The passive income practice

Dr Phillip Palmer explains new methods for exit planning and retirement funding of dentists

Exit planning has traditionally been a fairly simple task for dentists. The choices a dentist faced were either winding down the number of days worked, thereby gradually easing into retirement, or working until three to six months before wanting to stop, and then advertising the practice for sale. After negotiations with the buyer, dentists would sell and walk away—much like a house sale. Sometimes there would be a good handover of patients and staff, and sometimes this process would be less than ideal.

More recently, other options for exit planning have become available for practice owners. Over the last three to four years, for example, many dentists in Australia have sold their practices stayed on to work as employee dentists for the new owner. This model in particular has increased in popularity recently with corporate entities often being the buyer. Another model is deferred sale/employee with view, whereby a new dentist (Dr Junior) works for a year as an employee for Dr Senior. If all goes well, a contract is signed for the purchase of half (or even all) of the practice at the end of year one for Dr Senior to Dr Junior.

In each case, after the practice is sold, the ex-owner commonly takes the money he made from the sale, goes on a holiday and then invests the money he made from the sale, perhaps putting the money into a tax-efficient venture (1 day/month) needed from the practice changes hands from Dr Senior to Dr Junior.

If that entire sum were used to purchase a residential investment property, one would be lucky to net more than AUD$300,000 per year, and probably less, to fund retirement.

Another way to exit plan and fund a dentist’s retirement is to establish the passive income practice, also known as the “never sell concept”. Using this method, the practice is set up in such a way as to be self-managed, with little effort (1 day/month) needed from the owner when the practice is mature. The profit from the practice can be as high as 30 per cent after pay-ment of all normal expenses and clinicians’ wages.

If maintained as a going concern and run properly, there is no reason to expect a return from the AUD$800,000 grossing practice of less than AUD$200,000 p.a. (and still maintain an asset worth at least AUD$500,000). Obviously, for this option to work, the practice and the staff need to be trained to be self-managed and to provide a certain level of service and communication.

Basic truth about dental products to be revealed at IDEM session

The Chief Operations Officer of the Clinicians Report Foundation, Derek Hein, will have an opportunity today to share the latest findings on new concepts, techniques and materials that are changing the way dentists are treating patients.

With the emergence of minimally invasive dentistry, some of the new devices and technologies claim to be superior to those that are well established and proven.

In his presentation of CR’s work in Ballroom 2, Derek will help dentists decide which of the new concepts and products they should integrate into their prac-tices.

CR, originally known as Clinical Research Associates, has been in existence for 35 years. It was founded by Dr Gordon J. Christensen and his wife Dr Reilla P. Christensen, who until this day remain very much involved with the daily work of evaluating hundreds of new dental products and techniques each year.

CR was started on the premise that new products should be evaluated rapidly, preferably before market introduction, by non-biased researchers not receiving money from manufacturers to conduct the research.

It has always had both strong basic science components conducted in the extensive science laboratories located in Provo, Utah, USA, and supporting practicing clinical dental evaluators located throughout the world. The dentists involved are from all areas of the world, representing all aspects of the profession.

Many dentists report that honesty is a respected and unique aspect of the organization, so there are no financial motives in CR. Funding of CR’s extensive research comes from the profession through staff presentations, donations and subscriptions.

Subscribing members receive the monthly Gordon J. Christensen CLINICIANS REPORT publication through the mail or online at www.CliniciansReport.org. It summarises how products have performed and provides highly practical, tested and proven guidelines for successful patient treatment.

Hein, who joined CR over 22 years ago in order to manage the long-term clinical trials of restorative materials, currently oversees the publication of the Gordon J. Christensen CLINICIANS REPORT, continuing education, personal relations, and product distribution. He has also presented 240 dental continuing education seminars for CR over the past 14 years in the USA and nine other countries.

He regularly contributes to dental research as a member of the International Association for Dental Research and publishers on restorative resin, various inlay/onlay restorative materials, and single-unit crowns, among others.