

# THE TOP 10 FINANCIAL MISTAKES THAT SABOTAGE DENTISTS

Over the past twenty-five years, we have enjoyed working with many young dentists who have prospered financially. Our experience has shown that dentists who succeed do so because they have a solid financial plan that they steadfastly maintain. On the other hand, we have observed that some dentists seem to be constantly behind the financial eight ball.

The following are our observations of common mistakes dentists make that can sabotage their financial security and success:

## 10 BROKEN PARTNERSHIPS

The old joke that says the easiest way to lose half your portfolio is to get divorced is true whether we are talking about the dissolution of a marriage or a business partnership. Ending either a personal or business relationship can have devastating results for the dentist and their practice. Careful consideration is wise when entering into any long-term relationships.

## 9 LACK OF INVESTMENT UNDERSTANDING

Financial Planning literature often refers to dentists and physicians as “Celebrity Investors” who always want to be in whatever is hot today. This type of approach frequently leads to poor investment results. Taking the time to learn about investing and portfolio diversification supports informed decisions and the greater potential for financial success.

## 8 LACK OF RISK UNDERSTANDING

The problem is that often advice on insurance comes from those who sell it. Our experience shows that most dentists are underinsured for both life and disability.

## 7 BELIEVING IN ZERO TAX

It is important to accept that paying zero tax is not possible. Every scheme ever attempted to pay zero tax has failed. Simply put: it is never worth committing fraud.

## 6 FAILING TO MAXIMIZE TAX SAVINGS

Using the tax laws to your benefit is essential for financial success. Taxes affect your investments, cost of equipment, retirement and many other areas of your finances.

# THE TOP 10 FINANCIAL MISTAKES THAT SABOTAGE DENTISTS

## 5 LACK OF ESTATE PLANNING

An estate plan is as vital to a young dentist with a family as it is to the senior or retiring dentist. Failure to have a plan in place can create unanticipated financial difficulties in the future.

## 4 DELAYING RETIREMENT PLAN CONTRIBUTIONS

When it comes to achieving financial goals, procrastination is the enemy of success. The average dentist will need about \$2.5 million to fund their retirement. Delaying funding for just five years will cost an additional \$228,000!

## 3 BUILDING A “SHRINE TO ME” PRACTICE LOCATION

Overspending on a building for a practice can cause real problems for years, including disallowing dentists to fund retirement plans due to being over extended on their building. Generally, most dentists make practice location decisions based on emotions rather than on practicality.

## 2 PURCHASING AN OVERLY EXPENSIVE HOME

Many young dentists are inexperienced home shoppers and often purchase a first home based on the monthly mortgage payment rather than the total purchase cost. Over the term of the loan, usually 30 years, the difference in total mortgage payments made between a mortgage of \$250,000 and \$350,000 is \$239,508! The monthly payment difference may appear minimal, but the difference is substantial over time.

## 1 DELAYING THE PURCHASE OF A PRACTICE

Too often, young dentists make the mistake of delaying buying a practice due to the belief their debt load and lack of professional experience are obstacles. The truth is, many young dentists can qualify to purchase a practice right out of school or shortly thereafter. The income differential between an owner dentist and an associate is substantial and can become an excellent financial move. Additionally, overlooking excellent opportunities in rural areas is another common mistake considering that traditionally these practices do very well and sell at a discount.

A final thought here: Only 4% of dentists retire with adequate retirement savings. With a little planning and a bit of discipline, you can be part of that successful 4%.