

the FIRST 5 YEARS

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About this publication...

This publication has been completed to provide you information, guidance and important considerations as you move towards the next stage in your career life-cycle — as a practising dentist. In your training thus far, you have received excellent practitioner and clinical training skills as well as some financial management exposure. However, a recurring theme we continue to hear from graduates is their preference for more training on the practice management side.

Our objective in writing this publication is to help fill this gap and deliver a good starting point to build your knowledge from.

Our information has been designed as a workbook. There are twelve chapters each one dealing with a major question that you must broach during the course of setting up practice. In most cases, the material is presented in outline form.

This was done so you can locate information without having to wade through a lot of excess verbiage. Under the title on each chapter page the main points of that chapter are listed. We have tried to present this material in an objective factual manner. Please remember that there can always be exceptions.

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CHAPTER I

Build Your Brand

BEGINNER'S GUIDE TO BUILDING YOUR BRAND

If someone asked you today “what’s your story?” would you be able to tell them? It’s a tricky question to answer. Do they want to know about who I am or what I do? The truth is: both. People love a good story. It’s what we’re all about. Storytelling is the essence of connecting. And connecting is the essence of brand building. It shapes how people see you, form an opinion about you, and it allows them to make a decision about you.

BUILD YOUR BRAND EARLY

As a new dentist or student nearing graduation, you may think, “I’ve got plenty of time for that brand building stuff”. Think again. If you start building a brand before you graduate or begin practising, you’ll be that much further ahead in how you see yourself and how you craft what others see.

GRABBING ATTENTION

Think about it. Have you ever checked out your friends’ social media presence and secretly cringed at how what was posted represented that person? Chances are you have followed complete strangers on Instagram or Twitter just because their content was appealing. If a cute dog or an amateur body builder can grab your attention, you know that a clear and clever presentation on perspectives in dentistry can appeal to people too. You also have the added advantage of targeting your branding.

WHAT IS A BRAND?

A brand is a service or a product, but it is also so much more. A brand is a promise—to those people you are trying to influence. It’s what your prospective patients think of when they hear your practice name. By building your brand ahead of time, you can establish credibility and define your narrative—or the story you want to tell—to your followers, potential employers, and partners. Effective branding can help you stand out from the crowd, and in a field that is growing every year, that is a definite plus.



BRANDING FOR FUN AND PROFIT

Think about the brands that you are interested in and get excited about. What is it about them that appeals to you? How can you “borrow” from them to develop your own brand vision? You might start by identifying:

1 YOUR CORE VALUES AND SKILL SET

This means your fundamental beliefs as a person, and how they will be incorporated into your practice. These should be your guiding principles. Tell a story that engages and enlightens.

2 WHAT MAKES YOU DIFFERENT?

Now there lies the rub! Sometimes it isn't easy to define what makes you different. You might be skilled, caring, and have a passion for helping people. But how you “speak to” these aspects of your personality make you unique. Again, think about those strangers who you have followed on social media. Some aspect of their personality came through and compelled you. Think about how you can do that with your perspective patients.

WIN PATIENTS AND INFLUENCE PEOPLE

Dale Carnegie's 1936 book *How to Win Friends and Influence People* has sold over 15 million copies by telling generations of people a few simple truths, including how to arouse in other people an “eager want”. Before you can even get to the “eager want” part of practice building, new and graduating dentists should follow these brand building basics:

1 Purchase a domain name that matches your name.

Even if you eventually chose a different practice name, your name will always be your first currency (i.e. drsarahsmith.com)

2 Set up a professional LinkedIn account and craft a profile to share relatable content within your school and profession.

3 Invest in a professional profile photo.

This is important. Don't let your well-intentioned friends convince you a selfie is good enough. You want an image that represents you professionally.



4 Set up professional social media accounts on Facebook and Instagram.

Use them for professional content only. There are plenty of ways to make these interesting and compelling. Most ordinary folk don't know an awful lot about dental health, whereas you are an expert. You can post the latest dental research on your Facebook page along with a personal anecdote. Instagram is a visual medium, so simple images and links to information will grab attention. This will help you grow your followers. Even if you have say, 400 followers, and 25 percent of them join you at your practice, that means you have 100 loyal patients to start.

5 Invest in a professional one-page website to introduce yourself to the world.

Don't wait. You can start building your personal brand now, and it shouldn't take a lot of time and effort. The fruits of your labour will then pay off when you are looking for work, or starting your own practice.

CHAPTER II

Types of Practices



As a new graduate, there are many options to consider – Associateship, start up a new practice, or purchase an existing practice. We will identify the benefits and drawbacks of each.

ASSOCIATE

BENEFITS

- 1 Nominal outlay of capital typically required.
- 2 Gain experience and build confidence.
- 3 Learn from an established practitioner.
- 4 Fairly stable earnings – can repay any student debt.

DRAWBACKS

- 1 Lower earnings potential versus ownership.
- 2 More challenging, higher priced procedures may be saved for the owner.
- 3 Does your Agreement impact your ability to own in your desired location?
- 4 Possible personality conflicts.
- 5 Not your own boss.
- 6 May learn poor practice procedures as well as good ones.

ASSOCIATESHIP CONSIDERATIONS

- 1 Are there sufficient support staff to serve both dentists? If not, what provisions are to be made?
- 2 Are the facilities and equipment adequate?
- 3 Is the practice large enough for another dentist? Would a hygienist or the addition of another assistant, take care of the overflow?
- 4 Does the owner dentist plan to work less once you are in the practice? Does he/she plan to specialize? If so, how will it affect the overall practice billings?
- 5 What is the owner dentist's succession plan over the next 5 years? Does he/she plan to retire in that time frame? Will there be an opportunity for you to acquire the practice? If so, get it in writing.
- 6 Will the owner dentist allow you to complete a trial period prior to signing an associate agreement?
- 7 If you are only able to work 1 or 2 days at the practice, then look to associate at 2 or 3 different practices.

- 8 Are the owner dentist's practice philosophies consistent with yours?
- 9 Will you get an opportunity to perform challenging procedures?
- 10 If you sign a non competition/non solicitation agreement does it impact your ability to own in your desired location?

ASSOCIATESHIP CHECKLIST

(Consult a competent attorney prior to signing an agreement.)

- 1 What days and hours are you to work?
- 2 What are your days off including holidays?
- 3 Vacations?
- 4 Will you be an employee or an independent contractor (obtain legal advice)?
- 5 Who is responsible for support staff?
- 6 Who will pay for insurance coverage—professional and liability?
- 7 Who is responsible for collections?
- 8 Are there any restrictions on the type of dentistry you are able to do?
- 9 What is the policy in regards to equipment, supplies, instruments and maintenance?
- 10 What are the fees and how are they determined?
- 11 Compensation:
 - a. Straight salary
 - b. Percentage of dentistry produced (40 to 50% after lab fees)
 - c. Percentage of collections (40 to 60%)
- 12 Compensation increases.

- 13 New patient policy.
- 14 Length of association.
- 15 Policy covering prolonged illness of owner dentist.
- 16 Collections and financial arrangements with patients.
- 17 Death provision-what rights do you have concerning the practice?
- 18 Is there a Non Competition/Non Solicitation clause that states that you may not set up practice within a certain area for a specified period of time upon termination of the association? This is not uncommon; however, consult with a lawyer to make sure it is not too severe.
- 19 Termination clause. What are the terms and conditions?

Our experience has shown that associating for several years at a few practices prior to owning a practice is extremely beneficial. You gain the dental experience and confidence while observing from the owner(s) what works and what doesn't, in terms of practice management, human resources and a multitude of operational experience.

NEW PRACTICE START UP

BENEFITS

- 1 Operate your practice with your philosophies.
- 2 Be your own boss.
- 3 Typically less costly than acquiring a practice.
- 4 Hire and train your own staff.
- 5 Develop and design the office layout to suit your needs.

DRAWBACKS

- 1 No patient base.
- 2 Expect losses in the first 12 to 24 months.
- 3 You may choose a bad location.
- 4 You may lack confidence in your dental skills.
- 5 You may lack experience with your practice management skills.



NEW PRACTICE START UP CONSIDERATIONS

- 1 Are you comfortable and good at networking and marketing?
- 2 Are you independent, entrepreneurial and confident about starting your own practice?
- 3 Are you comfortable hiring your staff, training them and implementing your own human resources policy?
- 4 Do you see yourself developing various policies and procedures?
- 5 Is the market size in your desired location large enough to support another practice? You will need to determine the size of your market, estimate your market share as well as analyze demographics and the average income level.
- 6 Have you considered purchasing some used equipment and utilizing a modest layout and design?
- 7 Will you continue to associate and earn a stable income until your practice reaches full capacity?

Our experience has shown the most successful start-ups have the following characteristics:

- Located in relatively under-serviced or unsaturated locations.
- Utilized some used equipment and undertook modest leasehold improvements in order to minimize start-up costs.
- Operating in premises of 1,000 sq ft – 1,200 sq ft, typically consisting of up to 4 operatories.
- Equipped additional operatories only when amount of billings and cash flow could support (all operatories were wired and plumbed at the outset.)
- Established an effective recall program.
- Employed well-trained, empowered staff that is paid fairly.



Group Practices

You may decide to become an owner in a group practice. We will discuss the primary forms of group ownership.

1. Partnerships

A partnership can consist of any number of partners who share in the net practice income. Their share of income as well as other provisions and arrangements are determined by a prearranged written agreement called a Partnership Agreement.

PARTNERSHIPS

BENEFITS

- 1 Shared initial capital outlay.
- 2 Pooled general expenses—lights, telephone, etc.
- 3 Shared support personnel—receptionist.
- 4 Possible double income potential or more.
- 5 Practice is always covered; succession plan in place.

DRAWBACKS

- 1 Loss of income due to inefficiencies.
- 2 Great chance of personality conflicts.
- 3 Doubled personnel responsibilities.
- 4 Not your own boss.
- 5 Difference in energies expended with equal incomes.
- 6 Jealous spouses or nosy family members.
- 7 Responsibility for the liabilities of the partners.

PARTNERSHIP CHECKLIST

Below are key areas that need to be documented in a partnership agreement. Consult an experienced lawyer prior to signing any agreement.

- Arbitration of disputes policy.
- Termination clause.
- Dissolution of partnership clause.
- Buyout partner clause.
- Policy on the purchase of deceased members share of practice.
- Life of each member should be insured to provide money in case of death (for purchase of his/her share.)
- Support personnel policy:
 - Hiring and terminating
 - Compensation
 - Authority
 - Duties
- Vacations, meetings, postgraduate studies.
- Sick leave.
- Policy concerning extended illness of group member.



- Insurance-professional liability. If 1 partner is found negligent are all partners deemed negligent.
- Separate contract on ownership of building (if applicable.)
- Expenses-supplies-overhead.
- Compensation
- Fees
- Collections
- Patient policies.
- Division of work responsibilities.
- Division of profits clause.

FACILITY SHARING PRACTICE

A facility sharing practice usually consists of several dentists (some may be specialists) who combine for the purpose of sharing certain expenses and personnel. Very often they will use a joint reception room, receptionist and hygienist. In a facility sharing practice, each dentist owns his/her practice patient base.

It is important that a Facility Sharing Agreement be prepared, which set out all of the terms and conditions. Listed here are the main benefits and drawbacks.

FACILITY SHARING PRACTICE

+ BENEFITS

- 1 Practice is always covered; succession plan.
- 2 Less likely to have personality conflicts as in a partnership.
- 3 Individual income and practice.
- 4 Possible savings on shared costs.
- 5 Professional consultation.

- DRAWBACKS

- 1 Possible personality conflicts.
- 2 Personnel responsibility may be greater.
- 3 Not as attractive to potential buyers as you are not completely your own boss. As a result, the value of such practices may be less than that of comparable sole ownership practices.
- 4 May be difficult for patients to follow you should you decide to change your location.

ACQUIRING A PRACTICE

If immediate cash flow is important to you or you prefer to have a stable, existing patient base and inherit employees, then buying a practice makes more sense. Below are the main pros and cons and key points to be aware of.

PRACTICE PURCHASE

BENEFITS

- 1 Turn key – Instant practice, equipment, staff and patients.
- 2 Highest earnings potential.
- 3 Bookkeeping and patient records already set-up.
- 4 Immeasurable historic goodwill to be assumed.

DRAWBACKS

- 1 More expensive to purchase than set-up.
- 2 Décor and equipment may have become outdated.
- 3 Shortage of available practices in large urban areas.

CHECKLIST FOR BUYING A PRACTICE

- 1 Why is the practice for sale?
- 2 Is it located in a desirable area (i.e. growing and safe area, access to public transportation, etc.)?
- 3 Be aware of the demographics of the area where the practice is located.
- 4 How many active patients?
How many new patients per month?
- 5 Have you conducted a random audit of at least 10% of the total number of active patient charts? Are there any red flags?
- 6 Review a minimum of the last 3 years of financial statements.
- 7 Have revenues been stable or growing the last several years? What is the practice's cash flow?
- 8 What is the level of hygiene revenue as a percentage of overall revenue? The greater the percentage, the higher the average hygiene billings per active patient, typically resulting in higher billings. A high percentage is an indicator that a good hygiene recall program is in place.
- 9 Is the vendor staying on to help in the transition (send out a joint letter, introduce to new patients, etc.)? If the vendor is staying as an associate, have an Associate Agreement prepared.
- 10 Is the vendor signing a non competition and non solicitation agreement?
- 11 If associates are being maintained, have they signed non competition and non solicitation agreements?
- 12 Are key staff being retained?
- 13 In what condition are the premises and equipment? Are substantial expenditures required to update the equipment and décor?
- 14 Has a valuation report been completed by a well-known valuation firm? The vendor typically pays for this.
- 15 What is the value of the goodwill and equipment?
- 16 How long has the practice been established?
How long has it been located in the present location?
- 17 If premises are leased, is the lease assignable? Does the lease have a demolition clause or other unfavorable clauses? What is the remaining term of the lease, including options to renew?
- 18 Engage an experienced lawyer and accountant.



Typically, the smoothest and most successful acquisitions are ones where an associate working at the practice for a few years prior buys it. The patients and staff are familiar with the buyer and patient attrition is lowest in these instances.

The purchase by an outside dentist can also be successful as there are measures you can implement to minimize patient attrition, such as: Have the vendor stay on for a short period of time, send out joint introductory letters, have a grand opening or similar event attended by the buyer and vendor, staff and patients.

We are consistently asked whether it is better to start up or acquire a dental practice to commence ownership. Each has its advantages and drawbacks. Ultimately, the answer is based on your preference, skill set and comfort level with establishing a practice from scratch. You need to first assess what your goals and needs are.

From a financial perspective, our experience indicates acquiring an existing practice usually is more profitable

than setting one up. The primary reason is the established cash flow and amount of time it would take the new practice to reach its full capacity. There are exceptions of course. One is starting a practice in a less saturated, less competitive market, such as a rural area. These areas benefit from less competition and a smaller market that may not support an additional practice. In addition, these practices also enjoy lower expenses such as wages and occupancy costs (rent or cost to purchase the building) along with lower leasehold improvement costs. So these new practices are quite profitable and can be more profitable than those in urban areas. One financial drawback of a rural practice is it will typically be more difficult to sell and will sell for less than an urban practice. The majority of dentists want to live and practice in an urban area, making the rural practice unattractive to most purchasers.

CHAPTER III

Locations



It is often said the 3 primary success factors of operating a business are location, location, location. This also applies to dental practices. Below are examples of communities where you can operate, as well as their main advantages and disadvantages.

SIZE OF COMMUNITY

LARGE CITY

BENEFITS

- 1 Usually more patient referrals.
- 2 Greater chance for professional contacts.
- 3 Usually good public transportation.
- 4 Usually greater cultural, recreational, entertainment and educational options available.
- 5 Better chance to specialize.

DRAWBACKS

- 1 Office expense (salary & rent) is usually greater.
- 2 Greater competition.
- 3 Your practice will usually build slowly.
- 4 More difficult to become socially and professionally acquainted.

SMALL TOWN

BENEFITS

- 1 Usually easier to become socially and professionally acquainted.
- 2 Practice will usually build quickly.
- 3 Office expenses (salaries & rent) are usually less.
- 4 Less competition equals typically better economic opportunities.
- 5 You can become prominent in the community.

DRAWBACKS

- 1 Fewer professional contacts.
- 2 Smaller pool of experienced support staff.
- 3 Likely more difficult to sell, resulting in a lower resell value.
- 4 Poor public transportation.
- 5 Educational, recreational and cultural facilities may be limited.
- 6 Lack of privacy.

COMMUNITY CHECKLIST

We recommend you look into the following to determine if this is the best fit for you.

- 1 How does it compare to the “best” community you ever lived in?
- 2 Is the town growing, static or declining?
- 3 How many dentists are practising in the area?
- 4 What is the dentist to population ratio?
- 5 How many dentists have moved? Why?
- 6 Are the local dentists active in their local society?
- 7 What do the local dental offices look like?
- 8 What fees is the local dentist charging?
Are they up-to-date?
- 9 Are the people enthusiastic about their community?
- 10 Talk to the bankers and ask them about the town's future. Is there new industry coming to town-what are they doing to attract new business.
- 11 Is it a one industry town?
Tourist or seasonal industry?
- 12 Talk to someone your own age and get their opinion of the community.
- 13 How many hospitals serve the community?
- 14 Talk to some physicians and get their opinion of the community and its people.
- 15 Is new housing being built?
- 16 How are the local schools?
- 17 What are recreational facilities and cultural events like?
- 18 How is the climate?

COMMENTS

It is important that you jot down the answers to each of these points to enable you to re-evaluate them in order to reach a conclusion.

SPECIFIC TYPES OF LOCATIONS

Once deciding on the community you would like to practice in, you then have to determine where within that community you prefer. Below are some examples.

DOWNTOWN PROFESSIONAL BUILDINGS

BENEFITS

- 1 Close professional contacts.
- 2 Many established locations requiring little building upkeep.
- 3 Many sources of referrals.
- 4 Close to laboratories.
- 5 Good public transportation.

DRAWBACKS

- 1 Some people don't like to fight “downtown” traffic and parking.
- 2 Less visibility than a street level location.
- 3 Rent and salaries are usually higher.
- 4 Often you're tied down to a long term lease.
- 5 It's difficult to expand.

BUSINESS NEIGHBORHOOD

BENEFITS

- 1 You may find an established location.
- 2 Rent may be less than downtown.
- 3 Practice may build more quickly.
- 4 Free convenient parking may be available.
- 5 More word of mouth referrals.
- 6 Typically higher patient retention even if they move as most will work in the area.



BUSINESS NEIGHBORHOOD

— DRAWBACKS

- 1 Fewer professional contacts.
- 2 May not be any public transportation.
- 3 More emergency work and late hour appointments.
- 4 Office may be a walk-up type.
- 5 The surrounding neighborhood may begin to deteriorate.

RESIDENTIAL NEIGHBORHOOD LOCATION

+ BENEFITS

- 1 Your investment may increase in value.
- 2 You are in charge of your own building.
- 3 Convenient
- 4 Easier to expand.
- 5 All of the benefits that were listed under the business neighborhood.

— DRAWBACKS

- 1 Initial cost is greater.
- 2 Neighborhood may deteriorate and so might your investment.
- 3 Cost of upkeep is higher.
- 4 Pressure to work evenings & Weekends.

SHOPPING CENTER LOCATION

+ BENEFITS

- 1 Become established more quickly.
- 2 Usually up-to-date surroundings.
- 3 Convenient location with free parking.
- 4 Usually high traffic.
- 5 Good patient referrals.

— DRAWBACKS

- 1 Typically higher rent.
- 2 More late hour and emergency appointments.
- 3 May have poor public transportation.
- 4 Fewer professional contacts.
- 5 Longer hours of operation to match shopping mall hours.

RESIDENCE OFFICE LOCATION

+ BENEFITS

- 1 No traveling time.
- 2 Overhead is shared.
- 3 It's easy to expand.
- 4 Certain tax advantages.
- 5 All of the benefits listed under residential neighborhood.

— DRAWBACKS

- 1 More emergency calls.
- 2 More late hour appointments.
- 3 Very little office or personal privacy.
- 4 Lack of professional contacts.
- 5 Much harder to discipline yourself when first starting out.

CHAPTER IV

Office Planning



Another key consideration involves your premises. Whether you lease the existing premises, convert a space into a dental office or build a new premise, all have important considerations and pros and cons. Here are some examples.

- Leasing an existing dental office
- Changing an office into a dental suite
- Building a new office
- Sharing a premises
- Equipment selection

LEASING AN EXISTING OFFICE CHECKLIST

- 1 How long is the lease? Are there options to renew?
- 2 Is the lease assignable?
- 3 Does the lease have a demolition clause and other unfavorable clauses (i.e. relocation clause)?
- 4 Is the rent competitively priced?
- 5 Are the renewal rates subject to arbitration?
- 6 What renovations are you allowed to make?
- 7 What renovations and improvements are necessary and how much will they cost?

- 8 Who pays for the renovations and leasehold improvements?
- 9 Is the landlord willing to provide a few months rent free while renovations are made?
- 10 Are there enough operatories and are they large enough to accommodate the equipment you are going to use?
- 11 Is there adequate room for future expansion?
- 12 Does the layout assist with patient traffic flow?
- 13 Check the past history of the building.
- 14 Consult an experienced lawyer and/or lease negotiator to review the lease.

CHANGING AN EXISTING OFFICE INTO A DENTAL SUITE

As above in addition to:

- 15 Can plumbing be run under the floor?
- 16 Are there any objections to a dental suite by surrounding offices?
- 17 Consult a competent dental dealer.

EQUIPMENT

If you decide to establish your own practice, then you will need to purchase equipment as well as plan your office layout. We will first discuss equipment and the primary items you should have in your practice.

EQUIPMENT SELECTION

We will not recommend any specific brand of equipment in this book. We will, however, pass on some of the techniques that we have been using for years to help dentists determine what type of equipment they will work best with. Notice, we said with. Improper selection of equipment can cause a great deal of pain and discomfort. We feel your equipment should be personally designed for you so that it will act as an extension of your body. If your equipment is not chosen with care you could find yourself twisting and making awkward, time-consuming motions. Here are the basic items we feel you should have in an operatory.

STOOLS

Dental stools are commonly the last piece of equipment that will be chosen by the Dentist and their Dental Assistant or Hygienist.

The dental stool is the most utilized piece of equipment during a typical working day. A properly fitted quality stool will help the practitioner to not only maintain good health but will also aid in reducing operator fatigue. Dental seating should be of utmost importance when making your equipment selections. You should take into consideration the product construction, support, personal fit, physiology, and ergonomics. A good stool will aid in a more productive career.

CHAIR

The chair is one of the first pieces of equipment that a patient will experience in the dental office. It needs to be comfortable, easy to access (retractable or no armrest) and modern in design. An articulating headrest is recommended for better comfort and improved operator access during procedure.

Seamless upholstery is also recommended for infection control purposes.

It's a practice builder.

INSTRUMENTATION

Dental instrumentation is also commonly referred to as the treatment center, unit or control. It will provide the air, water, electricity and vacuum services necessary for dental procedures.

When choosing a treatment center, some of the things that must be taken into consideration are:

- Are you left or right handed?
- Will you work 2 or 4 handed?
- Will you need to perform any procedures in a stand-up position?

You will then have to choose between the following instrument delivery systems:

- Rear delivery
- Over the patient delivery
- Side delivery
- Wall mounted delivery
- Ceiling mounted delivery

One important thing you need to consider when choosing a unit is "How easily will this unit integrate new technologies?"

X-RAY

Digital x-ray is now a standard in dentistry. You have two choices for intra-oral x-ray machines an AC or DC generator. DC is the unit of choice when working with digital sensors. Today's x-ray machines allow you to choose variable KVP and some with variable MA. The technology is changing constantly, so be sure to visit a showroom to see the latest products.

LIGHTING

If you didn't have an X-ray you could still practice a certain amount of crude dentistry, however, without a dental light you would be helpless. General vision illumination and oral illumination are two of the most important items in a well equipped office. Check with your dealer for the latest in operatory illumination.

CABINETS

The value of cabinets cannot be overlooked in an operatory. They will provide storage as well as equipment compartments, organizing drawers and auxiliary work surfaces. Time and motion is almost synonymous with good dental cabinetry.

Discuss the various equipment concepts with your dealer. He/she is going to have a preference, but remember, his/her primary concern will be to make you as comfortable and as efficient as possible. They will be able to tell you which equipment is reliable (from a service standpoint) and which equipment is supported by the manufacturers.

EXAMPLE OF A FLOOR PLAN



CHAPTER V

Finance



Are you looking to start a practice? Or acquire one? Is it time to update and modernize your current practice? These questions can be overwhelming. Where do you start?

A good banking relationship is key to achieving any of these goals. Choose a financial institution that can offer financing solutions specific to the nuances, marketplace, and tradecraft of dentistry. Your banking partner should understand the subtle distinctions that make the dental landscape unique.

In the following sections, we will discuss basic financial terms, review documents pertaining to due-diligence and common financial items a dentist may require when working with a preferred financial institution and an experienced dental-savvy commercial banker.

YOUR SUCCESS TEAM

Before approaching a bank, surround yourself with a team that can advise, guide and support your strategic vision and goals.

ACCOUNTANT

Your accountant will compile, analyze, and prepare financial records including advice on tax strategy. They will prepare and file corporate tax returns for your practice and may vet financial statements to analyze an acquisition target. Accountants can also act as a resource to guide you through business growth and advise on the best way to properly structure your business to optimize performance and divestiture.

LAWYER

Your lawyer can assist in preparing and reviewing legal documents such as associate agreements, leases and purchase and sale agreements. You should seek a lawyer's counsel anytime there is a legal matter that may expose your practice to undue risk or litigation.

PRACTICE VALUATOR

An experienced dental valuator assesses practices that are coming to the market for divestiture. They can offer an opinion of value on dental practices and guide you through the process of selling or buying.



BANKER

An experienced lender understands the dental industry and the unique banking needs of the sector. Whether you are looking at an acquisition, modernization or funding a start-up practice, a good commercial banker can offer a critical path forward to address the specific opportunity at hand. They can also provide guidance to complimentary financial solutions such as merchant services, wealth management, personal mortgages, and all other forms of credit beyond commercial lending.

Once you have your success team lined up, your financial institution will need to know what type of ownership model you are using. Each ownership model has advantages and disadvantages and is something you should consider carefully with counsel from your success team.

OWNERSHIP CLASS 101

There are three main types of ownership models. Each has its benefits and drawbacks. You should obtain accounting and legal advice before deciding on a model. The chart below illustrates ownership types:

Sole Proprietor 	Partnership 	Corporation 
This is when you operate in your own name i.e., Dr. Smith	This is a form of business where two or more people share ownership, as well as the responsibility for managing the partnership	Dentists can incorporate in most provinces. A professional corporation such as Dr. Smith Dentistry Professional Corporation is set up.
Advantages	Advantages	Advantages
<ul style="list-style-type: none"> • Lower cost to establish • Lower ongoing professional service costs 	<ul style="list-style-type: none"> • Lower cost to establish • Lower ongoing professional service costs 	<ul style="list-style-type: none"> • You are not personally liable • Continuity, as it is its own legal entity • Typically pay lowest income taxes due to lower tax rates and other tax minimization strategies
Limitations	Limitations	Limitations
<ul style="list-style-type: none"> • Usually pay more in income taxes due to higher tax rates • You are personally liable • Ceases upon your death 	<ul style="list-style-type: none"> • Usually pay more in income taxes due to higher tax rates • You are personally liable • Potential personal conflicts among partners 	<ul style="list-style-type: none"> • Most expensive to set up and maintain

Having an open and honest conversation with your accountant will help you determine how to structure your ownership class. It is important to set up your organizational structure with your long-term plan in mind. Though you will realize upfront costs, this will reduce headaches, complexities and future costs ensuring an optimized setup from the outset.

ACQUISITION AND START-UP FINANCING

START-UP REQUIREMENTS

BUSINESS PLANS

The most important document the bank needs when working towards a start-up practice is your Business Plan. It should include your market analysis, marketing plan, professional background and managerial experience, and 3-5 years of thorough and justified financial projections. Your business plan should also indicate how much financing you are seeking from your chosen financial institution.

PROJECTIONS

Business projections need to be specific to the local market and opportunity. The sales performance they predict should be obtainable, honest, and detailed. Projections allow your banker to identify critical signposts when comparing them to historically proven benchmarks of performance and growth in the sector.



MARKETING ANALYSIS

An in-depth analysis of the market your business operates in will help your banker understand how you will meet sales targets and how you will repay the bank loan. The size of the market, demographics, population density and competitive analysis are all important aspects of a sound Market Analysis and pivotal for the owner's understanding and development of a critical path to financial success. The analysis will also provide deeper levels of due diligence to the bank when considering the viability of the project or specific opportunity.

YOUR BACKGROUND AND MANAGERIAL EXPERIENCE

When a bank considers a new financing opportunity, management is one of the most important variables. A business can have strong financials, an excellent market, and cost-efficient vendors, but if management is inexperienced or not present in the business, there is more risk. It is important to highlight your experience in management, training, leadership and in the dental field, including accreditations and specialization areas.

LEASEHOLD/EQUIPMENT FINANCING

A large part of your start-up will require financing for equipment and leasehold improvements. When approaching your banker for financing on these items, you need a plan or quote in place that specifies what resources you will need and how much it will cost. Leasehold improvements will also need to be detailed, including all millwork, electrical, plumbing, finishing, etc. Typically, the bank will finance up to 100% of these costs.

ADDITIONAL TYPES OF FINANCING

REAL ESTATE FINANCING

Sometimes an opportunity may arise where a practitioner may purchase the building the clinic occupies. Often, banks can finance up to 100% so long as affordability is evident. These loans amortize over up to 25 years with fixed or variable rates available.

OPERATING FINANCING

To meet the practice's working capital and day-to-day operating needs, a line of credit is typically set up. Limits will usually equate to 1.75 times monthly revenues. Operating lines of credit are charged interest but only on the amounts that are advanced. Interest is applied to the operating line monthly. Repayment is on-demand, though excessive usage of the line of credit could be flagged as a concern and an overall lack of cashflow in the practice.

OTHER CONSIDERATIONS

PREMISES AND LEASE AGREEMENT

Location, location, location! Considering the location of your purchase and its lease terms will be an important due diligence item in your acquisition or start-up. The physical building and its conditions are another consideration. What are the conditions of leasehold improvements? Will there soon be additional costs to maintain/update the building? Your loan will typically not exceed the remaining term on a lease. Leases often also have renewal options to extend the term of the lease. In consultation with your legal team, watch out for unattractive conditions such as demolition clauses or non-transferable clauses.

PERSONAL NET WORTH AND FINANCIAL OBLIGATIONS

Personal guarantees are a typical requirement in most dental financings. A guarantee means a practice owner would be willing to support a deal if the practice were financially unable to. That said, the initial risk assessment completed by a banker is meant to ensure business proceeds sufficiently cover the debt advanced. The personal guarantee demonstrates that the owner has faith that the business will independently cash flow. An additional aspect of the business financials, in conjunction with obtaining the owner's financial obligations, is making sure that the owner's compensation is sufficient to cover their personal debt obligations.



CREDIT SCORE

You may wonder why a personal credit score is important to your business financing request. When taking a personal guarantee, a personal credit score reflects an individual's credit worthiness and their overall reliability. Your credit report contains data on all credit products you have personally held i.e., lines of credit, credit cards, loans, and mortgages. It illustrates whether you pay your bills on time, the level of revolving credit utilized and how many times an applicant has applied for credit, amongst other things. It is important to note that borrowing over 75% on revolving credit products such as a line of credit will negatively impact an individual's credit score. Applying for credit from too many lenders may also have a negative impact. This might indicate that a borrower is credit seeking and unable to manage finances based on current cashflow.

SECURITY

A common set of security items you will see when being presented with an offer from a banker would include the following: General Security Agreement (a blanket charge over inventory, equipment, and accounts receivables), assignment of life insurance, personal guarantee from all owners, confirmation of personal income taxes paid up to date and assignment of fire insurance as first loss payee.

YOU ARE NOW A BUSINESS OWNER! WHAT NEXT?

YOUR BANKING RELATIONSHIP

At minimum you and your banker should be meeting once a year. A scheduled, formal, or informal meeting should occur to discuss how the practice is running, how financials are performing, and if you have encountered any obstacles. A more thorough review occurs annually, usually with the collection of financial information. This is a terrific opportunity to have an open-ended discussion about how to improve margins, where weak points are and where improvements can be made. Your banker will be your point of contact for account inquiries, authority changes, lending facility increases and anything else bank related.

FUTURE GROWTH

As your business grows, so may your need for additional financing. You may notice that you need to hire more staff, your equipment needs to be replaced, or your existing location is too small for the volume of clients, all of which cost money. This should come as no surprise to your banker if they have continued to have a wholesome relationship with the practice owner, inclusive of effective communication.



DEFINITIONS OF COMMON FINANCIAL TERMS

Goodwill: Goodwill represents an intangible asset on the balance sheet, often attributed to intellectual property, customer base or reputation / brand

Principal: The sum of money originally borrowed upon which interest is paid

Amortization: The process of paying back a loan in full over the full lifetime of the loan. Amortization reflects the full life of the loan from the time the funds are advanced to the time the loan is paid off in full.

Term: A set period within an amortization (typically between 1 and 5 years) where a borrower can lock in a fixed rate.

Interest Rate: The percentage per period of principal required to be paid by borrowing funds.

Variable Rate: Traditionally based on the Prime Lending Rate, this rate will fluctuate from time to time thus impacting the amount of interest paid by the client.

Fixed Rate: Fixed interest rates remain constant over the length of the term, which is locked in anywhere from 1 to 5 years.

Balance Sheet: One of the four most important financial statements, this provides users with a snapshot of a business's financial position (assets and debts) at a given point in time.

Income Statement: Also known as a Profit and Loss (P&L) Statement, the Income Statement outlines earnings, expenses, profits, or losses of a business during a period.

Cash Flow Statement: This statement provides users with a view of where a business is generating cash from. Cash will be derived from operating activities, investing activities and financing activities.

Statement of Owners' Equity: Also called a Statement of Retained Earnings, this statement outlines profit kept, or retained, in the business. It can also outline whether a business has distributed funds to its shareholders.

If you require more information or have any questions regarding financing or banking, feel free to contact us at mailbox.nationalindustryprograms@cibc.com

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CHAPTER VI

Practice Marketing



Years ago, all you needed to start a practice was equipment and an office space. You nailed your shingle, relied on good old word of mouth and the yellow pages, and waited for the patients to show up. Those days, of course, are long gone. But it doesn't mean new dentists are more prepared for the overwhelming business responsibilities of “setting up shop”.

When I sit down with potential clients who are looking to transition from being an associate to practice ownership (whether it is a start up or a move up), I see that most never completely understood the vital importance of a good marketing plan and a solid and separate marketing budget.

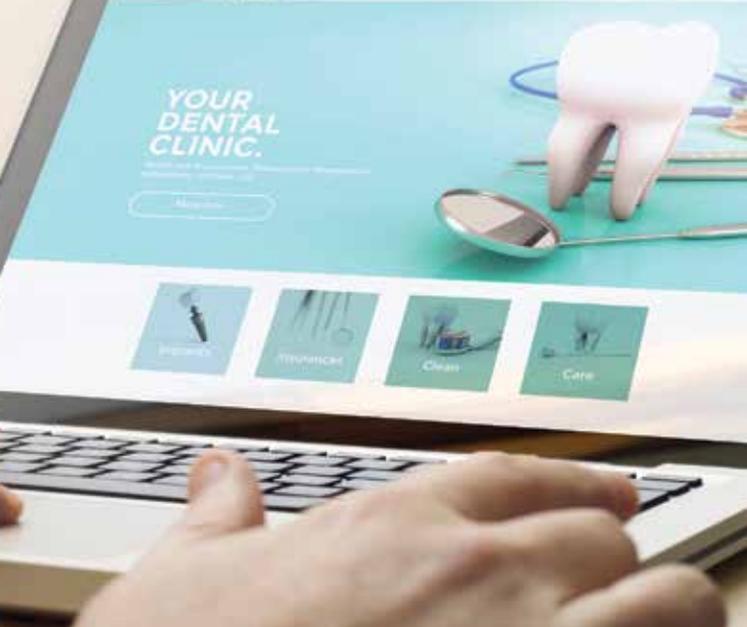
That's where a practice marketing specialist comes in. A dental marketing professional is an expert in marketing for your specific field. They understand the dental world, including the intricacies of the profession and college advertising guidelines. Your primary goal will be acquiring new patients and building lasting relationships with them. You'll want to ensure you are following the necessary guidelines so you don't get your practice into any trouble—while you work with a trusted party that is invested in your success.

MARKETING THE RIGHT WAY

An effective marketing strategy is an absolute must to help your practice thrive in today's competitive market. So, just what does that entail? We'll start from the beginning, to give you an idea of the scope:

1 ESTABLISH YOUR BRAND

Before you have anything, you have your skills, vision, and reputation. These are marketable assets. Marketing specialists can help you create a unique brand that connects with your target audience. This all starts with the right practice name. Ensure you register your practice name with the college and receive their approval prior to beginning any marketing push such as the logo design process.



2 ESTABLISH A WEB PRESENCE

A responsive (ie mobile-ready) website that is search engine optimized is vital for a modern practice. Make your website a reflection of your vision and values. It should be more than just a friendly introduction to your team and services. This is the place to let patients and potential patients know what you offer and how it is unique and of value to them.

3 USE PROFESSIONAL PHOTOGRAPHY

When you are presenting yourself in your marketing material, present in your best light. Even if your uncle's neighbour is a skilled amateur photographer, they might not have the right "eye" for the kind of images you need. Hire a professional photographer to take photos of your office and team. Ask to see their portfolio. It will show you their skills and give you an idea of how you might want your practice represented visually. Hint: stock photos may be cheaper, but they are "stock" and that means everybody can, and does, buy them. You don't want to use the same happy, smiling family image that you see on the side of the city bus. It will make your practice indistinguishable.

4 CONSIDER AN INTRODUCTION VIDEO

A video is a great and dynamic way to introduce your office to potential patients. Again, hire a professional. A good quality video will pull viewers who wouldn't normally spend the time reading a lot of web copy. Promote the video on social media channels (start a YouTube channel) and draw interest to your practice.

5 SCHEDULE A GRAND OPENING

Be welcoming and capture your local "audience". A grand opening is a great way to connect with your community and neighborhood. Invite friends and family, local businesses, politicians, and the newspaper to ensure a good turn out.

6 NETWORK, NETWORK, NETWORK

Be active in your community, whether it be coaching a team (or sponsoring one), or volunteering for the food bank or a community event. You want to be seen in the community and you want potential patients to know that you are approachable.

7 WHAT'S YOUR SIGN?

Signage is important, especially if your practice is in an area where people walk or drive past. You want clear, visible signage that helps people identify your brand and website and encourages them to inquire more about you.





8 BE A SOCIAL MEDIA PERSONALITY

A consistent social media presence will help your brand become known in your community. It can also help engage. If you are a laser dentistry expert, or have special training or skills in say, pediatric dentistry, you want people to know this. Give them something to spend time on. Connect with your audience on a personal level that is how you can separate yourself from the rest. Get involved in the community and showcase your support on social platforms.

9 DON'T FORGET THE MAIL

Believe it or not, mailers work! Even with the plethora of online and social media outlets, people still like getting things in the mail. A local community mailer program - whether it's a promotional post card or newsletter— will give you regular exposure in your neighbourhood. A creative flyer will prompt people to call.

Each brand and practice is as unique as you are. Take the necessary marketing steps to set yourself apart and set your practice up for success.

10 WORK WITH YOUR CAPTIVE AUDIENCE

Don't ever take your existing patients for granted. Educate them on dental health and your services. Cultivate your relationships by giving excellent care. The little things, such as calling them after a procedure, count. And when it comes for counting on them, don't shy away from asking patients for reviews and referrals.



CHAPTER VII

Auxiliary Personnel



- Dental Assistant
- Hygienist
- Daily Routine For Assistant

WHAT ARE THE ADVANTAGES OF A DENTAL ASSISTANT

- 1 Less interruptions.
- 2 More productive chair side work.
- 3 Better collections.
- 4 Patients are greeted and dismissed more smoothly.
- 5 Better record keeping.
- 6 Better telephone handling.
- 7 Depending on the assistant, he/she could prove to be a practice builder.

HOW DO YOU FIND A GOOD DENTAL ASSISTANT

- 1 Advertisement in local paper.
- 2 Local employment agencies.
- 3 Possible referral by other dentists.
- 4 Local dental society or dental assistant society.
- 5 Dental assistant's schools.

QUALIFICATIONS FOR DENTAL ASSISTANT

- 1 Pleasing personality.
- 2 Poise
- 3 Enthusiasm
- 4 People oriented.
- 5 Initiative and imaginative.

HOW TO INTERVIEW A DENTAL ASSISTANT

- 1 Using applicable questions lead applicant into a discussion of his/her qualifications.
- 2 Fully explain duties and salary.
- 3 Be frank, but at the same time be friendly.
- 4 Ask about background, schooling, other jobs, and why looking for a new job.
- 5 Ask why he/she would like to work in your office.
- 6 If you decide to hire - establish a trial period.

WHAT SALARY

- 1 Check CDA national averages by area.
- 2 Check with other local dentists.
- 3 Check with Supply House.

WORKING CONDITIONS

- 1 Establish written policy which covers the following:
 - a. Hours
 - b. Salary (including overtime)
 - c. Vacations
 - d. Work expected to be done.
 - e. Sick leave and Holidays off.
 - f. Incidentals – such as uniforms, courses, smoking privileges, telephone calls, etc.

UTILIZATION OF AUXILIARIES

- 1 Employ the right person.
- 2 Have written outlines for the duties of:
 - a. Chair side Assistant
 - b. Receptionist
 - c. Hygienist
- 3 Delegate all ethical duties to auxiliaries.
- 4 Provide for frequent staff meetings to check on team effort and rapport of staff.

WHEN TO HIRE A DENTAL HYGIENIST

- 1 When you feel you have enough recall business.
- 2 When hygienist's duties have to be performed by you to the detriment of more productive work.
- 3 When you cannot provide the hygiene and education services you would like, due to lack of time.

WHERE TO FIND A DENTAL HYGIENIST

- 1 Make contact with Hygienist Schools.
- 2 Use one part-time with another dentist.
- 3 Possibly pay part of the education cost of one of your dental assistant's in return for X-amount of years work for you.

METHOD OF PAY

- 1 Salary
- 2 Salary and commission
- 3 All commission

POSSIBLE DUTIES OF A DENTAL HYGIENIST

(Will vary depending on geographical area and schooling)

- 1 Take X-rays
- 2 Develop and mount X-rays
- 3 Dental prophylaxis
- 4 Maintain recall system
- 5 Toothbrush drill
- 6 Home care instruction
- 7 Dental education in relation to value of teeth to patient and their total health.
- 8 Child-parent education in relation to oral health and proper diet.

STATEMENT OF OFFICE POLICY

- 1 Hours
- 2 Salary
- 3 Sick Leave
- 4 Holidays
- 5 Duties
- 6 Miscellaneous-uniforms, etc.



HOW TO HOLD A STAFF MEETING

- 1 Use democratic process—everyone has an equal and valid opinion.
- 2 Pre-schedule frequent meetings (daily or monthly.)
- 3 Be careful of criticism.
- 4 Be sure no one holds grudges due to discussion of strengths and weaknesses of office routine.
- 5 Be fair.

Below is an outline of a suggested daily schedule. This obviously will vary depending on your practice, habits, and desires.

ONCE A MONTH

- 1 Send all statements on the 28th—never later.
- 2 Pay all bills payable by 10th.
- 3 Post recapitulation sheet.
- 4 Check through cross-index re-call book.
- 5 A monthly “organization meeting” is essential for a smooth running office routine.

DAILY ROUTINE FOR ASSISTANT

- 1 Arrive at least 30 minutes before first patient.
- 2 Ventilate office suite.
- 3 Get into clean uniform.
- 4 Tidy and dust office, reception room first.

- 5 Turn on power, water, gas and air.
- 6 Prepare sterilizer for use.
- 7 Make list of day’s appointments for doctor.
- 8 Check “appointment reminder” patients.
- 9 Open, sort and file mail.
- 10 Post all previous day’s records.
- 11 Deposit money receipts daily.

ODD TIMES

- 1 Make out Day Sheet for next day.
- 2 Check collection sheet.
- 3 Sort and arrange linen.
- 4 Bank all receipts.
- 5 Implement fraud prevention techniques.
- 6 Ensure you review collections and deposits.

ONCE A WEEK

- 1 Clean cabinet, polish furniture and perform preventive maintenance.
- 2 Check over supplies.
- 3 Tidy laboratory.

CHAPTER VIII

Business Management



- Accounting & record forms
- Insurance checklist
- Example office policy
- Credit & collections

ACCOUNTING AND RECORD FORMS

As with any modern business, dentistry requires a system of record keeping and accounting. The dentist needs the following information recorded:

- 1** Patient records indicating services rendered, statements sent to patients and unpaid balances.
- 2** Dental supply and equipment purchases, payments made to dealers, depreciation and unpaid balances.
- 3** Commercial dental laboratory fees.
- 4** Purchases, other expenses, utilities, payroll, all accurately recorded with amounts paid and unpaid balances.
- 5** A balance sheet and a profit and loss statement showing the dentist's net income before taxes.

A software system may be used that maintains this information and which is acceptable by the Canadian Revenue Agency.

DENTAL OFFICE RECORDS

- Daily record
- Filing supplies
- Expense record
- Appointment cards
- Yearly summary
- Letterheads and envelopes
- Patient account record
- Payroll earning record
- Professional cards
- Desk calendar
- Appointment ledger
- Receipt record
- Statements
- Patient call list
- Examination charts
- Recall card
- Patient health history

Depending on the system and accountant or tax consultant you select, the above list may be expanded to provide the particular analysis of the practice you desire.

INSURANCE CHECK LIST

1 PROFESSIONAL LIABILITY/MALPRACTICE INSURANCE:

To protect against claims of malpractice arising out of the dental practice. In some provinces, this is provided by the regulatory college.

2 PREMISES LIABILITY INSURANCE:

To protect against claims of injury occurring in the dental office, not arising out of the practice of dentistry.

3 LIFE INSURANCE:

To protect family and creditors. In case of death.

4 ACCIDENT AND HEALTH INSURANCE— DISABILITY INSURANCE:

To provide the dentist with an income while disabled due to accident or sickness.

5 MEDICAL INSURANCE:

Provides coverage to the dentist or their family.

6 FIRE AND EXTENDED COVERAGE INSURANCE:

Protects the dentist on dental equipment, supplies and the dental office, (to protect creditors when financed).

7 WORKER'S COMPENSATION INSURANCE:

To protect against injuries to employees.

DENTAL OFFICE POLICY

A printed office policy, made available to each new patient, starts the dentist-patient relationship on the road to mutual understanding. An example 'Policy' is printed beside for your considered use as a guide only. Your office policy may well differ in content and tone.

EXAMPLE DENTAL OFFICE POLICY

It is the intention of all personnel in this office to provide for your dental health needs as thoroughly and as efficiently as possible. We, therefore, wish to acquaint you with the customary sequence of procedures followed in caring for the new patient in our practice.

The initial appointment is spent conducting a thorough examination. It includes clinical examination, X-ray as indicated, complete dental health history and impressions for diagnostic models for most children and all adult patients. "To see is to know, not to see is to guess". The more comprehensive the examination, the more intelligently we can diagnose and treat. In those cases where emergency treatment is necessary for the relief or prevention of pain the examination is usually accomplished on the second office visit.

From our study of the X-rays, diagnostic models, and the clinical findings we will diagnose the case so that at the next appointment we can recommend proper treatment. If there is more than one method of treatment to be considered both will be discussed, as well as what can be expected from each type of service. An estimate of the fee for any service will also be given at this appointment. When the type of treatment has been decided upon, time will be appointed for the earliest possible completion of the case. Financial arrangements are customarily made at this appointment. We prefer that both parents of a minor patient be present for this consultation, and that adults bring their spouse, a close relative, or friend. In this way misunderstandings are avoided.

We believe most sincerely that one of the most important services we have to offer is a plan for preventive dentistry. For this reason we spend considerable time at the above appointment discussing preventive measures, which if followed will help the patient maintain the mouth in a state of optimum dental health, once it has been restored. We believe without exception, in the preservation of the natural teeth whenever they can be maintained in a healthy condition. All patients are recalled at periodic intervals for preventive examination and prophylaxis. The number of months between recall appointments will depend upon the conditions present in each individual mouth.



If at any time you have questions regarding any treatment, fee or service please discuss them with us promptly and frankly. We will make every effort to avoid a misunderstanding, to rectify an injustice, or to preserve a friendship.

CREDIT AND COLLECTIONS

It is generally accepted that most delinquent or unpaid dental bills stem from two causes.

- 1 The patient did not thoroughly understand the nature of the dental procedure completed, and/or,
- 2 Discussion of fees and agreement as to when they were to be paid was not properly arranged in advance.

SUGGESTIONS TO HELP PREVENT CREDIT PROBLEMS

- 1 Subscribe to a reliable credit rating agency.
- 2 Regular statements.
- 3 Regular reminders on past due accounts.

The following collection letters are for use after the patient has agreed to make periodic payments and has missed one or more payments.

FORM No.1

As you will recall, we agreed that you will make (periodic) payments in the amount of _____. Until your entire dental bill of _____ has been paid. No interest has been added, The balance due is _____.

You did not make the payment due on _____ as promised, and we would appreciate hearing from you.

FORM No.2

We are disappointed that you have not honored our agreement to make (periodic) payments on your dental bill. The balance is and a payment was due on _____ and not made. Please feel free to call me to discuss this.

FORM No.3

Unless payment is made on your overdue dental bill within the next seven days, appropriate legal action will be taken.

CHAPTER IX

Making & Managing Money



Now that you have graduated, have a new career and financial opportunities open up, where do you start?

Setting Financial Goals

Financial goals vary, whether it is saving for a vacation, repaying debt, buying a home or a dental practice or paying income taxes - **it is important to have a plan.**

Debt Repayment vs. Savings

Repaying debt is the first course of action but even starting a small amount of monthly savings is a good habit to begin. Seek advice in order to maximize interest savings on debt while still saving for your future goals.

“Good” Debt vs. “Bad” Debt

Debt is often necessary (homes, degrees, practice purchase). But debt can become a burden when used to cover living expenses, purchase consumer goods, or fund travel. This debt is often incurred on high interest rate credit cards or lines of credit and is referred to as “consumer debt.”

To determine which debt to pay off first, look at the interest rate charged on each type of debt, and reduce the highest interest rate debt first.

- **Credit card debt:** Interest rates can be high on credit card debt — should be your top priority.
- **Line of credit or student line of credit:** Lines of credit can have favourable interest rates. They are typically based on Student loans may have tax relief in the form of credits as well, however the interest rate may be low enough on a student line of credit that it may make sense to reduce or eliminate student loans first before your student line of credit.
- **Student loans:** Certain provinces provide interest-free student assistance programs. They may also provide upfront grants and have loan forgiveness programs.
- **Vehicle loans:** Many vehicle companies offer zero percent interest or long-payment plans. A zero percent or low interest rate usually incorporate the financial cost into the vehicle price. In addition, you risk owing more than what the vehicle is worth in the future with longer payment plans.
- **Mortgage:** Mortgage rates have been at low levels in the last few years however have recently started to fluctuate and change drastically. Although banks qualify a mortgage based on higher than current rates, this could significantly impact cash flow when repaying the mortgage if rates continue to fluctuate rapidly. As with vehicle loans, carefully consider long amortization periods.

Strategy for Paying Off Debt

Consider making more than the minimum monthly payments when planning your debt payment strategy. Speak to a professional advisor about monthly debt payments and debt repayment timelines.

STRATEGY FOR INVESTING

Looking at Goals

Once you are established in your career, you will likely have more income and cash flow. This is the time to begin saving and investing. There are many options: such as a savings account, an investment account, a Registered Retirement Savings Plan (RRSP), or a Tax-Free Savings Account (TFSA). The type of investment made will depend on your goals and your risk profile, which will require the advice of a financial advisor.

The following are some common tax advantageous saving options. Note that in each type of account (either an RRSP or TFSA) you can invest in several different types of investments, such as mutual funds, GICs, bonds, equities, etc.

Registered Retirement Savings Plan (RRSP)

Each taxpayer can contribute a limited amount into their RRSP account, referred to as a RRSP deduction limit. An individual's deduction limit increases each year by 18 percent of the previous year's earned income, to a maximum of \$29,210 in 2022 and \$30,780 in 2023.

A contribution to your RRSP, up to your deduction limit, provides you with a deduction against taxable income. The higher your marginal tax rate, the higher the tax savings of making a contribution. Contributions to an RRSP can be invested and as income is earned from the investment, tax is deferred. Withdrawals from RRSPs are included in an individual's taxable income the year it is drawn. Generally speaking, contributions are best made while you're taxed at a higher marginal tax rate and RRSPs are best withdrawn at a lower marginal tax rate.

Tip: Your RRSP deduction limit is shown on your Notice of Assessment each year

Tax Free Savings Accounts (TFSA)

Taxpayers can contribute to a TFSA up to their contribution limit. The contribution limit is a cumulated balance that increases by a set amount each year for all Canadian residents who are 18 years old or older.

TFSA contribution room is \$6,000 for 2022 and \$6,500 for 2023. Contributions to a TFSA are not tax deductible; however, income earned in a TFSA is tax free and any withdrawals from a TFSA are also tax free. Check with CRA to find out your current limit as it is impacted by what you contribute and withdraw. Overcontributions may result in significant penalties.



CHAPTER X PREPARING YOUR PERSONAL TAX RETURN

Filing your Tax Return as a New Graduate Employee or Self-Employed Associate



Once you have graduated, your personal tax return will likely become more complex.

THE BASICS

In Canada, individual taxpayers pay tax on their world-wide income, less deductible expenses to determine your “net” income. The tax calculated on net income is then reduced by tax credits.

Income:

There are many types of income, and not all are taxed equally:

- Employment income, business income and rental income
- Interest income
- Dividends
- Capital gains.

EMPLOYEE VS. SELF EMPLOYED

Once you have graduated you may have the opportunity to become an employee or an associate of a dental practice. There are significant tax differences:

	Employee	Self Employed
Level of control	<ul style="list-style-type: none"> • Principal determines treatment plan and work. • You rely on the employer’s professional judgement. • You must work set office hours. • Less flexibility on patient cases to perform. 	<ul style="list-style-type: none"> • You determine the work to be performed on patients. • You work autonomously. • You are usually able to choose your own schedule. • You can accept or refuse to perform work.
Tools and equipment	<ul style="list-style-type: none"> • The principal provides all tools and equipment. 	<ul style="list-style-type: none"> • You provide your own tools and equipment.
Opportunity for profit	<ul style="list-style-type: none"> • Remuneration is fixed. • You receive a salary. 	<ul style="list-style-type: none"> • You determine the number of patients you provide services to based on your clinical judgement and physical capacity. • You can work at more than one clinic increasing control of your income.
Financial risk	<ul style="list-style-type: none"> • Principal is responsible for legal, financial liabilities from patient complaints, malpractice, professional misconduct etc. 	<ul style="list-style-type: none"> • You are responsible for legal, financial liabilities from patient complaints, malpractice, professional misconduct, etc.



The following are some of the income tax implications of being an employee vs. self-employed:

- Self-employed income is business income while employment income is salary.
- Expenses incurred to earn business income qualify to be deducted from income, while deductions from salary income are very limited.
- As an employee, you pay into the Canada Pension Plan (CPP) while your employer matches your contributions. As a self-employed individual, you must pay both your portion and the employer portion into CPP.
- As an employee, you contribute to Employment Insurance (EI), and qualify to receive EI due to job loss, sickness, maternity or paternity leave. While self-employed, contributing to EI is optional.
- As an employee, your employer deducts income tax from your salary and remits it to CRA on your behalf. As a self-employed individual, you receive the gross amount of your earnings and will be required to pay all your income tax by April 30 following the tax year. And are required to make quarterly installments payments (payments on account) to pay for the current year's taxes if you owed more than \$3,000 in taxes in the past tax year.
- Talk to a tax advisor to estimate what your tax bill will be and how much you should be setting aside.

COMMON DEDUCTIONS AVAILABLE TO DENTISTS

Tax deductions, or “write-offs,” are deducted from your employment or business income, reducing the amount of income subject to tax.

Deductions from employment income are limited and require your employer to complete Form T2200 allowing you to deduct related employment expenses.

Business income has a broader scope. The general rule for deductions against business income is:

- The expense must be incurred to earn business income
- The expense must be reasonable

If the expense falls into the general rules, it is deductible, unless specifically excluded under the Income Tax Act.

Below is a list of common expenses which can be deducted against business income:

Potential Deductions Available for Self-Employed Dentists

Vehicle expense: Vehicle expenses if you are required to use your vehicle to earn income. Travelling to work from home is excluded as a business expense. The deduction amount is determined by taking a percentage of all vehicle expenses, based on kilometres driven for business purposes. Vehicle expenses include fuel, insurance, repairs, and maintenance, etc.

Conventions and seminars: Costs to attend conventions or seminars related to your profession, if held in a relevant geographical area. Up to two conventions can be deducted per year.

Dental equipment: This could include handpieces or loupes. Dental equipment would be a capital expense and only a portion is deducted each year at CRA-specified rates. The deduction rate depends on the equipment purchased.

Dental supplies and tools under \$500: Supplies and tools under \$500 can be fully deducted in the year they are purchased. (Note: equipment over \$500 is deductible but only at a certain percentage per year, as prescribed by CRA).

Laptop, computers, tablets, smart phones: These are considered capital assets and similar to equipment, only a portion can be deducted each year at the CRA prescribed rates.

Cell phone and internet expenses: Business portions are deductible.

Books and publications: Books or publications related to your profession are deductible at CRA prescribed rates, or may be deducted all in the current year if it is a periodical publication or subscription.

Meals and entertainment: These are limited to 50 percent of the expense, with some exceptions. Deductible meals and entertainment include expenses incurred with business contacts, patients, or while away at a conference or seminar.

Professional dues or fees: Fees to the Canadian Dental Association, Provincial Dental Associations or Boards are deductible.

Legal, accounting, or bookkeeping fees: Business-related legal and accounting fees are deductible.

Scrubs: Uniforms if used only in your practice.

Salary to family members: Salaries to family members are deductible if it is reasonable. They must be performing a job for your business and the salary must be reasonable given the job they are performing.

Tip: Any items listed above which were purchased during dental school and are now being used in your business may be available as a deduction once you're earning business income.

Note the above list of expenses is not exhaustive but are common for dental associates.

CHAPTER XI

PROFESSIONAL CORPORATIONS

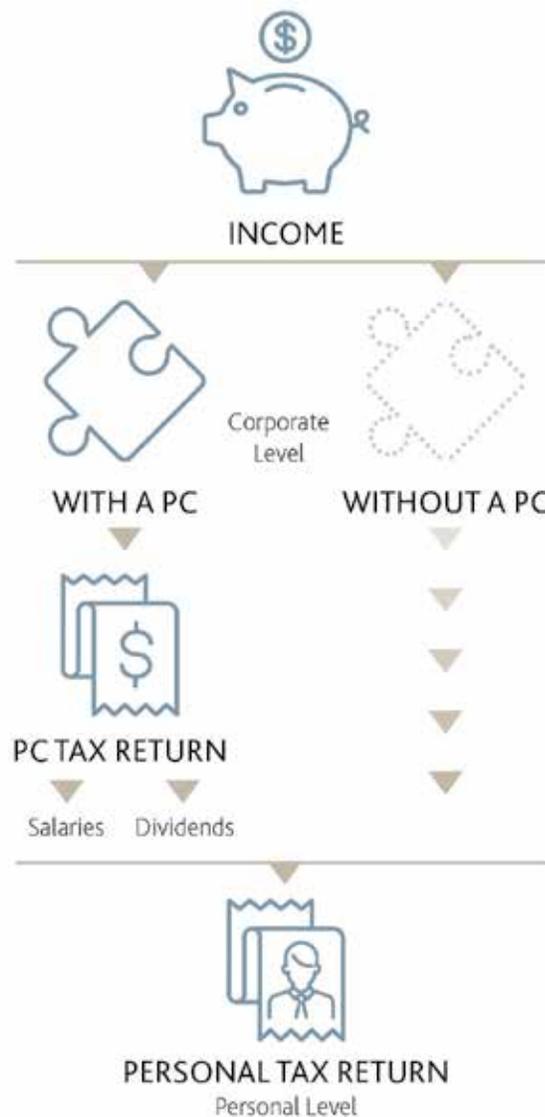


Professionals can run their business through a corporation (“PC”). If you are considering opening or buying a dental practice, it is also important to consider whether this should be done in a corporation.

WHAT IS A PROFESSIONAL CORPORATION?

A PC is a separate legal entity taxed on the income you earn as a dental associate or self-employed dentist. The PC must file its own tax return and typically pays tax at a lower rate than the individual.

Income earned in a PC is initially taxed in the corporation. Income is taxed personally only when the income is taken out of the corporation. There is flexibility on when income is taken out personally, providing an opportunity for tax deferral. There is also flexibility on taking out the income as a dividend or salary.



SHOULD YOU SET UP A PROFESSIONAL CORPORATION?

Not everybody benefits from structuring into a professional corporation. There are start-up and ongoing costs, therefore the benefits must outweigh the costs. A general rule of thumb is to consider incorporating once net income reaches \$150,000 or when you can save about \$50,000 a year from your earnings. It depends on an individual's situation and for some, it makes sense to set up a professional corporation with a lower income, while for others a higher level of income is needed to benefit. Typically, when purchasing a practice, it may be beneficial to utilize a corporate structure. It is best to seek professional advice to determine whether setting up a professional corporation is right for you.

BENEFITS OF A PROFESSIONAL CORPORATION

Tax Deferral

A tax deferral allows an individual to delay paying personal income tax on income earned. Each province is different; for example in Nova Scotia, a professional corporation pays tax at 11.5 percent on the first \$500,000 (2022), whereas the top marginal tax rate for individuals is 54 percent (on income above \$221,708). Therefore, if money is earned and kept in a professional corporation (to save or invest), rather than earned personally, there is a potential deferral of tax of up to 42.5 percent.

Income Splitting

Prior to the introduction of Tax on Split Income (TOSI) on January 1, 2018 professionals, through their corporation, could split income with other people they supported financially, thereby lowering their overall tax burden.

These opportunities are severely restricted during practice years.

Individual circumstances do vary and you should seek professional advice.

Paying Off Practice Debt

As mentioned, corporate tax rates are lower than personal tax rates. If you have taken on debt to purchase a practice or build a practice, doing so in a professional corporation may assist with paying off the debt more quickly. As the tax rates are lower in a professional corporation, you have more after-tax to service the debt than if you owned the practice personally.

Use of Capital Gains Exemption

Using a professional corporation may allow you and other shareholders to use the Lifetime Capital Gains Exemption (LCGE). Each taxpayer can claim up to \$913,630 (2022, adjusted annually for inflation) of capital gains tax free on gains on the sale of a qualified small business corporation. A dental practice may qualify as a small business corporation; the corporation is subject to certain tests to qualify and with appropriate planning can often meet the tests. If you sell the shares of your professional corporation dental practice, up to \$913,630 of the gain on the sale could be tax free. Sales of a practice can be a complex transaction with many available sale options, so it is important to seek professional advice.

ONGOING USE AND MAINTENANCE OF A PROFESSIONAL CORPORATION

Required Tax Filings

As a self-employed individual, you are only concerned with filing your personal tax return and you may need to file T4 slips if you employ employees. With a professional corporation, you must continue to file your personal tax return and also file a corporate tax return (T2) for the PC, T4 slips for any employees or if you have paid a salary or bonus to yourself and T5 slips for any dividends paid to you and other shareholders. The cost to use and maintain a professional corporation is higher than a self-employed individual, and it is important to seek professional advice to determine whether it is right for you.

CHAPTER XII

References



- New Practice Checklist
- Other Sources Of Information

SUGGESTED CHECKLIST FOR DENTIST ESTABLISHING NEW OFFICE:

- 1** Must have certificate of successful completion of Prov. Board Examination.
- 2** Select your location then secure a lease or agreement for space (conditional upon financing, if financing required).
- 3** Obtain a business permit issued by City or County in which you will practice if it is required.
- 4** Draw up Budget for capital and operating expenses.
- 5** List office phone with phone company and directory listing.
- 6** Start utility service for water, gas and electricity.
- 7** Have the phone number of nearest physician or emergency hospital readily available.
- 8** Obtain Malpractice Insurance in addition to other insurance policies (disability, practice interruption, etc.).
- 9** Make application to Secretary of Local and Prov. Societies for membership:
 - You should receive at that time a schedule of meetings.
- 10** Plan to hire an assistant when ready.
- 11** Have announcements, stationery, business cards, etc. printed.
- 12** Establish bank connections.
- 13** Establish Consumer Credit connections.
- 14** Establish account with Dental Supply Co., and order necessary items for office.
- 15** Establish account at dental laboratory.
- 16** Establish account with pharmacy.
- 17** Establish fee schedule.
- 18** Re-direct or begin publication subscriptions to your office address.
- 19** Make arrangements for janitor service.
- 20** Make arrangements for uniform and linen service.
- 21** Meet colleagues in area.
- 22** Choose accounting software system.
- 23** Hire an experienced accountant and lawyer.

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