

Successful Dentists Think Ahead and Plan

by Tim Collyer, Montgomery Charles Wealth Management



If you fail to plan, you are planning to fail –

a quote by Benjamin Franklin. It is a phrase we have all heard but has particular significance for Principal dentists planning retirement. Taken seriously the process starts at least five years prior to retirement. Running a dental practice is time consuming. Many issues seem urgent although not always important. Long term planning is important but not immediately urgent. Hence the most valuable and most impactful area of planning is often neglected, meaning Principal dentists miss out on significant opportunities of wealth creation and life satisfaction. Improving your practice value requires specialist knowledge. The knowledge required is not naturally part of the dentist skill set but attending a course on the subject can help. Applying it, however; is a whole other ball game, particularly when the day job gets in the way.

The value of a practice depends on its shape, size, and location. It is not surprising that the greater the profit the greater the value. What is surprising is that many Principals do not focus on improving their profitability prior to selling. As an example, if the formula to value a specific type of practice was 6 times EBITDA (earnings before interest, tax, depreciation, and amortisation), which in some cases it could be, then a £20,000 profit improvement may add £120,000 to the sale price. The best way to understand this is to get a valuation, even if you are not planning to sell for 10 years or more. A good selling agent has the knowledge and ability to determine the current value of your practice and identify which type of buyer; corporate or private, would get the most value and thereby be prepared to pay the most money for it. Annually reviewing the price of your practice allows you to see the progression of value and helps you to decide the best time to sell. It also allows you to undertake contingency planning in case things go wrong, such as poor health or a family circumstance that require a prompt exit.

A good Practice Valuer will benchmark your business against others locally and point out which of your metrics reflect favourably on the price and those which do not. If you real-

ly want to push the value, a Dental Specialist Management Accountant will help you to optimise the relevant factors by using a detailed spreadsheet, appropriate coaching, and regular reviews. I have seen excellent examples of this, and while it can be hard work, it can deliver a dramatic uplift in your goodwill value. In many cases profits can be doubled over a 3-year period.

Every new financial plan we deliver uncovers extraordinary value. *The older dentist* who did not realise that deferring his NHS Pension did not enhance his benefits. Had we met him 5 years sooner he would be £250,000 better off. However, no longer will he miss out. *The Principal whose tax bill cost half of his income* until we restructured the business and took full advantage of pension tax relief for both him and his spouse, saving over half the tax he would otherwise have to pay. Now he has investments for the first time amounting to £630,000 in just 4 years. *The Principal going through a divorce being shown how to mitigate a pension lifetime allowance charge* saving him a c£202,000 tax and redirecting pension income to his ex-wife at 20% tax rather than at 40%. *The widower who did not realise that an old life policy in his name also covered his deceased wife from 2 years before.* He received an unexpected pay-out of £180,000 which he shared with his boys. These are just two of many examples we could give.

It may seem like hard work but getting your finances in order is just sensible planning. In most cases it involves making small incremental changes to efficiently use the resources that you have, but every pound of tax saved and effectively invested will be available for you to use later in your life. Working with a financial adviser that can put in place all the key planning steps and work with other specialist professionals, can place you in the best position to weather all that life can throw at you. More importantly planning allows you to live your life as you wish, retire when you want and make the most effective use of the financial resources you have, especially the big ones, your business, your pension, and your main residence.

There are two key ingredients for choosing your Financial Planner Being 'independent'; offering the whole of market, not restricted or tied to one or several companies and being a dental practice specialist who knows

the industry inside out along with the complications surrounding NHS contracts pension scheme. A trusted and effective financial planner will provide an aerial view of all your finances and ensure all parts of the plan work together and point towards your goals and align with your values. We always recommend the use of specialist Dentist accountants, solicitors, and Business Selling Agents. In doing this you are investing in yourself and your future.

Finally, if you feel that you are behind in your financial planning, now is a good time to start. Inflation is rising and newspapers are regularly reporting that taxes will be going up in the Autumn Budget and the benefits of optimising your financial position has never been clearer. Focus on what you are good at, running your business, and invest in specialist professionals to look after the rest. This is our recipe for peace of mind for the busy dentist. Remember that these days, many people spend more time in retirement than they do working. It is important that your money lasts the distance.

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If you are a Principal Dentist and would like to have an informal chat with one of our advisers to see how we might be able to add significant value to your wealth and life get in touch today:
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