think I will miss it a bit, and I certainly won’t miss paying my landlord anymore!”

“What?!” I asked, “You have been renting for 35 years?” Naturally, my mind started to race: 35 years ... 420 months... average \$2500 per month over that time ... roughly, \$1,050,000.00 paid out. Dr. Smith told me that was something most dentists did and further related that he never thought of moving or owning his own building. I could see that he had more guests arriving so I wished him well and left his office. As I was driving away I thought to myself, “I hope the Landlord gives the good dentist a real nice retirement gift for paying off his mortgage for him.”

Days later, I kept thinking to myself, how many Dental Professionals out there are like Dr. Smith? They work their entire lives building a fabulous business, but don’t take advantage of the huge opportunity of paying off an asset with their business. This really got me thinking, so I called Timothy Brown, President of ROI Corporation, the brokerage leader of the sale and appraisal of Dental Practices.

After exchanging pleasantries, I asked Tim point blank, “Why don’t dentists own their offices and how many actually do?” His answer was clear, “Todd, you know, one of the greatest complaints we get from the dentists is that they wish they

“You know Todd, ROI rented for years until you sold us our office, which is roughly the same time you bought your building for The Simple Investor”. He was right and I thanked him for his insights.

So what are the pros and cons of owning your own building versus renting?

Let’s start off with the negatives first, because I like to end on a positive.

1. You have to come up with a down payment.
2. You have to manage the maintenance of the building.
3. If you own a larger building or strip mall you have to manage tenants.
4. If your practice has been in the same place for years, your clients know where to find you.

Some of these reasons may resonate with you and I am sure there are more that have not been listed here.

Now let’s look at the positive effect that owning your own office location will have on your business and your future.

The Real Estate appreciation belongs to you.

Your rent is paying off the mortgage

If you have tenants, they are paying off your mortgage.



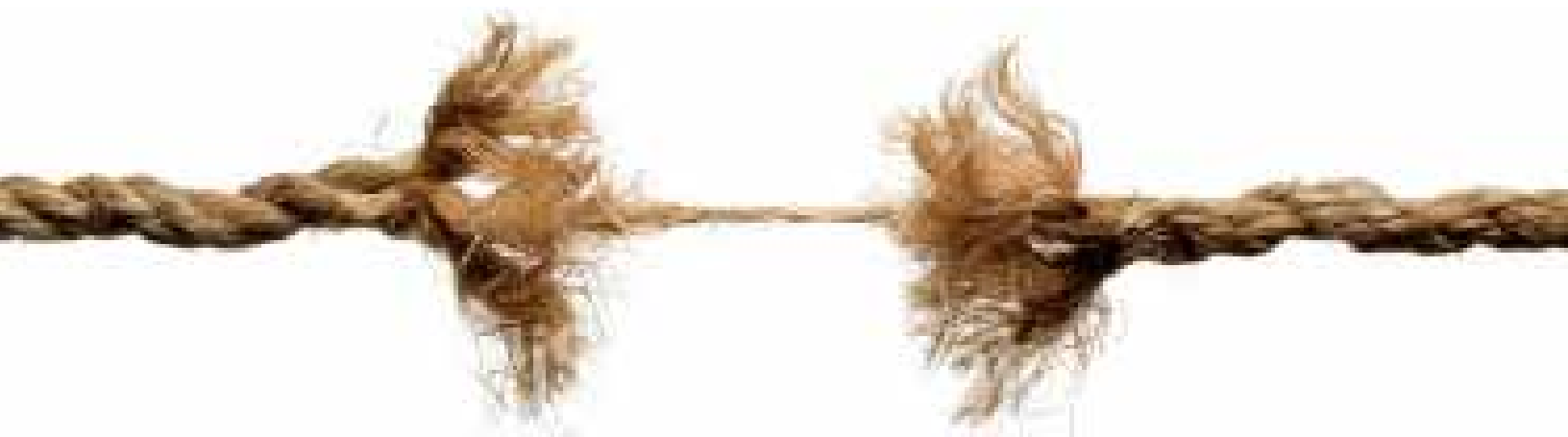
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Todd has been one of Canada’s top realtors as well as host of Realty TV for 4 seasons. With his innovative approach to managed real estate investment properties, Todd educates and provides investors with solutions and opportunities for Investment Real Estate.

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Eliminating the Stress of Associate Placement

by Anita Jupp



Since I sold my company several years ago, I have enjoyed the opportunity to be semi retired, travel, enjoy our summer home and still work part time as a Transition Specialist for ROI Corporation. Tim Brown CEO of ROI, also has asked me to help with associate placement.

When we find an amazing applicant for their ideal position, it is truly a joy. When we find the ideal associate for our ROI clients, we are equally joyful, we hope everyone lives happily ever after in their workplace.

In the real world, life is not always perfect ... but we can certainly make it easier to eliminate stress. I have been in dentistry for many years and working with associate placements has been a real eye opener. In fact, I am shocked in many situations with the lack of professionalism of some associates: of course, there are some excellent associates but many others have no goals, no vision of what they actually want and no idea how to present themselves.

Many dentists, looking to hire an associate, are not organized or have no plan of action. The result is that they end up in a more stressful situation when they hire a less than ideal associate.

10 points for dentists hiring associates:

1. Have a current associate contract signed and updated annually.
2. Identify that the personality and attitude of the applicant is the priority.
3. Insist the associate works on a trial basis before you make a long term commitment. You should be able to judge their efforts and ability within 4 weeks. Technical ability will take longer to assess, but attitude, team work and effort usually show very quickly.

4. Document the days and hours you expect the associate to work.
5. The associate must know what your expectations are.
6. How much experience do you expect the associate to have?
7. Are you willing to train, mentor and encourage a new graduate?
8. How are you going to schedule the associate to keep them busy and productive. Your business team must have clear guidelines of how to schedule the associate within your practice. For example, are associates scheduled new patients, do they do the treatment when they do a hygiene exam?
9. Plan uninterrupted time to interview the associates.

Lastly, have a list of 10 questions to ask during the interview that are important to you in the hiring process.

10 points for associates looking for a position:

1. Be prepared or be prepared to fail. Do not hesitate to ask questions related to schedule and how you will be paid.
2. Your CV should look and be professional with details of your education and your work experience.
3. References are very important to most dentists hiring associates. Come prepared with reference letters or contact information.
4. When you have a planned interview make sure you arrive a few minutes early, dressed professionally with a copy of your resume even if you have previously sent one.
5. Make sure you answer all the questions honestly about the hours and days you are available to work, changing your mind after you have been hired causes problems with scheduling and staffing issues.
6. Be prepared that you may be asked to sign an associate contract before you start work, or after a short trial period.
7. Be prepared to work as part of the team, you can learn a lot from other people plus if you offer to help other team members will help you.
8. Remember patients should be treated with respect and dignity... be friendly, the patients need to build a relationship with you.
9. Trust is important in any relationship. Your patients, your team and the principal dentist need to know they can trust you to do a great job.

Lastly, enjoy what you do and communicate positively... even when you have concerns, discuss them with the principle dentist and find solutions.

I have enjoyed the opportunity to lecture, consult and work as a dental business coach with thousands of dentists worldwide. The most important thing to remember is to have a positive attitude, if you think you can do something you can, if you think you can't, you are absolutely right.

Working with associate placements has been interesting, often rewarding but also frustrating, due to lack of communication with the dentists we are working with. We truly want to help dentists find that ideal associate and we truly want to help associates find an amazing position in an office that offers them security, financial rewards all in a positive work environment.



How you can help us to help you:

Both principle dentists and associates must communicate clearly to us your exact needs,. Complete your contracts and return these to our office along with any pertinent information that will assist us with your search.

Contact us after the interviews with feedback on the applicants or dental practice... **this is the most important part of the associate placement.** Your clear communication and professionalism regarding these matters allows us to do the best possible job for you.

Dentistry is more exciting than ever before, with the clinical advances, new technologies and opportunities to build a successful dental practice and dental career.

Most dental practices have untapped potential. Systems that the dentists think are effective and efficient are, in fact, often revenue losers. Team members often believe they are doing a great job, because they do not know any other way or they choose to do it the easy way. Dentists are so focused on their dentistry do not realize the importance of tracking patients and treatment and internal marketing. Computers are underutilized in 85% of dental practices, causing dentists and their team members to be inadequately updated with regard to their patients' treatments and procedures.

I am available to come into any practice to assist in any transition program listed below:

- ♥ Preparing to hire an associate, introducing the new associate, setting financial goals, policies and guidelines.
- ♥ Preparing your practice for sale, make your next 3-5 years the best to get a return on your investment, there is no need to work harder or longer hours. Most dentists can be more productive working less hours.
- ♥ New dentists buying a practice: the set up of the entire business systems during the transition period and setting realistic production / practice goals.



Anita Jupp
Dental Speaker/Transition Specialist

Anita Jupp's career in dentistry spans 30 years. She is known and respected internationally as a practice management expert. Anita has lectured for the world's leading dental associations in the UK, USA, Asia and Europe including the BDA, ADA, AGD and FDI. She has written four books and has developed a series of training tools on CD. Recently, Anita has helped dentists transition the difficulties of a practice sale or retirement planning and can be reached at 905-339-7843 or www.roicorp.com or www.anitajuppdental.com

Impact of Harmonized Sales Tax in Ontario

by Andrea Chan and Kal Ruprai



On July 1, 2010, Ontario's Provincial Sales Tax (PST) was replaced with the Harmonized Sales Tax (HST). Effective as of this date, almost all sales of goods, services, certain real property and intangibles "supplied" or deemed to be supplied in Ontario are now taxed at 13%. Generally, HST follows the same rules as GST, with some exceptions, and is administered by the Canada Revenue Agency (CRA).

For dental professionals, GST/HST paid on purchases is usually a non-recoverable tax (a cost). We will be discussing how HST affects your practice and what you need to know. For ease of reading, we will use the term "HST" to describe the tax post July 1, 2010 and the term "GST" to describe the tax prior to this date. This article addresses the impact of HST for dentists in Ontario. A similar impact will occur for dentists practicing in BC, the difference being that the applicable HST rate in that province is 12%, rather than 13%.

Sole practitioner dentists in Ontario

Your costs that were subject to the GST are now subject to the HST, resulting in an immediate increase of 8% (from 5% to 13%). Examples include rent and many services such as legal services, which in the past were only subject to 5% GST. Items that were not subject to GST in the past will also not be subject to HST. If you are registered for GST, you are automatically registered for HST and have to charge the HST where applicable.

The most important thing to do and the first step that must be taken is to have an HST expert review all of your revenue streams because HST rules can be different for each stream. In addition, it is important to review all persons involved to see whether there is an "association" for Excise Tax Act purposes.

Scenario #1

A sole practitioner dentist has billings of \$175,000, none of which are subject to HST, and has expenses and overhead of \$75,000. We will assume that of the \$75,000, approximately \$30,000 is not subject to GST/HST (i.e. salaries for staff). We will also assume that from the remaining \$45,000, PST was previously applicable only on \$23,000. With HST in play,

13% HST will be payable on all purchases which were previously subject to GST. In addition, the \$22,000 that was previously not subject to PST, will also now be subject to HST. Effectively, the dentist will experience increased costs of 8% HST on the remaining \$22,000 or \$1,760.

Cosmetic services in Ontario

Many of you provide "cosmetic" HST taxable services – for example, teeth whitening services to your patients. Do you bill more than \$30,000 a year for cosmetic work? If the total of all taxable revenues is greater than \$30,000 for you and all persons "associated" with you, then you are required to register for HST and charge the tax on taxable transactions.

If you are an HST registrant, for purchases that are directly related to the cosmetic services you provide, your costs will decrease since you can claim back HST paid on purchases related to taxable revenues as an input tax credit (ITC). In the past you may have paid PST on some of your costs associated with taxable cosmetic dental services and that PST was not recoverable; resulting in increased costs. You will pay HST on more purchases now, but it will be fully recoverable if the purchase is directly related to the cosmetic surgery or other GST/HST taxable revenue.

On the flip side, you are now required to charge HST at 13% to your patients (rather than GST at 5%) so their total costs will increase. Your cost savings may allow you to reduce your prices without suffering a financial loss.

Scenario #2

A dentist performs non-medically required cosmetic services only and charges \$100,000 in billings, with \$40,000 of expenses. Rather than billing \$105,000 including 5% GST, the dentist is required to bill \$113,000, with 13% HST. We will assume that \$20,000 of the expenses is not subject to GST or HST and that \$10,000 of the remainder was previously subject to both GST and PST. The dentist can claim ITCs of \$2,600 (\$20,000 times 13%), rather than \$1,000 (\$20,000 times 5%). The dentist's costs will decrease by \$1,600 but will need to charge patients an additional \$8,000 (the provincial component of the HST).

Cost sharing agreements

Cost sharing agreements between dental practitioners have always been an issue; however, there are more dollars involved now and we expect Canada Revenue Agency audit activity to increase.

If you have many dentists sharing premises and there is an amount paid from some of the dentists to one dentist or an associated company (in respect of use of premises, equipment, administrative fees, etc.), the "cost sharing agreement" will need to be carefully reviewed to make sure there are no undesired HST consequences. HST may apply on the right to use premises and equipment, administrative services received, etc. Alternatively, a genuine cost sharing arrangement if all conditions are met would mean that HST would not apply. We believe that CRA will be looking at these arrangements carefully, so speak to an HST specialist to help you review the arrangement and strengthen the position that HST should not apply. For example, if there are two dentists sharing premises, equipment and administration staff and 'dentist A' reimburses \$30,000 to 'dentist B', the \$30,000 may be subject to HST depending on the facts surrounding the arrangement. The agreement and other factors

will need to be reviewed in detail to determine if HST applies. If HST should apply based on the interpretation of the facts, 'dentist B' would be required to charge HST to 'dentist A'. If the appropriate HST wasn't charged, CRA could assess the amount plus daily compounded interest.

Zero-Rated Services

Certain services involving artificial teeth are considered taxable; however, they are taxed at a rate of 0% (zero-rated service). Purchases related to zero-rated services are eligible for claiming of ITCs. This is great because it will allow you get back some of the HST you paid out, without remitting and charging your patients HST!

Key considerations to keep in mind

Since there are substantial federal and provincial deficits, CRA will be conducting HST audits and thus, it is very important to make sure you are handling GST/HST correctly. The following are a few things to think about when considering your HST strategy:

- ♥ Which items of revenue are subject to HST?
- ♥ Are you required to register for HST?
- ♥ How will HST impact my costs?
- ♥ How will my cost sharing agreements be affected?
- ♥ Can I match costs to revenues and claim input tax credits on costs directly related to taxable revenues?
- ♥ Can I establish a reasonable allocation method for claiming partial input tax credits on indirect costs if I have a mixture of GST/HST taxable and non-taxable revenues?



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MNP LLP has submitted this article for information purposes. The GST/HST legislation is complex and it is recommended that the readers review their specific pattern in light of the legislation.

Emotionomics

by Dr. Brian Bierl



The woman felt tired as she was slowly swept along toward airport security. This presentation could change her world if the client would just say yes. But the newspapers, television, and radio were constantly proclaiming that the economy was bad and only going to get worse. She had worked hard on her clients program, but why would they accept her proposal during this current financial crisis.

The jubilant group ahead of her obviously did not read the papers. Judging from their tropical dress, they were off to the islands. Did they know something she didn't?

Each day there was more pressure at home. Her husband was supportive, but she had noticed discarded lottery tickets in his closet waste paper basket. It seemed that financially things got worse very slowly, then all of a sudden.

She hoped that there would be an overhead bin for her presentation materials, no such luck; another packed flight. She settled in her seat and began to review her presentation. Her team had been helping her prepare this proposal for weeks. She did not look forward to returning that evening with another "almost said yes" story to tell her dedicated co-workers and family.

She was half listening to the flight attendant give the final boarding instructions. "Please turn off all electronic devices..." Suddenly, she felt her phone buzzing in her suit pocket. It was her husband. Why would he call? Had something happened? She could barely understand him; he was laughing and crying at the same time. "Honey! We won, **WE WON THE LOTTERY!** I don't know exactly how much right now, but we're set for **LIFE!**" She wanted to run off the plane and start her new life but the atten-

dant had just closed the door and plane was beginning to taxi. The attendant was now quickly heading towards her eyeing her phone. She did not want to create a spectacle so she quickly gave her love to her hero, turned off her phone and turned to a new a page in her life.

What a difference a moment can make in people's lives. Just a few minutes ago the future looked bleak, now she had some serious planning to do. She owed it to her team to still make the presentation. She had created the best program for her clients and if they said no, she would help them implement it later. The pressure was off. They didn't have to say yes. Her future was no longer tied to their decision.

What about her future? She wasn't the type of person to just retire. She would certainly spend more time with her family, and would finally volunteer at the local literacy center. She would continue her business, but run it differently. She would work only with clients that really appreciated what she had created for them. She would change her workday to accommodate her children's schedule and no longer miss any more precious moments. Winning the lottery would allow her to retire, but she was not thinking about the beach or the golf course, rather she focused on the things she had always wanted to do. Now having control of her future, she drifted off into a peaceful sleep.

It was the best presentation she had ever made. The executives nodded enthusiastically as she proposed what was best for their company's present circumstances. They actually were discussing how to implement her plan before her closing remarks. After the presentation, she found herself in a whirlwind of activity. They requested that she be in charge of her proposed project, and all future work. It was a large contract that would have made her future secure even without the life changing lottery windfall. Her new business partners provided a stretch limo to the airport. She had a lot to think about. She was already living a different life. This was going to be fun.

On the flight out, the plane was crowded and most of the passengers seemed to be keeping to themselves. On the flight back, people were smiling and in open conversation. Her travel companions were talkative, and remarkably all had businesses that were interested in her professional help. Where were they yesterday when she really needed them?

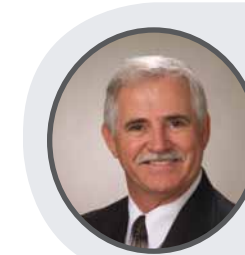
As the plane touched down, she was on the edge of her seat imagining running up into her husband's arms and celebrating their new life together. They were laughing and crying as they hugged each other. She told him that her day wasn't so bad either, explaining that she had just sold the largest contract in the history of her business. With this news, she was surprised that his smile grew even larger. Looking lovingly into her eyes he told her that they had not won the lottery. It had been a desperate attempt to change her outlook. He loved her and had only wanted to remind her, what prosperity and abundance felt like. He knew that she would be at her best when she was assured that their future was completely in their hands.



What happens when we change our minds? Everything!

Our perception of the world improves when we expect the best in others. If we spend our energy in negative areas we will soon run out of emotional capital. When we see abundance all around us, there is a sense of being centered. We can choose to see a world of lack or abundance. The reader may question the tactics of her husband, but wasn't he just reminding her of what was already around her? Please reread the story from the emotion of abundance and you will notice that she was always surrounded by prosperity. By changing her emotions, she changed her world.

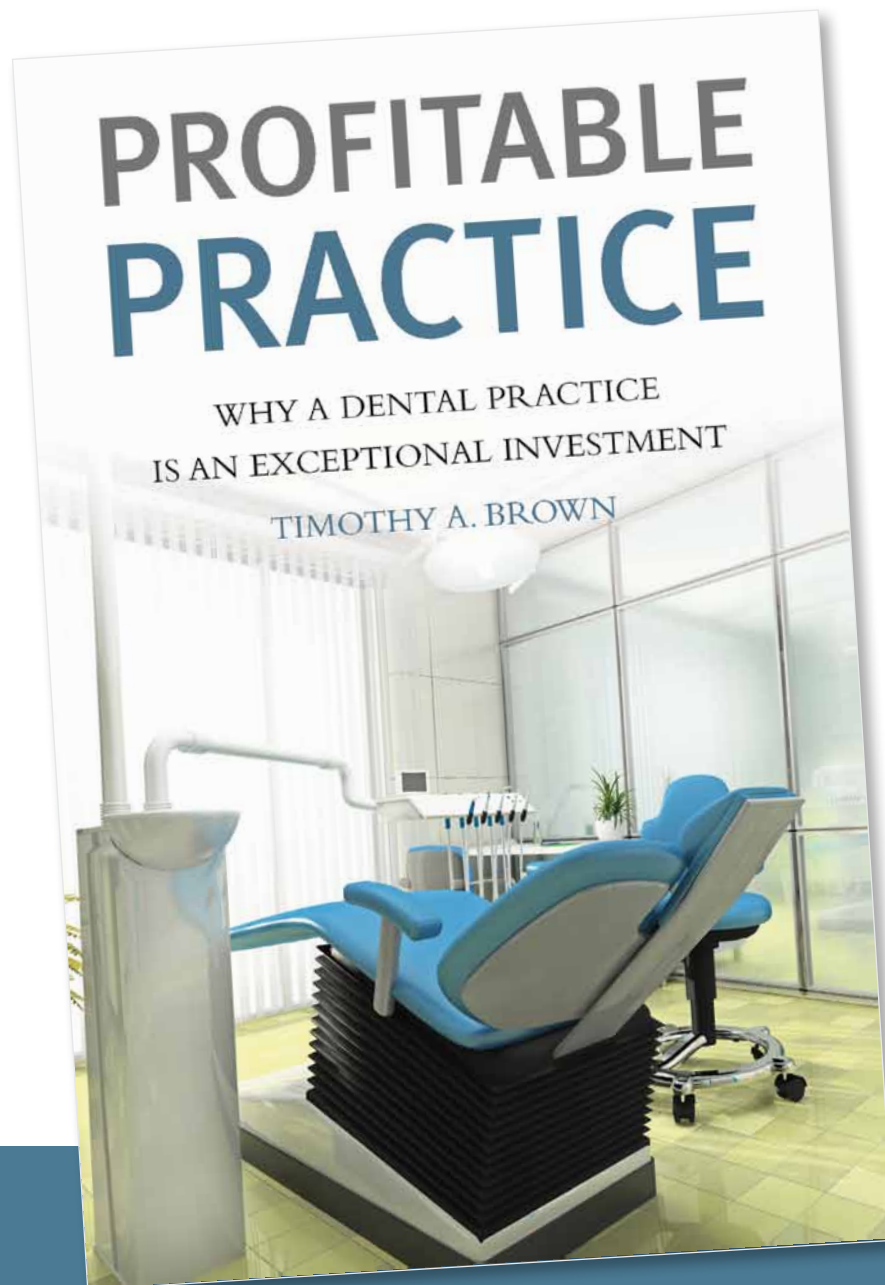
The real world is how we perceive it; don't wait for the "lottery". Change your world today!



Dr. Brian Bierl

Dr. Brian Bierl is a widely published dentist, lecturer and small business consultant based in Florida. Dr Bierl reviews books for The FDA and the Bay Area Business Magazine and has authored the highly acclaimed book, *The Bookbinder*. He can be reached at bb@mybookbinder.com.

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To purchase Profitable Practice by Timothy A. Brown go to www.roicorp.com

Dental Practice Seller Beware

Interview with Dr. Andrew Willis

In an earlier issue of Profitable Practice Magazine, Timothy Brown (CEO ROI Corp) outlined some of the pitfalls of selling a dental practice by the dentist owner, without the aid of a professional appraiser and broker.

In an interview with Dr. Andrew Willis, a prominent dentist in Simcoe Ontario, he details below his own misadventures of selling a practice without professional help.

Why did you choose to sell your previous GTA practice by yourself?

I thought that I could sell my dental practice privately by just using and screening dentists referred to me by my dental representatives. These are reps that I trusted and used over the last nineteen years of my practice. I had asked them to give me names and contacts of dentists that they trusted and thought were really and truly interested candidates to transfer my practice to.

As I was commuting a long distance to my practice, I thought, with a short list of possible and referred dentists, I could transfer my practice in an expedited fashion. My goal in June was to transfer my practice before snowfall.

What happened?

The whole exercise was a Giant Mistake! The actual transfer never occurred until late November 2010. This advice may be too late for some, as a dentist, I recommend dentists stick to what you know best ... Dentistry! By trying to save time, money and deal directly with prospective buyers, I ended up wasting multiple hours discussing my practice without commitment (a deposit) from the prospective purchaser. What I found was that I was doing a lot of hand holding with junior dentists who had no real understanding of business. I provided all the required documents regarding my practice numbers to these potential buyers only to find in the end that a professional appraisal was required for these junior dentists to get financial approval.

In my actual transfer, the dentist whom I thought would be the best fit for my practice turned out not to be the caring or team player I had thought. Even though we spent many late hours discussing how best to transfer the office and promote the new dentist, my association agreement was terminated quite abruptly by email and with only one-week notice. The letter of introduction that I had written and that we mutually agreed upon was edited and shortened without mention of my whereabouts to my patients of eighteen years.

What advice would you give to junior dentists seeking to buy a practice for the first time?

The screening process is very important when you are looking for like individuals who hopefully embrace honesty, integrity, loyalty and professionalism. I feel that the dentist that buys your practice must have your past patients' best interests as first and foremost. As I have learned, this is not always the case.

Every dentist may not share your same values. As in life, surround yourself with a team of professionals to assist you with this process. Obviously, you need to have a professional appraisal. Cutting corners will only cost time and money!

Be honest with the selling dentist. I would encourage a meaningful discussion of your ideal transition and please have this well documented in your purchase and sale agreement for any future reference!

Any final thoughts on what advice you have for dentists planning to sell their practices?

Overall, selling by owner was a grave error. Next time I choose to sell my practice I will not hesitate to have a team of professionals with demonstrated capabilities help in the appraisal and sale of my present practice. Let the professionals sell your practice.

I believe that the final sale price will be significantly higher by doing so. It's really just like real estate. Use a respected company and let their team of professionals save you not only time, but peace of mind!



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