



## Train wreck a' comin'!

**P**icture yourself hiking along a mountain ridge. Far below, you see a train snaking its way through the mountain pass. Suddenly, from your vantage point, you can see what the train engineer clearly can't: Around the next bend, the bridge has been washed away! You realize that you are helpless to warn anyone or prevent a catastrophe. In horror and anguish, you realize that a train wreck is about to happen.

Likewise, from my perspective as a CPA/Financial Planner, I see a lot of dentists unwittingly headed for a financial "train wreck." However, if you are going down the wrong track, the good news is that you can take action to prevent this particular catastrophe.

As a result of speaking at a lot of dental meetings — and hearing a lot of other speakers on the program — I have learned more about pressed ceramics, composite sensitivity, and the "amalgam wars" than any financial specialist should know. But I am always impressed by the before and after photos of full-mouth restorations. Contrary to what I would have thought, many of the bombed-out mouths don't belong to some indigent patient. The patient may be your tennis partner's attorney-husband or your surgeon-golfing buddy's spouse. Dental disease affects all economic levels.

The same is true of financial "disease." I have worked with clients netting \$300,000 per year who are two paychecks away from insolvency. I have met dentists at age 65 who have enjoyed a marvelous career and who are the clinical envy of their friends, but they don't have the proverbial two nickels to rub together. And the ability to retire is just a pipe dream. (I have noticed an interesting thing: the people who desperately want to retire often can't afford to, and the folks who can afford to retire don't want to!)

I mentioned one of Dr. Pete Dawson's quotes a few months ago, "Signs precede symptoms." One of the most ominous signs is if you have the proverbial "champagne appetite and beer income practice." Something is not going to work! Unfortunately, you can fake it for quite awhile. (See "Income is Not Wealth" in my June 2003 *DE* column.) Once the "symptoms" appear (unable to pay your taxes on time, unable to fund a retirement plan, etc.), you have already dug yourself a pretty good hole. At that point, follow the First Rule of Holes: "When you're in one, stop digging!"

We don't like it, but we all know the solution is straightforward: either make more or spend less. Any other trick ranks up there with a medieval alchemist's attempt to change base metal into gold! (The solution to financial health sounds suspiciously like achieving physical health: eat less and exercise more. Bummer!)

I'll let you and the spouse have "the conversation" about spending less. Frankly, I like the "making more" approach the best. My experience supports the contention that most practices are under-producing by 30 to 50 percent. I know what you are thinking: "But those high-production practices don't do high-quality work," or "Those high-production practices sell a lot of unnecessary dentistry — with emphasis on the word sell." Don't you believe it! Sure, some are guilty as charged, but I have some clients who would surprise you.

A female client grosses \$900,000 in four days a week with a 40 percent overhead. You do the math. Yep, she nets over \$500,000. She only does about 25 crowns a month, and a four- or eight-unit veneer case every few months. She can count on one hand the number of cases a year she does that are over \$10,000. Her hygiene department is not a hotbed of soft-tissue management, and she even (gasp!) occasionally places amalgam fillings! Hardly a boutique, cosmetic practice. Quality? She is comfortable enough to guarantee her crowns for five years. Her major asset: speed and the willingness to work hard while she is in the office. She has five full-time equivalent staff who are appropriately paid. They too are willing to work hard. For instance, she has an extra chair, and the full-time hygienist takes it upon herself to use two chairs unassisted to keep things moving.

Obviously, it takes commitment to make some significant changes. But remember the dead possum half way across the road — apparently he was only half committed!

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