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# PROFITABLE PRACTICE

SPRING 2011

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# The Art of Scarcity

## How to Work Less and Make More

by Timothy A. Brown



We have just returned from the 2011 Yankee Dental Congress in Boston where practice management experts were talking about one very important statistic:

Over 50% of North America's dentists are over 50 years of age.

This means that over 100,000 dentists are 'middle-aged' and they wish to increase earnings and reduce hours. The primary goals of these 'baby boomers' are to:

- ♥ live a more active life
- ♥ work fewer hours
- ♥ maintain or increase passive income

Professional advisors should encourage a reduced workweek for their mature clients and stop pressuring them to produce more for retirement. The first quarter of 2011 reveals the largest increase in dentists planning to retire that either of our firms have ever witnessed. Most dentists have too many stressors in their practices (staff, patients, landlords, suppliers, labs etc.) and their practices are 'taxing' them on an ever-increasing basis. Most say that they still enjoy dentistry and the financial rewards — but the 'bad' days are more frequent than the 'good'. They lack energy and given that the patients are also aging, treatment plans are constantly increasing in complexity — adding more stress and creating a backlog of work. Some report they are feeling 'inadequate'. What should they do?

**Our advice:** Relax. Chill. This is a very common symptom of the maturation of your practice. Having too many patients is a luxury and an opportunity to modify both your practice and your philosophy.

Let's consider the basic principle of supply and demand for a moment. Simply stated, supply and demand impact each other and that prices change with a rise or fall in either one. Consider the dental practice that has too many patients; this means a greater demand from patients than the supply of dentist hours. The result can be a higher price but only if supply is limited.

Essentially, this is the work less/ make more objective baby boomer dentists desire. The limiting of the supply of your service can also be related to the principle of scarcity. Scarcity suggests that when service is in short supply, it may demand a higher price. The fees demanded by dental specialists are a good example of this principle.

## Can general dentists implement scarcity in their practices?

Yes. But only at certain stages of your career can one test this theory.

**Our plan:** Schedule a month of limited hours — no more than 20 to 25 chair-side hours a week. Return to your regular schedule for a month, then repeat the process. Judge the results for yourself, both personally and financially.

You will discover that your scarcity immediately supports the increase in demand for your service that in turn will warrant an increase in your fees. Some patients will have difficulty adapting to the new fees and limited hours and will seek a new dentist, thus creating a net patient loss for your practice. This may seem bizarre, but we know dentists who want a net patient loss, rather than the typical net patient increase. The end result allows them to increase their fees and decrease their hours.

Most professionals can take advantage of this phenomenon, assuming they are fully booked. This test is not advisable to those who are servicing large debts or family obligations; individual circumstances must be considered.

The law of supply and demand is at the core of every capitalistic venture. If, after trying this experiment you have not found relief, you may wish to consider a permanent, part-time Locum dentist to assist you with your patient load.

Whatever your patient load is today, it can be modified to suit your personal needs. If you have too many patients and a desire to work less and make more, this test may prove to be one of the greatest you have undertaken.



**Timothy A. Brown**  
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PROFITABLE PRACTICE

# Don't Get Ripped Off in 2011

by Faulty Office Size and Cost Calculations

by Mike Laurie



Dentists know as well as anyone that things are not always as they appear on the surface or at first glance. The fact is that what the patient is not aware of can potentially have the most adverse impact upon his or her oral health. Superficial conclusions that are not based on professional evaluations often lead to painful, expensive remedies. Procrastination regarding appointments to have dentists check for decay or take updated measurements of the space between the periodontal tissue and teeth, for example, can lead to serious problems and unwanted consequences.

But the same holds true when it comes to understanding how dental offices are measured.

Without knowledgeable insight and expert interpretation those calculations can become extremely problematic and costly. Each year a lack of proper measurement is not only responsible for unresolved disputes with Realtors, building managers, and landlords or property owners but it also forces dentists to incur higher costs for rent, taxes, leasehold improvements, and insurance. That's because measurements that directly correlate with finances in the building industry are typically based on blueprints and architectural drawings that do not match the actual square footage of the finished building.

Many changes and alterations take place on construction sites or during subsequent remodeling projects or redesigns of an office building's floor plan. But those discrepancies or updates are rarely reflected in the calculations used for

lease agreements, insurance costs, taxes, and other items that incorporate square footage into their calculations. Instead the people who crunch those numbers will normally default back to the original blueprints that are almost always inaccurate – despite the fact that they carry the weight and perceived authority of an architect's stamp.

Pinpointing errors and correcting them by taking up-to-date measurements is the obvious solution. But until recently this was nearly impossible to do for already existing structures because measuring methodologies were cumbersome, prone to human input error, and prohibitively expensive. Within the past few years, however, measuring technology has improved exponentially and it is now possible to quickly and affordably calculate precise square footage of any office space.

Once this is done by a qualified and licensed measuring company the new plans can be certified by the company's engineer – giving them just as much authority as architectural blueprints. A dental office armed with these kinds of measurements (which include those interpreted according to BOMA standards, the gold standard accepted by everyone in the industry) can then comfortably and authoritatively communicate with landlords, designers, contractors, and other interested parties.

Because these fresh floor plans are also generated in digital format they become an invaluable tool for brainstorming improvements, getting quotes from subcontractors and designers, analyzing the potential for energy saving retrofits, or reconfiguring work spaces for optimum performance and ergonomic comfort. No longer is it necessary to pay contractors to do their own redundant measurements – which may still be unreliable and cause unnecessary cost overruns – and it is also possible to easily email digital plans to insurance companies, investors, or tax assessors.

As George Bernard Shaw wrote, "Beware of false knowledge; it is more dangerous than ignorance." Dentists tell their patients that all the time. But now – thanks to digital measuring technology tools – they themselves have a way to apply that maxim to their own businesses to help control costs in a challenging economy and maximize profits in a fiercely competitive marketplace.



**Mike Laurie**

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# Dental Hygienist: Independent Contractor or Employee?

by Gina M. DaRoza



One of the questions that dentists frequently ask is "Should I hire my dental hygienist as an employee or an independent contractor"?

It is not uncommon for dental hygienists to request independent contractor status to be able to claim tax deductions that are not available to employees (for example, automobile expenses, tools and uniforms). The dentist may be just as happy to avoid the hassles and bookkeeping costs of tracking source deductions such as CPP, EI and income tax, and issuing a T4 slip every year. It is a common misconception that you can retain a hygienist as an independent contractor by simply saying so in a written agreement. Working at multiple dental offices is also often thought to sufficiently establish the hygienist as an independent contractor. However, would the Canada Revenue Agency (CRA) agree with this classification and what are the consequences if they do not agree? If the CRA determines that your relationship is really that of "employer and employee", you could be ordered to pay both the employer's and employee's share of any contributions and premiums owing, plus penalties and interest.

## The Legal Test

If your intention is to retain your hygienist on a contract basis, it is important to ensure that your relationship is not one of an employer/employee. If it quacks like a duck and swims like a duck, you must call it a duck. Therefore, you must look at the particular facts of your working relationship to see if it supports your hygienist's self-employed status. There is no one conclusive test to determine whether an individual is an employee or an independent contractor. A number of factors must be considered. The weight put on each factor may also vary from case to case.

The following is a non-exhaustive list of factors to be considered as established by the case law over the years:

## Degree of Control and Supervision

In an employment relationship, the employer will have the ability or right to direct and control when and how the employee's work is performed. If you establish the hygienist's work days and work hours in the office, and you control their lunch breaks, vacations and patient appointments (volume of services), it may suggest an employment arrangement. On the other hand, is there autonomy on how their work is carried out? Arguably, dental hygienists have control and independence over their work as they are not required to practice under the dentist's supervision or in the dentist's presence. Hygienists are qualified and certified professionals and can now self-initiate under appropriate circumstances.



## Ownership of Tools and Equipment

If the dentist provides the hygienist with the tools and equipment to do their work and bears the total cost of replacement, repair and insurance, this will generally point towards an employment relationship. Employees usually have complete access to needed instrumentation from their employers, at no charge. Does the dental hygienist have an office outside of the dental office? Does she use instruments and equipment, telephone, reception and other services supplied by the dentist? Does she supply any of her own instruments and/or equipment? Is she required to contribute anything towards these overhead costs?

## Chance of Profit and Risk of Loss

An important factor to consider is whether the arrangement exposes the hygienist to any economic or financial risk. Running your own business means that when times are tough, payment is not guaranteed. Does the dental hygienist cover her own expenses? Does she get paid when patients cancel their bookings, or when she is sick or on vacation?

## Integration with the Practice

Another factor is the extent to which the hygienist constitutes an integral part of the overall dental practice. The more integral to the practice, the more likely it will be an employment classification. Are the hygienist's services necessary and integral to the overall success and survival of the practice? Can the practice continue to operate without the dental hygienist?

## Duration/Permanency of the Relationship

The longer the duration of the working relationship or the more permanent it is, the more likely it will be viewed as an employment arrangement. Independent contractors are more likely to be retained for a limited period of time, or to complete a specific task or project.

## Degree of Exclusivity

An exclusive relationship favours an employment classification. If your hygienist only works in your office, it may be difficult to categorize her as an independent contractor. On the other hand, working in multiple offices for multiple dentists does not necessarily indicate self-employed status. Again, it is just one factor to consider.

None of the above factors are conclusive or can be considered in isolation. Also, when a hygienist is retained as an independent contractor, there is never any guarantee that this will stand up in CRA's eyes, even when there is a written contract to that effect.

Regardless of your decision, it is important to set out the terms and conditions of your working relationship in a properly drafted agreement. Among other things, the contract should clearly state the nature of the relationship: it should state in no uncertain terms whether the hygienist is an employee of the practice or a self-employed independent contractor. If self-employed, the agreement should also address the responsibilities of each party, the fee arrangements, the manner in which the hygienist will invoice the practice for her services, who will supply, repair and replace the tools and equipment required by the hygienist, and how the hygienist will carry out her patient bookings. It is also important that both parties act in accordance with the contract so that the facts support the nature of your stated relationship.

Of course, there are other important issues that are worth addressing in your written agreement with your hygienist. Most notably, you should clearly establish who owns the patient records and the goodwill of the practice. Whether your hygienist is an employee or an independent contractor, you should clearly set out the scope of and limits on the hygienist's right to practice dental hygiene outside your practice and/or to contact or solicit your patients. Although courts are increasingly reluctant to enforce non-competition covenants, if the covenant is reasonable in its terms, it may be enforced under certain circumstances. Perhaps more important than a "non-competition covenant" is the inclusion of a "non-solicitation covenant". If your hygienist has been with you for many years and has become very familiar with your patients, the last thing you will want is for her to contact all of your patients by phone, mail or otherwise to encourage them to follow her to another dental or dental hygiene office.

Finally, if you are thinking about asking your existing dental hygienist to sign a contract for the first time, consult with your professional advisors to determine how to do this properly or you may end up with an unenforceable agreement.



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This article does not replace professional advice.

# An Inside-Out Look

by Dan Pisek



To some, practice marketing means distributing flyers throughout the community. To others, it means the execution of broader new patient acquisition programs. While both serve a purpose, neither captures the entire marketing picture. Smart practice marketing involves looking out for growth opportunities – as well as looking in.

## Are you maximizing the value of your existing patients?

In year one, new patients are worth about \$1,000 each. However, their value typically declines in year two and beyond. While it's important to acquire new patients through external marketing, you should also employ internal marketing tactics to increase, or at the very least, maintain the value of your current patient file.

Think about it. Whereas external marketing strives to win over brand new prospects, internal marketing is a slightly easier task; it strives to generate more business from loyal individuals who already trust you. I'm not saying abandon your external marketing efforts; they're essential to the growth of your practice. I'm simply saying find a balance that allows you to leverage your existing patients, too; they represent a goldmine.

## Are they aware of all the great services you offer?

From whitening and implants to Invisalign, Lumineers, and more, the majority of today's dental practices offer a greater scope of treatments and services than ever before. Most of these treatments and services offer strong revenue potential and profit margins. For the most part, however, patients aren't aware of them.

Whenever I meet a client for the first time, I ask this question: On a scale of one to ten, how would you rank your patients' awareness of the scope of dentistry available in your office? In most cases, after a short pause and some honest reflection, they give me an answer of four, five or six. Think about the annual practice revenue increase one could achieve with an awareness level of seven, eight, nine or ten.

In your practice, you provide a unique mix of smile enhancing services and you need to make some noise about it. What could potentially happen if you don't? Say you offer Lumineers but have no posters on display, nor have you spread the

word about this service through patient communications. A patient of yours has heard about Lumineers from a friend at work, and looks them up online. Lo and behold, an ad appears, inviting him to get 10% off dental veneers at a competing dental practice. Given you don't offer Lumineers (at least, he doesn't know you do), he picks up the phone and calls the number in the online ad. A few months later, he visits your clinic for a check up and proudly asks, "What do you think of my new smile?" Or worse, your competitor treats him so well, he never returns to your practice.

Increasing patient value is one obvious benefit to internal marketing. Generating referrals is another. When I ask new clients to tell me, on a scale of one to ten, how they would rank their patients' awareness of the fact they are accepting new patients and welcoming referrals, again, they normally give me a four, five or six. When I ask them why they haven't made an effort to generate referrals, they frequently



tell me they feel awkward asking, and/or they don't want to appear desperate.

As with every message, there's a right and wrong way to deliver it. The wrong way, in this instance, would be: "We're trying to grow our practice. Please send referrals!" The right way would be: "We're growing our practice and are now accepting new patients. Please feel free to pass our name along." It's not a hard sell. It's simply a matter of saying, "Hey, if you feel like sending your friends and family our way, we'd be happy to look after them, too."

Now that we've explored the whys of internal marketing, let's take a look at the hows. Here are seven best practices that I recommend to my clients.

### 1. Circulate patient directed newsletters

Newsletters are a great way to maintain an ongoing dialogue with your patients in between visits. You can talk up new services, share clinic news, and focus on specific areas of dentistry in each issue. For best results, I always recommend delivering two to four newsletters a year – just enough to remain top-of-mind without inundating your audience. I also say keep it personal. Whether you deliver your newsletter in print or by email, present yourself and your brand with confidence, consistency, pride and professionalism.

### 2. Create merchandising and point-of-purchase materials

Strategically displayed throughout your office, DVDs, before and after photo albums, wall prints, brochures and more will help get people thinking about their smile possibilities, prompt them to ask questions, and generate conversations that lead to more business.

### 3. Launch a patient referral program

Patient referral programs make it easy for you to ask and thank your existing clients for referrals. While most patients are willing to refer

others to a dentist they trust, few tend to think of doing so without being given a gentle nudge. Instead of a small sign (or worse, no sign at all) above the coat rack, create promotional cards that people can take away with them and distribute to friends and family. An acknowledgement piece that thanks them for the referral completes the process nicely and encourages your clients to refer you again and again.

### 4. Host patient-focused events

Conversations don't tend to flow too easily when patients are reclined under the spotlight awaiting treatment with mouths open wide! To catch your patients at their most relaxed, consider hosting a customer appreciation wine and cheese event, an information session on a specific service you offer, or a family skate at your local rink. Patient-focused events like these will help you strengthen client relationships. Invite your guests to bring along a friend and these events may also help you acquire new patients.

### 5. Show your team spirit

"There's strength in numbers" isn't just a saying; it's a fact. So rally your team together. Once you have an internal marketing plan in place, be sure to let all staff members into the loop. Also, schedule team meetings on a regular basis to encourage their ongoing support and participation as you strive to realize your goals. Engaging your team in this manner not only supports your internal marketing efforts; it creates an unmistakable sense of team spirit that is sure to inspire patient confidence, loyalty and referrals.

### 6. Conduct a survey

Knowledge is power, so get in the know. Find out what's on your patients' minds. Are you meeting their needs? What do they value most about being part of your practice? Do they feel you could be doing better in one particular area? Conduct a patient survey via print or the web, and use your findings to develop internal communications that are relevant.

### 7. Give each and every new patient a warm welcome

When meeting a new patient in your office for the first time, take a few minutes to make a connection before getting down to business. Find out how they found you, what goals they have for their smile, what fears they may have, if any, and what type of special treatments they've had in the past. This type of open, easy-going dialogue makes it easier to segue into valuable and potentially profitable conversations about the scope of dentistry available in your practice.

If you don't already have an internal marketing program in place, you may be feeling slightly overwhelmed by the best practices above. Remember, Rome wasn't built in a day, so don't feel you have to tackle them all at once. Begin with a newsletter campaign and build from there, keeping in mind that the more you do and the faster you do it, the sooner you'll realize the full revenue potential of your existing clientele. Good luck!



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# Protecting your dental practice from Fraud

by Andrea Chan and Ryna Ferlatte

The 2010 Association of Certified Fraud Examiners' (ACFE) Report to the Nations on Occupational Fraud and Abuse indicates that the average loss against professional practices from fraud is \$110,000. As a professional and small business owner, you can't afford the time, money, or reputational damage fraud will involve. So the best strategy is to try and avoid it altogether. But how should you go about doing so?

Internal controls can never entirely eliminate the risk of fraud occurring in your practice. Someone determined to commit fraud will most often find a way; however, you can make it much more difficult for them by following these steps.

### Know your employees

As investigators, we often encounter situations where the perpetrator was the last person anyone ever suspected: the long-time trusted employee. While most employees will never commit fraud, you should ask yourself how well you really know your staff, and whether you would be able to recognize whether they are a risk. Any new employee should be subject to a thorough background check, including checking of employment and educational references, as well as credit and criminal background checks. You should note that the latter two require the consent of the prospective employee. While a bad credit report should not necessarily preclude you from hiring someone, it is a red flag, as someone subject to mounting financial pressures may be more inclined to commit fraud. Knowing the facts in advance will allow you to make more informed decisions.

### Know the signs of fraud

Being aware of the potential signs of fraud, including the following, will help you react in a timely manner:

- An increase in patient complaints or lost patients due to billing errors;
- An increase in adjustments to billing report;
- An employee who seems to be living beyond their means or whose behavior and attitude has suddenly changed for the worse;
- An employee who refuses vacation or always is the first to arrive and the last to leave the office;
- An employee who is overly territorial and refuses to have others perform their duties; and
- An unexplained drop in revenues or increase in costs.

While these may not necessarily mean that fraud is occurring, they are all warning signs you should pay attention to. You should become more acquainted with the various types of frauds which can occur in your dental practice and the red flags which may be present.



## Understand the risks specific to your business

The key to preventing fraud is understanding how it could occur in your practice. To do this, you should perform an assessment of your risks. For example:

- Do you have one staff member looking after all of the accounting for your practice, with little or no oversight?
- How much cash do you receive from patients?
- Are your various IT systems secure?

Understanding your vulnerabilities will allow you to design more effective controls to prevent fraud and other wrongdoing.

## Implement a strong anti-fraud control environment

First and foremost, you need to set the tone in your practice, and express zero tolerance to fraud and unethical behavior. Second, if you have not already done so, you should implement sound anti-fraud policies, including segregation of incompatible duties such as the receipt and recording of payments and management of receivables. This is not often an easy task for professionals with few staff members; as such, you should ensure that there are some detective controls in place such as the review of patient revenue reconciliations and receivable write-offs, countersigning of cheques, and system controls to prevent unauthorized deletion of records in your accounting and patient booking system.

## Know who you're doing business with

Payables and procurement fraud is a common way for employees to misappropriate funds, either through fictitious invoices, phantom vendors, kickbacks or other schemes. Do you know who your suppliers are, and whether they are offering you the best value for money? As a practice owner, you should be familiar with your key suppliers, and how much you are paying them for the goods and services they provide. This will help you identify any unusual trends when you are approving invoices and payments, such as new suppliers or unexpected price increases.

## Follow the money

We would argue that the single-most effective step to detecting fraud for dentists is the review of banking records including bank statements, cancelled cheques, and other supporting documentation. In doing so you should first ensure that the bank statements are sent directly to you, and remain untouched by your staff prior to your review. This will allow you to become intimately familiar with your suppliers, identify unusual activity, and understand your cash flow patterns. When you do come across unusual activity, ensure that you get answers. Other steps you should consider to protect your assets include, never pre-signing cheques, avoiding the use of automatic signatures, ensuring you secure unused cheques, and ideally minimizing the use of cheques and cash altogether.

## Get involved

Even though accounting may be more unpleasant to you than a root canal is to your patients, get involved in your practice's finances. We already discussed the importance of reviewing bank statements. You can also implement focused oversight procedures which will not take up a significant amount of your time but will nonetheless send the message that you are on top of your business. For instance, you should periodically review your payroll reports to ensure there is no unusual activity (such as unauthorized bonuses or increases, or staff names you are unfamiliar with), review your receivables to ensure

no unauthorized write-offs are occurring, ensure that you cash receipts are reconciled on a daily basis, and most importantly, ask questions when you think something is off. Remember – the perception of strong oversight acts as a powerful deterrent.

## Safeguard your data and systems

Technology fraud is rampant. Social engineering, identity theft, and malware can all wreak havoc on your practice and reputation, should patient data be compromised. If you are not familiar with these terms, get informed, and ensure your systems are as secure as possible.

Wikipedia defines social engineering as “the act of manipulating people into performing actions or divulging confidential information, rather than by breaking in or using technical cracking techniques.” Examples include emails purporting to be from your bank asking you to click on a link to update your account information. When you do, a malware program is installed on your computer to misappropriate your internet banking information, including passwords. This is only one example. Your employees should also be aware of the risk and be advised to delete unusual emails without opening them, and to not divulge any information over the phone unless they are certain of the caller's identity, as your business and patient data could be at risk. You should enforce system controls such as regular password changes to help prevent unauthorized access to your systems.

## Consider an ethics hotline

According to the Association of Certified Fraud Examiners, fraud is most often discovered through tips. And the best way of obtaining such tips is through the use of an anonymous ethics hotline. Ethics hotlines allow employees to report a variety of concerns anonymously to their employers, including unethical behavior such as workplace harassment and abuse, unethical business practices, as well as fraud. Many organizations offer such services at minimal or no cost to your business.

## Enforce your vacation policy

We often reward hard work, and dedicated employees who work tirelessly without taking vacation or sick days. The truth is, committing and covering up fraud is very hard work and taking a day off may mean that whatever scheme is being perpetrated will be discovered. A simple deterrent is enforcing your vacation policy and making sure that another employee fills in while the other is away. With no exceptions.

## Insurance

Even if you implement all of the above measures, a fraud may still occur. If you have crime and fraud insurance in place, the impact can be a lot less painful. Such policies can compensate you for your loss, and most often, for the costs of investigating and quantifying that loss. If you have not already done so, consider exploring this option with your insurer.



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# How your personal life insurance can put money in your pocket right now

by Mark Halpern

## Get a tax benefit from your life insurance - while you are alive

Transferring ownership of an existing life insurance policy can reduce your tax bill, grow your estate and put money into your pocket now.

Like most dentists you probably have some life insurance, which may be owned, and paid for, by either your company, yourself personally or a trust. If the policy is owned by you or a trust, tax benefits may be available by transferring ownership of your personal policy to your company. At the same time, there is little or no reduction in the after-tax death benefits to your family. Now that professional corporations are readily available to medical practitioners, this strategy is something to consider for you and your family.

## Background to the strategy

There is a unique tax treatment surrounding the non-arm's length transfer of personally held life insurance policies into an individual's private corporation. This strategy has been well known to industry insiders for several years and became more mainstream when it was supported by a Canada Revenue Agency (“CRA”) roundtable discussion at a CALU (Conference for Advanced Underwriters) Conference in Ottawa in 2002. In its response to a sample transfer, the CRA noted that so long as the shareholder received fair market value for their interest in the life insurance policy, the payment received by the individual would not be taxable. The CRA also made the following comments:

“The result of this transaction is that the shareholder is effectively receiving a distribution from the corporation on a tax-free basis. Notwithstanding that the corporation will have a reduced adjusted cost basis in the policy it is not clear that the above result is intended in terms of tax policy. We previously brought this situation to the attention of the Department of Finance and have been advised that it will be given consideration in the course of their review of policyholder taxation.”

## How is the Fair Market Value Calculated?

An actuary calculates the fair market value of the policy based on the current health of the insured(s) and the features of the policy. The policy's death benefit, cash value and premiums required to maintain coverage are all considered.



The process is similar to how the premiums were determined in the first place, and also how commuted values of pension income are calculated.

Not all policies have a fair market value that exceeds the policy cash value. Term life insurance is a good example. However, if an insured with term insurance would now be rated or declined for new insurance due to health problems, the term policy could have a significant value.

Term-to-100 policies or universal life policies with level insurance costs will have a value. Such value will be higher with older policies. Regular term insurance does not have a value, unless the health of the insured has changed as described earlier.

Another factor to consider with respect to permanent insurance is that rates from most national carriers have risen sharply since January 2011, ranging from 10% to 25%. In my opinion several additional rate increases will soon follow. A few companies haven't announced their increases yet, so if you are considering converting existing term insurance or purchasing permanent insurance, there will never be a better time than right now.

### Who Should Consider the Transfer?

The potential tax benefits exist for anyone who owns a private company and also owns an existing life insurance policy (or their trust, spouse, parent or child owns a policy). We will evaluate whether your specific policy has a fair market value.



### Why Act Now

The CRA will make changes at some point. This strategy will no longer be available.

### Our Role

We will obtain a preliminary estimate of the value of your current insurance policies, at no cost to you, and help you decide if there is a benefit in proceeding. We can also perform a comprehensive review of your current insurance policies for adequacy of coverage, ownership, rates, etc. Next we facilitate the independent actuarial report giving the fair market value of the life insurance policies. We will coordinate the entire process and work closely with your accountant and tax advisors to consider the tax treatment and provide the documentation necessary to complete the transfer.

### Bottom line

In the right circumstances, this strategy can put money in your pocket, while effectively reducing the cost of your life insurance policy and improving its performance.



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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.

## Does it have to be hard to have a positive work environment?

by Anita Jupp



### Eliminate a Toxic Work Environment

There are many happy dental offices where the entire team relates on a high level and genuinely enjoys working together; it is truly like a happy family. I have worked with many practices like that and it is a joy and a delight to work with these people.

When I am dealing with any business, it is always enjoyable if the people are positive, understanding, confident in what they do and answer my questions without making me feel inadequate. Statistics are that many people leave a business rather than complain, we only hear from 4% of unhappy clients.

The reality is that not every office is happy. Learning from experience, some practices may have faced a negative environment but through changing staff and implementing new policies, they were able to reach a goal of a happy, stress free environment. However, there are also offices where they can never get to that happy family stage. There are many reasons why this happens and there are also many solutions. Personally, I have been blessed with working with some wonderful people in my career. Yet, I can honestly say that I, like most people, have had to deal with some very negative situations and even had to let people go.

When you let an employee go, I often think it is more stressful for the employer than the employee. The employee is often not happy anyway and hopefully, they find another position that better meets their needs. Often the employee realizes after the fact that they had a wonderful position with many benefits, flexibility and work opportunities but because of their attitude and resistance, they were let go. Hopefully, they learn from the experience and it makes them have more appreciation for their next position.

We spend more time at work than we do at home with the people we love and workplace negativity is the cause of great stress. It is a problem when you feel sick every time you walk into your office. In addition, it is important for every dental office to realize the patient's perception of the office and the patient's ability to sense a negative work environment.



### There are some things we should all try to remember:

- ♥ Treat people the way you like to be treated yourself.
- ♥ Correct in private, praise in public.
- ♥ Good behavior that is appreciated is repeated.
- ♥ Correct the action, not the person.
- ♥ Gossip is destructive.

The most difficult person to deal with is the narcissistic person that believes that they are always right, they are best at everything, most attractive, insensitive to others feelings, selfish and self-centered. The sad thing is it is impossible for these people to change and impossible to work with, that is why a trial period is essential when hiring new team members. That situation you can change, the problem is the business owner is that person; you cannot fire them you have to make a decision to accept them as they are and work for them or find a more positive work environment.

It is important to enjoy going to work and the people you work with. I have heard hundreds of comments from dentists and team members sharing their frustrations. Hiring and keeping a great team is the hardest part of running a business. This should be a priority to save your sanity. As a team member, if you are not happy and there are no solutions to make it enjoyable going to work, think about finding a position that you will enjoy. Doctors, if you have to walk in the back door to avoid looking at the person at your front desk, time to think about 'do you have the right person at your business desk?' Keep in mind that your team is the best investment to promoting your practice if you have the right team.

I remember a dentist telling his team "Why should we have a Christmas party? We don't even like each other." If you can't laugh about it, make some changes.

Remember your success depends on your team, collections, case acceptance, utilization of the computer to track patients and the list is endless.

### There are many examples of a toxic work environment:

- ♥ Throwing papers at someone.
- ♥ Sighing, rolling of the eyes
- ♥ Sarcastic comments
- ♥ Passive aggressive personality
- ♥ People that are overly critical of others and get joy out of pointing out mistakes
- ♥ People that sulk, or worse still, they are rude to your patients
- ♥ Giving someone a bonus check. They say "Oh thanks" but in an unenthusiastic way that suggests this was expected and not appreciated
- ♥ Coming into work at exactly 9am and leaving at 5pm no matter what needs to be done.
- ♥ When people come into work and you ask them how their weekend was and they say 'great' but never ask you how your weekend was because they do not care.
- ♥ When employers are yelled at by team members in front of patients, or when employers are critical and yell at employees in front of patients.
- ♥ Team members speaking negatively about other people in the office behind their backs. Some people have a low self-esteem and put others down to make themselves look good.



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# Making Your Income Passive

by Todd C. Slater



When I originally set out to write this article, I thought about all of the things I wanted to say. Of course, some of them would sound a great deal like the commercials out there from retirement companies. You know the ones, with people dancing on a beach in the surf and in perfect health. So after a few hours of writing what I thought would be a great article, my close friend (who, by the way, is an author) told me that it sounded too much like an advertorial. He suggested that I speak from the heart and simply tell you what I know about my favorite topic, "Investment Real Estate". So here goes.

For those of you in the Dental profession, you work endlessly for years perfecting your craft. While you are doing this, you have the ability to be in the top percentage of all income earners. When the time comes to retire or maybe just slow down, you might consider selling your practice, which will allow you to get a lump sum at the end of your career which may be what you use towards your retirement. Typically, your income is not considered passive!

### Investment Real Estate is both the greatest and worst investment the world has ever known.

I would like to explain my statement. Let me start by telling you why investment real estate is considered the worst investment....TENANTS! The hardest thing that landlords deal with is tenants. You see, no one sets out to find the tenant from hell. In fact, in most cases, you may think you have found a great tenant. But if you are an untrained landlord, with no experience in renting properties, you may interview a tenant but not know what you are looking for and accept a tenant that is unqualified, or accept an inferior tenant, just to fill the property. These are crucial mistakes when owning investment properties. Some landlords get lucky and find that needle in a haystack. The tenant does what they have agreed to do....pay rent on time and take care of your property. Of course, if you do not do your due diligence, this can quickly turn into a nightmare and you are left with a mess to deal with. The thought of being a Land Baron disappears quickly. When this happens, most investors never look at real estate again and never really take advantage of the greatest investment in the world.

So why is real estate the greatest investment in the world? After all, that is a pretty bold statement. Let me explain why this is true. It involves Leverage, Equity Increase, Mortgage Pay Down and Cash Flow.



### Leverage

Leverage is a wonderful thing. It is the power of using a small amount of money to purchase something of much greater value. In the case of investment real estate, it is the 20 percent rule. By coming up with only 20 percent of the purchase price, you can get a mortgage for the balance. In some cases, you can actually purchase with nothing down and receive 100 percent financing. Now that is incredible. When you leverage with other peoples money, your return on investment goes up. The actual increase in value is on the total value of the investment, not just on what YOU have put in. The pay down on the mortgage is on the remaining debt, which is greater than your initial investment. Once you have paid down some of the debt and the value has gone up, you can re-leverage the property and buy another property. This cycle can be repeated every 3 to 5 years.

### Equity Increase

When we look at the history of real estate values, we see a clear trend; values go up over time. Of course, we have seen some significant downturns in market prices, none more current than the recent changes in the United States. However, the Canadian market has been the most secure real estate in the world, which has a great deal to do with our lenders and mortgage insurers. The trend has been a 3% to 5% increase year over year. Whenever you are looking at returns for investment real estate, you should count on a 1% to 2% increase annually; this way you will have a conservative approach.

### Mortgage Pay Down

The idea of having a tenant pay rent is, of course, to pay off the mortgage. Mortgage lenders will typically look at a 25 year amortization schedule. This means that you will be mortgage free in 25 years if you do not make any extra payments. When you factor the mortgage pay down into your return on investment calculation, you can actually get 10% to 15% annual return on your initial investment (your down payment) from this pay down.

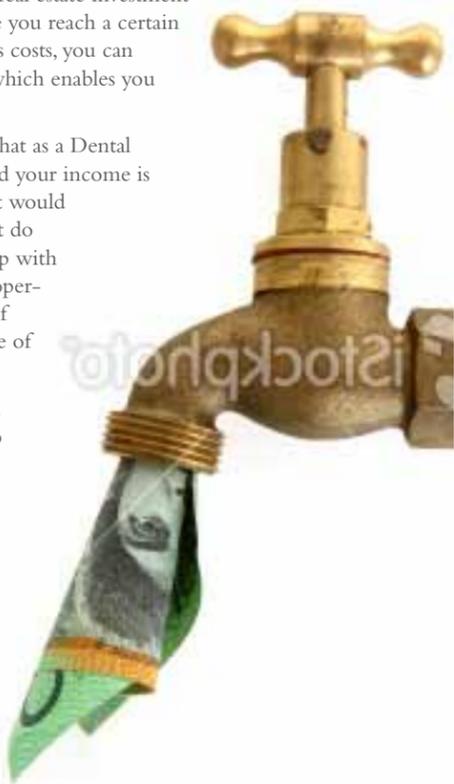
### Cash Flow

One of the most important characteristics of a good investment property is cash flow. This extra money can be used to pay down your mortgage or taken as extra income. When you continually pay down your mortgage, your amortization is decreased to a shorter time period. The idea of great real estate investment is having good cash flow. Once you reach a certain point in the ratio of rent versus costs, you can establish consistent cash flow which enables you to have **PASSIVE INCOME**.

So, earlier we had mentioned that as a Dental Practitioner, you work hard and your income is a result of this. Imagine what it would be like to have income and not do anything, other than coming up with the down payments for the properties. But before we get ahead of ourselves, we still have the issue of the tenants.

The answer to the greatest and worst dilemma comes down to tenants. So why get involved in that? There are companies that specialize in managing both properties and tenants. This allows the real estate investor to have a "hands off" approach and take advantage of what makes real estate investment so great. When you look at the basic numbers, it is much better to pay a fee and have a professional manage your properties while you sit back and watch as your passive income grows. In the end, you are getting passive income while building an ever increasing asset that will be paid off in time. This is what makes real estate a great investment.

Real estate investment is not for everyone, but for those that have ventured into it with the right approach; they have been well rewarded over time. You certainly do not have to make real estate your only investment avenue, but by utilizing it, you can enjoy years of passive income and an asset that is secure to pass on, what we call Generational Wealth.




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**President**  
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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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# Equip yourself to make the best decisions for your practice

by David Bazak



Many dentists assume that being a good clinician will keep them on top of their field. "In fact, you have to run a good business too." says Dr. Garry Stenzler, who operates dental practices in Ontario.

Part of staying on the "leading edge", involves making the right decisions about equipment – not just what to get and when, but also whether to buy or lease, and from whom. Such transactions can have a huge impact on both your practice and finances.

Those decisions can be complex, filled with practice considerations such as the necessity of certain equipment like a dental sterilization machine, its life span, as well as financial questions like cash flow and tax implications.

### Here's what dentists need to keep in mind to make the wisest equipment acquisition choices.

#### How long will equipment last?

Start with the nature of the equipment. View equipment decisions the same way you would look at acquiring a home or car.

Some equipment is like a house – it will last for a long time, and could be considered a sound investment. Dental chairs and cabinets for example, as with a house, you may wish to own.

Other equipment is like a car – something that works well now, but that you might want to change sooner than later – such as your x-ray system or computers. As with a car, where you want the latest model, a lease might make more sense.

Financing and buying decisions however are rarely that clear cut because of the many financial issues at play. There are no good or bad solutions – but there are pros and cons to consider.

#### Cash flow considerations

When financing equipment purchases, funding long term assets with long term financing solutions, whether with a term loan or a lease, is recommended.

For instance, leasing can establish an alternative line of credit which keeps a financial cushion intact. A pre-approved lease line of credit can be beneficial, says Dave Magier, Vice-President, Equipment Financing for RBC Royal Bank. Similar to pre-approved mortgages, this lease line has a pre-set dollar value.



This offers dental professionals the flexibility to act on buying opportunities quickly and at their convenience, whenever they find what's right for their practice.

A term loan, with regular monthly payments, is another consideration. You will own the equipment outright and may pledge it as security for the loan. Term loans, as with leases, are set up to reduce in line with the useful life expectancy of the piece of equipment you are buying.

### Flexibility

Consider the ownership structure of your practice, says Magier. He cites a clinic that involves multiple partners. When upgrading their offices, rather than spending the cash in their capital account (the amount they pool as a portion of their investment in the partnership), they lease the equipment. If a partner leaves or joins before the end of the term, he or she simply ends up paying a pro-rated portion of the usage of the asset.

"Some dentists just prefer to own it, and not have another party with what they perceive as control over their equipment," says Magier. As you own the equipment up-front, you have full flexibility in what you do with the equipment and should your needs change, you have several available options. If you choose, you may upgrade, sell or continue to use the equipment until the end of its life span.

Often term loans to dental professionals are set up with a pay down schedule over 10 years and a one year term to maturity. This one year term allows for maximum flexibility to restructure the loan based on your needs. This flexibility may be meaningful when contemplating prospective changes in ownership or possible practice acquisition opportunities.

### Tax implications

Dentists need to consider the big picture when it comes to their equipment decisions, says Magier. Let's say you decide to buy. With a standard term loan, you pay all the taxes at the front end.

Leasing can be advantageous from a tax standpoint because usually 100% of the lease payments are deductible when incurred as a business expense. When you own, in contrast, you may write off the interest, and depreciate the asset over a set time frame (which depends on the asset).

### Making the decision that's right for you

Besides cash flow, flexibility and taxes, dental professionals should also think of how much time they want to spend managing the process.

"We recognize that for most dental professionals, their biggest issue is time," says Magier. "If their equipment is coming from multiple suppliers, we can wrap all the invoices into one transaction – and our people can help by managing the funding process with all of the suppliers."

Whichever way you want to finance equipment, it's just good business sense to rely on the expert resources available to you, whether a lawyer, an accountant or your bank.

RBC, for instance, has account managers across Canada who are specifically dedicated to dentists and can provide them with a customized analysis demonstrating the potential benefits of leasing versus buying.

"As it happened, RBC had a more competitive interest rate, but I also like dealing directly with somebody who's a health care expert, who gets how we do things," says Dr. McKee, an Edmonton orthodontist. "RBC understood the whole dynamics of my practice."

There are a multitude of products and services available to help you equip your practice for success. The right advice, the kind of independent and expert advice you should expect from the best banking relationships, can be critical to helping you make equipment financing decisions that are right for you. Speak with your banker about options for your equipment needs.



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# My Catharsis

Dr. Dishad Hirji

In a matter of minutes sitting in a lawyer's boardroom, it was done. I retired and sold my dental office at the ripe old age of 43. My back had been bothering me on and off for over two years. I had always persevered over the pain. Neck, shoulder, and hand/finger pain was a constant reminder of how much I loved what I did. I loved dentistry, the environment, my patients, chasing the numbers, presenting treatment and closing the deal, and I loved the slight, sheer panic before a difficult procedure.

And with the deft swipe of a hand, some ink, and a lot of planning, it was over. Now my mind was blank. I made it down the elevator and into my car, where I sat trying to absorb it all—the impact of my decision, the nothingness of what I had to do now.

But then I looked back at the last 30 days, filled with pain, misery and unhappiness.

When I hurt my back two years ago, I knew that I had to change the way I practice or my days would be severely numbered. Change is misunderstood. It only takes a simple, small turn while driving a car to completely change the nature of the destination. Likewise, a simple change is all that is needed to make a big impact in life.

So instead of sitting, I stood for three and a half days of dentistry. Not a full schedule, but my staff and I did a lot of dentistry in that time. My team consisted of 12 superb individuals who had been with me for up to 14 years. We discussed, we argued, we had fun. We made decisions jointly and worked well together.

Standing up at work helped my back, but for the last month, I could not even stand or walk. At the end of each day, I came home, iced my feet and cried from the pain.

Standing—and the electrifying, busy pace of the office—had taken its toll on my body. How much more could I handle or tolerate? It was time.

That evening after the papers were signed, I organized a dinner party that was more like a farewell party for myself. I bought each staff member a farewell gift and introduced the new dentist.

It was the most nerve-wracking evening I ever had to face, filled with disbelief, shock and tears. I broke down. It was emotionally tough knowing that I was now going to be apart from all these people with whom I had shared so much over the years.

The new dentist who bought my office was an exceptional young woman. I wanted the transition to be smooth. And I wanted an easy changeover for my staff and patients. I stayed on for a two-week transition in which I hung around the office, talked to the patients, and helped in the office. It sounded good at the time...but was intense. More nerve-wracking emotion.

Dr Hirji is a graduate of Tufts University who was forced to retire at a young age. She provides a brief account of the trials, tribulations and triumphs of her retirement.

My philanthropic idea of hanging around and easing the transition was a tough grind. The staff was still in shock and patients' reactions went from a deep gratitude to anger for leaving them. I was surprised to get so many gifts and farewell cards. I was a dentist for 17 years with many loyal patients. A practice reflects the individuality and personality of the dentist, and I was blessed with excellent patients (of course, there was a lot of selectivity on my part; I learned the hard way that not everyone was going to like me and I wasn't going to keep patients around to make my days miserable). Each day was filled with tears—patients cried, and I with them.

The main reaction I got over and over again was disbelief. People couldn't fathom that I had retired. A few friends placed bets on how many months I would last before coming back. The most common reaction was, "OMG I can't believe you retired."

There was some envy in a lot of the reactions. "How can you be retired at such a 'young' age?" I sympathized...they were still in the rat race! And I am sure my decision made many reconsider what they were doing and when they were retiring. But within a few weeks, most people had forgotten and were trapped back in their routines.

Most would advise dentists that, despite being wealthy, they cannot afford to retire. But that's only without planning, hard work and vision. In my second year of dental school I had already figured out that I would retire after 15 years. Life has a way of trapping us in our habits. Change is difficult. We become busy with families, careers, hobbies, desires, and so on, and forget why we entered dentistry to begin with.

When starting a journey, most of us want to know where we'll end up. Yet, how many of us actually plan and work to get to a point where our career journey ends and we start enjoying life? We need a paradigm shift when it comes to the perception of retirement.

### Why wait until we are old and unhealthy to enjoy life?

My advice? Plan for retirement now. Figure out your exit strategy, how much money you want to retire with, how young you want to be, how healthy you want to be...

And the benefit of retiring early is that when the money runs dry, I'll still be young enough to work again—and I will have thoroughly enjoyed my 40s. After all, aren't the 40s the new 20s?



**Dr. Dishad Hirji**  
Retired Dentist