

payments, proceeds from the sale of the practice, and sometimes other income. The dentist should investigate defined contribution plans, cash balance plans, health savings accounts, and 529 plans when considering what sources might be useful. Contribution limits must also be considered, along with tax regulations related to savings accounts. A certified financial planner will force the dentist to inventory all his or her financial assets and help to determine the best approach for the dentist based on this inventory.

In addition to setting up a budget and investment plans, dentists should regularly reevaluate their choices to ensure they don't miss opportunities to increase the funds in a retirement account. Some investments may not be performing well and should be exchanged for better-performing ones. A broker may be useful. Often brokers charge for their initial valuation, then perform annual updates for a lower set fee.

Tax regulations are another consideration that can be a major challenge to the accumulation of personal wealth. In short-term financial planning, the contribution to a retirement plan is a deduction that allows owners to avoid taxation on their own contributions and those made for their employees. This can significantly affect tax bills. Older individuals are allowed to save additional money in a retirement savings plan through catch-up contributions, a tax-advantaged offering that dentists should consider. In addition, recent tax law changes allow some dentists to write off an additional 20% of their taxable income after all deductions have been taken and before computing their tax liability. This applies to those whose practice is structured as a partnership. There are complexities to the tax laws that make it advantageous for the dentist to consult a financial professional.

ENTERING RETIREMENT STRATEGIES

Dentists about to retire need to consider what type of retirement they want to have. One of the key considerations is the sale or transitioning of the dental practice. It's important to know the value of the practice, the tax ramifications, and how the sale or transition will occur. Dentists should be aware of the monetary value of their practice throughout their career so that they can

do proper estate planning; develop a competitive analysis in terms of strengths, weaknesses, and opportunities; prepare a letter of instruction; and maximize their opportunities for revenue.

It is recommended that dentists begin working with a transition consultant about 5 years before selling their practice. This includes determining whether the dentist wants to walk away without further commitment or responsibility, which is best achieved with an external transition, or to continue working in some capacity or ensure the practice is being well tended, which is better achieved with an internal transition. In an internal transition, many options are open to the dentist. These include simply cutting back on hours worked or procedures performed, which allows the dentist to slow down without retiring completely. An internal transition can, however, require a significant commitment of time to train the associate who will acquire the practice. In the best scenario, a well-trained associate will acquire the practice in a cost-effective manner while the owner-dentist focuses on doing the dentistry he or she most enjoys. This can lead to a smooth transition, but because these situations can still be complex, it's important to have everything in writing, which will eliminate ambiguity.

Clinical Significance

Retirement is the end game of most dentists but it requires planning, awareness of the instruments and regulations that govern the accumulation of wealth, and care in selecting appropriate savings plans at all stages of the dental career. Hiring a financial advisor to help navigate the complexities of the process is a wise choice.

Fialkoff S: Playing the long game. *Inside Dent* 14:18-20, 22, 24-26, 2019

Reprints not available

SALARY NEGOTIATIONS

Salary as a percentage of collections



BACKGROUND

Staff salaries represent the largest expense in a dental practice. Analyzing the practice financial statement each month can help dentists determine if they are overpaying or underpaying their staff and if they need to increase or decrease staff numbers.

METRICS TO CONSIDER

The most important metric to consider on a financial statement is net income, which is the amount doctors have left over after the cost of doing dental work is subtracted. With the net income, the dentist pays everything else in the practice. This number can be compared from year to year to see how the practice is doing.

Collections are also important and represent the total dollar amounts brought into the business. This can also be compared from year to year to determine if the practice is growing or not.

Expenses, specifically salaries, will vary depending on the specialty being practiced. In general, salaries account for 15% to 25% of a practice's collections

ANALYZING METRICS SPECIFIC TO SALARIES

Salary as a Percentage of Collections

Each specialty can pay differing amounts to staff members. For general dental practices, salaries range from 22% to 24% of the percentage of collections, whereas pediatric practices offer salaries ranging from 20% to 21%. These tend to be the highest percentages, with oral surgery practice salaries just 14% to 15% at the low end.

Reductions in staff salary expenses can be accomplished. Positions may be combined, as with an office manager who also works as an insurance coordinator. Smaller practices often have staff members perform multiple roles. The specific roles to combine depend on what tasks the individual performs well.

Sometimes dentists need to add staff members, which can also be determined by evaluating the practice's current salary to collections percentage and projecting into the future based on expected growth. This is particularly easy for orthodontists who schedule their production into the future. As production increases, dentists can pay higher staff salaries but remain in the desired range of percentage of collections.

Factors Affecting Salary to Collections Percentages

Where a practice is located can affect salaries. Practices in rural areas tend to achieve lower overall salary-to-collections percentages than those in urban areas. Southern state practices have lower salaries than East or West coast practices. Practicing where the cost of living is higher may require higher salaries but this is generally offset by the ability to charge more for procedures.

Practice size also affects salary. Efficiencies can be realized in larger practices that have larger collections.

The specific position of the staff member can influence salaries. Associate daily rates tend to increase by over 4% per year in orthodontic offices, and similar trends are seen in other specialties. Corporate dentistry groups contribute to higher associate salaries, which are offered to attract young clinicians who won't see a long-term ownership incentive for their career. Lab technician salaries are decreasing year to year because of the current and evolving technologic advances. Laboratory companies can operate more efficiently, so many dentists choose not to do their own laboratory work.

KEEPING SALARIES AT A GOOD LEVEL

If salaries are too high when percentage of collections is considered, the dentist should consider whether the practice is overstaffed and if hourly rates that are too high. The situation can be challenging, especially if staff members are overpaid, which means letting them go or continuing to overpay them.

Strategies that can move the percentage of collections into the average range for a dental practice include combining positions, paying hourly rather than as a salary, minimizing overtime, improving scheduling to avoid unnecessary office hours, relying on part-time employees to help cover peak production times, and offering alternative incentives rather than increasing the hourly rate of pay.

Clinical Significance

Paying staff members an appropriate wage based on the percentage of collections model can help to maintain a desirable net income. When staff salaries escalate out of control, the bottom line will suffer and other sacrifices will be necessary to make up for the overage in salaries. Monitoring staff salaries as a percentage of collections is a smart way to ensure that a dental practice remains viable and healthy.

Crawford J: Salary negotiation. *Dentaltown*, March 2018, pp 90-93

Reprints not available