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PURTZKI + ASSOCIATES CHARTERED ACCOUNTANTS NEWSLETTER

MAXIMIZING PATIENT RETENTION

One of the major concerns for the purchaser is to retain the patient base of the retiring dentist. Here are some strategies to ensure the patients stay with the practice.

- 1. A letter of introduction** from the vendor, putting the new dentist in the most positive light, including a short biography, educational credentials, and personal information (family, hobbies etc.). The best time is to send it at closing date, or before, once the deal is solid.
- 2. A welcome letter** from the purchaser after the closing date. The purpose is to make patients comfortable knowing that you would continue the same practice philosophy as the predecessor, while offering additional services (e.g. botox, implants), and perhaps expanded hours.
- 3. Build staff loyalty.** While the purchaser on paper pays the price for goodwill to the vendor, most of the actual goodwill is with the great staff willing to work with the purchaser. While the vendor may be reluctant to introduce you to the staff until the actual sale date, you should start building the relationship and trust with the team at least 2-3 weeks before the closing date.

- 4. How about arranging for a newspaper article** introducing the purchaser to the community, with a picture of the two dentists?
- 5. An updated and attractive website.**
- 6. Make sure you retain the office phone number, and e-mail addresses.**
- 7. Ensure the vendor is available for patient introductions** and for consulting regarding treatment plans,
- 8. Don't change much in the first year.** Don't start a major renovation project, rip out the equipment, or terminate staff, unless it is absolutely necessary. Let the staff and patients become first comfortable with you as their new dentist.

your principal residence. Suppose you have been practicing for 20 years. If the net worth shows more than \$1.5m, then you are a wealth creator. If you have less than \$1.5 m., then you are more of a spender than a wealth creator.

According to Dr. Michael Schuster, a practicing dentist who created The Schuster Center in 1978, the first business school exclusively for dentists, and the author of "The Science of Creating Wealth", only 5% of dentists can ever retire on the same amount of money they made while they were in practice. The idea here is not to retire early, but rather become a Wealth Creator instead of putting in time just to make a living.

ARE YOU A SPENDER OR A WEALTH CREATOR?

Stop right now and take a look at a number of years you have been in practice. Now, draw up a quick net worth statement. Add up all your investment assets, including RRSPs, recreational properties, and corporate investments. To estimate the value of the practice, take 2/3 of the gross revenues, less any practice debts. Deduct any personal loans other than the house mortgage. Do not include

According to Dr. Schuster, too many dentists, instead of focusing on creating wealth, have the production mentality and are preoccupied with boosting revenues and increasing the new patient count. In the end it is not how much money you made that counts, but how much you will have in the bank when you are turning 65.

One spouse of a dentist client, who has the tendency to drive above the speed limit, shared with me the other day her life philosophy: Drive slowly, and carry a big... GIC!

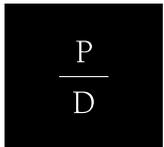
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PURTZKI DENTAL RECRUITMENT INC.

Finding the Right Practice

Purchasing a dental practice is both an exciting and a risky endeavour. Most graduating dentists dream of having their own practice and building it into a success beyond expectations.

Once you are ready to take this step, the key is finding the right practice for you. With the right practice, you can make money and have fun – proof that the two are not mutually exclusive! Making the wrong move, on the other hand, can be a career buster. The grief and the financial consequences of getting into a bad deal are devastating.

The bottom line: You must find the right practice the first time. Period.

Our services include:

- Valuation (limited or comprehensive) of the practice and cash flow analysis
- Assisting with due diligence review of practice
- Unlimited telephone consultations
- Negotiations on your behalf with the vendor and his/her representatives
- Drafting a purchase offer
- Assisting in obtaining financing
- Reviewing legal documents.

If you find a practice you like that we do not list, we can represent you in a consulting capacity. Call Larry Staley or myself. Your initial telephone consultation will cost you nothing. It will provide you with the basis for our further analysis of your needs.



DON'T FORGET THE PACIFIC DENTAL CONFERENCE

April 15 – 17, 2010 at the New Vancouver Convention Centre.

Come and visit us at Booth 1443.

WHEN SHOULD YOU SELL?

WE THINK SOONER IS BETTER THAN LATER.

If you have been toying with the notion of selling your practice in the next few years, we think you would be wise to consider accelerating that decision and putting your practice on the market now.

Here are some of the reasons.

It's A Seller's Market. In urban centres particularly, anyone selling a dental practice today is likely to find no shortage of prospective buyers. With demand outstripping the available supply, the prices being paid for practices have never been higher. In our view, those who wait a couple of years to sell will likely not get the value from their practice they would be getting now.

Financing Is Easy....For Now. Banks are still keen to fully finance the purchase of a dental practice, and at reasonable rates. However, banks are starting to tighten the credit for their nonprofessional clientele, as well as raising interest rates, and it will just be a matter of time before they will begin to do the same for professional practices. You can expect to see banks declining to fully finance the practice goodwill and imposing severe lending restrictions.

Retirement Is Beckoning. Many dentists have grown weary of the daily routine of managing the practice, dealing with staffing issues, controlling overhead expenses, and meeting the increasing demands from their patients. What an opportune time, to sell the practice, and continue working as an associate on a flexible schedule, without worrying about practice management.

Cash is King. If you can cash out now, you have unprecedented opportunities to take advantage of investment opportunities.

If you are contemplating all the available transition options, feel free contact us for a complimentary consultation. We will flesh out the appropriate transition strategies for you and assist you in maximizing the value of your practice. ■

TAX TIPS FOR YOUR DENTAL CORPORATION

Dentists incorporate their practices for the obvious benefits, like saving money for retirement or splitting income with low earning spouses or adult children. There are, however, many more ways to take advantage of your Inc. and reduce taxes that are often overlooked. Here are just a few.

1. Keep the RRSP contribution in the company.

The RRSP tax benefit is greatly reduced when you need to draw the funds in form of a salary or dividend from your INC to make the contribution. The tax on a \$10,000 dividend is \$3,000; the tax saving of a \$10,000 contribution is \$4,000. The saving of \$1,000 is more than offset by the tax cost on the eventual RRSP withdrawal. It makes no sense to boost your salary to \$122,000, just to maximize the 2010 RRSP contribution of \$22,000. You are better off keeping the funds invested in the company. The same principle

applies to the Tax-Free Savings Account (TFSA). You need a dividend of \$7,000, to have \$5,000 available for the TFSA. Why pay personal tax on the capital just to tax shelter the investment income?

2. Pay yourself capital gains rather than dividends.

If you take large draws or have portfolio losses, consider organizing your withdrawals as capital gains instead of dividends. The tax savings on a \$300,000 shareholder draw is about \$30,000. You can eliminate the capital gains tax entirely, by applying capital losses from your investments.

3. Income split with siblings and parents

To boost the income splitting benefits consider adding brothers, sisters, or parents in the low tax bracket as shareholders. Make them beneficiaries of a trust, so that you keep control over the shares. As the trustee you can simply add or delete them as you wish to suit your tax planning.

4. Have Inc. make the loan payments

Even on tax-deductible investment loans, the principal of the loan must

be paid with after tax dollars. At a personal tax rate of 40%, a practice income of \$167,000 is required to pay off the \$100,000 debt. At a corporate tax rate of, say, 13.5% only \$115,000 is needed, providing a saving of \$50,000. This means that you should have the dental corporation or a holding company own all your investments. You can sell the personally owned investment to the corporation without tax, and by refinancing the asset in the corporation you can extract the equity to pay off your personal debts, such as the home mortgage. In effect, you have just converted a non-deductible debt into a deductible corporate debt.

5. Have Inc. pay for non-deductible expenses.

While certain expenses, such as club memberships and life insurance premiums are not deductible, have the company pay for these expenses with after-tax low corporate dollars, without triggering a taxable benefit to the shareholder.

THE NO FEE CORPORATE HEALTH PLAN

We have received many inquiries lately from professionals all over Canada interested in setting up a private health plan, thereby making their personal medical expenses a corporate tax deduction. By using The Private Health Services Plan ("PHSP"), your dental corporation can deduct medical and dental bills incurred by you, your family, and other employees of your practice. The payments on behalf of your employees are not subject to income tax withholding, CPP or EI, and are equivalent to getting a 40% discount on dental expenses.

Another advantage afforded by the dental corporation is that the "do-it-yourself" dental plan is only available to incorporated dentists, and you can save the third party administration fee by administering your own PHSP.

Setting up your own plan involves the following steps.

1. Execute a director's resolution to legally set up the PHSP.
2. Prepare a written employment agreement between the company and its employees outlining the eligibility requirements, including the maximum annual benefit for each employee.
3. Set up the bookkeeping records so that you can track the amount of dental expenses paid on behalf of each employee. To be eligible as a PHSP expense, the payments must qualify as medical expenses as defined in the Income Tax Act. Note that in the latest federal budget, expenses incurred after March 4, 2010 for purely cosmetic procedures (including related services and other expenses such as travel) are no longer eligible.

"Purely cosmetic" generally includes surgical or nonsurgical procedures solely aimed at enhancing one's appearance, such as liposuction, hair replacement procedures, Botox injections, and teeth whitening. (By the way, if you are providing cosmetic treatments to patients, you need to charge GST and HST)

A great benefit associated with incorporating your practice is that you can set up and administer your own health plan. Imagine being able to write off all manner of medical expenses, even including the cost of orthodontic treatment for your children, without triggering a taxable benefit.

We will be happy to send you an information package containing sample documentation. Please email manfred@putzki.com

■ PRACTICE TRANSITIONS & ASSOCIATESHIPS

Central Vancouver Island Full time associate opportunity, busy and high production practice, top notch technology.

Central Vancouver Island Family practice ,three operatories, easy pace, great staff, real estate available, owner retiring.

Central Vancouver Island Fantastic opportunity, highly productive comprehensive resorative Practice with state of the art equipment. Add in the bonus of a cosmetic niche market and it doesn't get any better than this. Stand alone building also available.

Comox General practice for sale with building . four operatories with three equipped, great location.

Courtenay Family practice with five operatories, building available, central location, well established.

Campbell River High volume, well managed, excellent profitability, great location.

Campbell River Well established practice, great cash flow, excellent dental team, owner retiring, building ownership available.

Cranbrook Family practice, four operatories, building available, owner retiring, excellent deal.

New Westminster Well managed, phenomenal location, excellent new patient flow, high gross, high net

Victoria Well established family practice in upscale and desirable area. Includes 5 ops and a great team. Building ownership available.

CONTACT LARRY AT LARRY@PURTZKI.COM OR MANFRED AT MANFRED@PURTZKI.COM
OR CALL TOLL FREE 1-888-668-0629 FOR MORE INFORMATION ON THE ABOVE OR OTHER PRACTICE OPPORTUNITIES
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