

## Houston, We Have A Problem!

You may recall those fateful words from the movie *Apollo 13*, if not the actual space mission. The spacecraft was several hundred thousand miles into space, heading for the moon, when an accident damaged their oxygen-generating equipment. At that moment, all seemed fine. No immediate danger. However, the engineers quickly calculated that they only had 24 hours of oxygen and electricity left. But they were 30+ hours from home. As you can imagine, that news quickly got their attention—and hardened their resolve to do something about it. Now!!

They immediately cut their non-essential power usage—including heat. Ground Control worked on minimizing the systems required for handling reentry and splashdown. The astronauts eventually got inside their own spacesuits to conserve heat and gain some extra oxygen. Even so, it was going to be close. Very close.

Why do I mention this? I was reminded of this story as I counsel with many middle aged and older dentists regarding their finances. As with the astronauts' initial oxygen supply, the dentists' current income was often adequate, if not more than they needed. Or at least it felt that way. At least while they continued to work...

However, when I did some “engineering” calculations, I discovered that they did not have sufficient funds to make it to a safe splashdown. I think they had probably suspected as much, but life was good. Why rock the boat. Surely we can put off that problem for another day. Until the days turn into months, and the months...

The astronauts had no warning and no time to get prepared for their predicament. Fortunately, you *do* have both time and warning. But you may lack the urgency to give you the necessary resolve to make some mid-course corrections before it is too late. After all, no one likes change except a wet baby.

I am reminded of the story where Uncle Cletus is rocking on his front porch with his dog, Old Blue. Old Blue is just moaning and groaning. Bubba comes by from next door and says, “Cletus, how come Old Blue is making such a ruckus?” Cletus says, “Well, the dumb dog is lying on a nail.” “Why doesn't the dog move!?!” Cletus says, “Well, I guess it just doesn't hurt enough yet!”

We all know the tales of the Tortoise and the Hare; the Ant and the Grasshopper. But “knowing” is not “doing”. It is time that many of us take on some sense of Apollo 13 urgency. As I realized this more and more, that is when we added formal practice management and practice transition divisions to our practice. We saw too many dentists in limbo: they wanted to quit, but couldn't afford to.

They had a nice practice, grossing \$850,000 or more. The problem was that it was not big enough to sell *and* still let them work a few days a week. There wasn't enough time to suddenly build a bigger nest egg. So we realized that part of their exit strategy had to include getting started a few years early and building their practice so that it would be large enough for more than one dentist. Or they could reduce their personal spending needs. Or improve their investment returns. Most likely, there was no single “smoking gun” to fix. Instead, they needed to tweak a number of areas in their financial picture. Like them, you might consider some of the following:

**Increase Production/Collections.** No one wants to work harder if they can help it. Steps toward working smarter vs. harder could include balancing your fees, changing your procedure mix, increasing the flow of quality new patients, curbing dependence on insurance plans, and increasing your case acceptance rate.

**Decrease Overhead.** You may have grown like Topsy. Haphazardly plugging in new management ideas from each seminar you attended or from each new staff person with their own past experiences. You may have ended up with dysfunctional or outdated systems. A comprehensive, coordinated overhaul may increase efficiency and reduce stress. Or you may have gotten content and sloppy about your supply ordering or other expenses. Or you have let the number and/or cost of staff get out of control. Or you are putting up with a problem staff member that saps the energy and enthusiasm from the entire office.

**Decrease Taxes.** Be sure your CPA is up to date regarding advanced tax planning ideas and new law changes. These include being aware of the latest health insurance credits, retraining credits, cost segregation techniques for buildings or build-outs, using the latest retirement plans, distributing income to family members, etc.

**Control Personal Spending.** This could be as simple as revaluating your telephone/internet/television plan. Or it could be more drastic, like deciding whether that club membership or second home/boat/other toy is really worth maintaining. Or whether you really need a new car every four years. (Warren Buffet's favorite car is a used Ford Crown Victoria. He says that he does not invest in things that depreciate!)

**Maximize Investment Returns.** The single biggest determinant of investment returns is to keep costs down. Most likely you do not know about all the hidden costs and fees you are paying. The SEC is starting to require more disclosure due to abuses in this area. Also, are you receiving truly impartial advice with *your* best interests in mind? Do you realize that is *not* a fiduciary requirement of stock brokers? Of course, they do not use that term any more. They are all "investment advisors" these days. But if you see on their business card "Securities offered through...", and/or if they describe themselves as "fee-based" vs. "fee-**only**", then they are brokers and product salesmen.

If you have the luxury of a long period of time before retirement, then a few small nips and tucks may be sufficient. But if you are in your 50s or 60s and on final approach, you may need to take some drastic measures, as did the astronauts. And, yes, they did make it!