Funny, when most people think about CPAs, “progressive” is not the first word that usually comes to mind.

Fortunately, the publishers at The Progressive Orthodontist have not gotten where they are today by focusing on tired habits. Neither have I and my allied accounting, wealth management and pension-planning firm, as we help orthodontists wear the many hats they must to thrive in today’s business climate. My goal in this column is to offer you better integrated — dare I say, progressive — ideas for aligning your business and personal wealth, so you can spend the bulk of your energy on your true calling.

So let’s get down to it. How do you ensure that the many logistics of running your practice — your accounting and tax efforts, your business practices, your wealth accumulation (both personal and professional) and related matters — are all pulling together to put a smile on your face as you build your practice?

Just as offering coordinated orthodontic services means hiring the right support staff for the right positions, managing the logistics of your practice means compiling the right team for the job. But these days, there’s a challenge. Professional service providers don’t fit into easily identified boxes as readily as they used to. In the “good, old days,” an accountant did your books. A bank held your money. A lawyer established your corporation. Three roles, three people, three brick buildings.

While the proper credentials and functions remain every bit as necessary and important as ever, the best team for the job has grown far more fluid. Sometimes single firms can offer multiple services. This flexibility offers myriad opportunities
for enhanced efficiencies and better-coordinated action, but it also can make it harder to identify who is who as you do your team building.

Let me help you with that. Rather than focus on titles, let’s focus on roles. What roles come into play as you launch, grow and eventually transition your practice? How can those needs be smoothly coordinated and managed? With these questions addressed, you can conduct your due diligence from an informed, well-planned position, identifying what you’ve already got covered, and where gaps may exist.

Oversight

I wasn’t sure whether I should begin or end with the oversight role. Maybe both, because it’s just that important. Yes, you need professional specialists to bring their expertise to bear on various functions within your growing practice. But who’s ensuring that all the complex, moving parts are running in tandem?

To offer an illustration, say you’re working with an architect and contractor on an office remodel.

- Has somebody taken a good look at your proposed project (preferably before construction and spending begins), to ensure that you’re maximizing any tax-related benefits available from the planned improvements? Is your accountant even aware of your plans?

- For that matter, have you received expert guidance on whether remodeling actually pencils out more favorably than moving, both practically and financially?

- Have you been informed about typical benchmark costs and benefits within your industry for these sorts of projects, to ensure you are in line with recommended best practices?

- Are there personal wealth considerations to be made as you invest in your practice? For example, perhaps your personal portfolio should be shifted to safer or riskier holdings, to best balance your professional and personal goals and risk tolerances.

You get the idea. The oversight role rises above project-specific details to focus on your true end goals.

At our firm, we fill this critical role under the broad umbrella of “wealth management,” along with providing related expertise in many of the other capacities described. But our way is not the only way. The key in this equation is that you have a wealth manager or someone in a similar capacity to help you and your entire professional advisor team work productively together on your behalf. He or she should:

- Be intimately familiar with the particular opportunities and challenges within the dental profession in your community.

- Have sufficient expertise across a breadth of business and financial concerns, to be able to coordinate the efforts of your specialized team members.

- Helping you determine whether you are paying a fair price. Think win-win throughout a transition or outright purchase.

- Show you cash flow scenarios given specific circumstances such as loan payments and taxes, to ensure that you are properly capitalized and that your after-tax “take home” pay is acceptable.

- Consult with you on how orthodontic transitions and sales are typically structured and how the structure of your particular practice will affect you. Ortho practice transitions are among the most complicated in dentistry and they are wrought with opportunities for bad results if not properly designed.

Practice Management – The Early Days

As a CPA myself, I admittedly may have some bias on this subject, but I truly believe that a dental-specific CPA is one of the first relationships a young orthodontist should establish. In addition to helping you after you are in practice, a good, dental-specific CPA can really set the stage.

If you are going to begin by working as an associate, there are numerous important tax-related issues to consider. For example, will you be an independent contractor or an employee? What is the difference? What things are deductible and how do you keep track of them? Is there a way you can save for the future even though you do not have your own practice? These are all questions a dental specific CPA will answer for you.

He or she can also play a key role when you are ready to purchase or buy into a practice, by:

- Helping you determine whether you are paying a fair price. Think win-win throughout a transition or outright purchase.

- Show you cash flow scenarios given specific circumstances such as loan payments and taxes, to ensure that you are properly capitalized and that your after-tax “take home” pay is acceptable.

- Consult with you on how orthodontic transitions and sales are typically structured and how the structure of your particular practice will affect you. Ortho practice transitions are among the most complicated in dentistry and they are wrought with opportunities for bad results if not properly designed.
On the subject of transitions, several fine firms work solely with orthodontic practice transactions & transitions across the country. After all, an ortho practice is a distinct business model compared to other dental practices. So, while a practice broker will be a part of most general dental practice sales, and many of the other specialties, they might not be a great choice to handle the sale of an orthodontic practice. Suffice it to say that a specialized orthodontic practice transition consultant is likely to be a critical member of your team at the beginning and the end of your career.

**Additional roles include:**

**Lenders** — Typically bankers, but not just any banker. You want a lender who will understand that dentists/orthodontists have very low default rates, the recent economic crisis notwithstanding, who will view your signature as the first and most important piece of collateral you have; and who proactively seeks to collaborate with your remaining team players to help you optimally structure your financing. Oh, and bankers move around a fair amount so you have to decide if your relationship is with the institution or the individual.

**Legal consultants** — You’ll work with a variety of attorneys throughout your career as an orthodontist, but the dental-specific attorney who helps you evaluate or structure an employment agreement or represents your interests when you purchase transition or sell your practice is key. Other areas of the law with which you will require extremely competent help include labor and human relations, tax and estate planning, trusts and wills. Of course, there are attorneys who specialize in professional liability matters (malpractice) whose services we hope you never need to utilize.

**Practice Management – Ongoing**

You may have noticed a pattern emerging here: regardless of the particular role being filled, I find the best starting point is to seek someone who is both adept in his or her own area of expertise as well as familiar with yours. If there is one thing I have observed during my 30-plus years in the industry, dentistry in general and orthodontics in particular are complex professions that do not lend themselves to one-size-fits-all, generalist services. As your business hits its stride, for example, would generalist consultants be able to address these types of concerns?

- The proper proportion between collecting case fees in advance versus getting paid over time, and the appropriate level of down payments. What about third party financing and the costs vs. benefits of paying a significant discount to get paid up front? When should you raise fees? The wrong formula here can lead to cash flow problems during slow periods when you can least afford them and disproportionate income, tax and other liabilities during normal times.

- What about the impact on your net income by the ratio of cases started for children to those started for adults or, what is your net income per case? Is that even important?

- Additional challenges distinct to ortho practices, such as appropriate staffing and delegation, scheduling, recall and patient contract and accounts receivable management techniques, case presentation and youngster/parent management.

- According to the 2009 JCO Orthodontic Practice Study, practices that delegate case presentation start 64 more cases per year than those that do not. And, those that delegate fee presentation start 67 more. Your specialized consultant needs to know this and be able to train your staff in those vital areas. By the way, orthodontic practices that utilize a practice management consultant start 92 cases more per year than those that do not.

**Optimizing Your Financial Arrangements**

Beyond the daily details of operating your practice, you probably hope to build wealth with your business, both personally and professionally. That is where we bean counters (and a fee-only investment advisor) can come in. Again, while any number of CPAs can offer basic accounting, financial statement and tax preparation, does the professional fulfilling these roles have what it takes to help you move beyond merely tracking your financials and into harnessing them to help you build a better practice?

Think of the difference between a panoramic radiograph and a CT image, and how much more information you get from the latter. Now think about your practice financial statements (balance sheet and profit & loss). Are those reports prepared to offer you the meaningful management insights to:

- Benchmark yourself against other similar practices in revenue or key expense categories such as staffing, rent, supplies or lab.
• Analyze trends to identify ways you can improve on your patients’ care.

• Provide the rest of your team (such as your pension plan administrator) timely access to the numbers they need to fulfill their roles.

• Align your practice financials with your personal long-term goals, such as initially paying off student debt; assessing the profit necessary to grow according to plan during mid-career; and planning for your long-range business succession and retirement.

A good place to start seeking an ally here is the Academy of Dental CPAs (www.adcpa.org), which is comprised of about 25 dental-specific CPA firms across the country.

Managing for Risks

In our technical lingo, risk management is code for insurance, and you need to understand your business before you run out and stock up on various types of it. Remember Bubba in Forrest Gump listing all the ways his mama could prepare shrimp? “There’s shrimp kabobs, shrimp Creole, shrimp gumbo. Pan fried, deep fried, stir-fried. There’s pineapple shrimp, lemon shrimp, coconut shrimp …” Well, you get the rest. Insurance is like that. You have health insurance, workers’ compensation insurance, business property & casualty insurance, employment practices liability insurance (if you don’t have a specific EPLI policy, get one), malpractice insurance, life insurance, overhead insurance, disability insurance (deep breath), auto, home, umbrella and long-term care insurance. The bottom line is, do not try to figure this out on your own. And don’t use your brother-in-law!

This is one area where a wealth manager can truly earn his or her keep, helping you fit your insurance needs into the context of your overall practice. When you are young and starting out, you may not have filled that role yet, so you will need to spend the necessary time researching who the best people are in their fields. Most really good insurance agents specialize in certain kinds of coverage. Interview them, check references and only work with someone you know you can trust.

This link is to the ADA Guide for New Dentists which contains resources for insurance and a variety of other things: http://www.ada.org/sections/educationAndCareers/pdfs/newdentistresources.pdf.

And don’t forget www.aaomembers.org

Only the Beginning

We’ve only begun to scratch the surface of advice for the orthodontist seeking to build or expand upon a durable practice, with an eye toward professional and personal growth. Perhaps the biggest take-home is to seek advisors who not only know their own business but who also know yours. With this broad framework in place, I look forward to offering you practical ideas in future columns on a myriad of issues related to your personal and professional wealth. I look forward to progressing with you.