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- Strategic planning
- Comprehensive practice exam
- Benchmarking and performance monitoring services
- Fee schedule review
- Dental team assessment
- Practice transitions

## A Global Approach: Aligning Your Personal and Professional Financial Planning Strategies

By Ed Drake, MSFP, CFP®, Principal, Wipfli Hewins Investment Advisors, LLC

Too often the consulting professionals working with your dental practice focus on one area of your needs without paying attention to the others. A consultant may focus exclusively on your business needs, your personal planning needs, or even your company benefit plans without paying attention to how each of these areas impacts the other critical areas and the bigger picture. We advocate a global approach to your combined personal and business needs. After all, both are heavily intertwined for most dentists.

To illustrate, let us take a look at a recent case study to see how this global approach helped a local dentist tackle a challenging – and typical - planning situation. The dentist was at the midpoint of his career and owned 50% of his practice. He was preparing to purchase the remaining half from his soon to be retiring partner. At the same time, he was looking to lease a new expanded space and purchase additional equipment to update technology and grow the practice. Further, this dentist was looking to add and groom a young dentist to eventually buy into the practice in the next several years.

His CPA and dental consultant prepared a series of five year business plan projections under different scenarios to sort out the most effective ways to meet this dentist's business needs and goals. Those projections showed a variety of reasonable ways to tackle these business opportunities with a comprehensive approach for funding the business expansion and buyout. At varying levels of growth, achieving the practice goals seemed quite likely. However, in conversations with the dentist, it became clear that he had a number of related concerns about how these strategies related to his personal planning situation. How would his compensation, benefits and retirement funding be affected by his changing practice overhead and debt service obligations? What was the best strategy for structuring his personal investments and debt? How could he plan and save for his children's education?

It was clear the answer to these questions required a global approach to integrate the five year business plan with his personal investment, retirement, cash flow, insurance and estate planning information. This was accomplished through an interactive planning session with the dentist - a face-to-face personal planning session conducted on the large video screens in one of our planning theaters. The approach replaces the traditional financial planning approach of gathering mountains of data then going away to prepare a variety of analyses and recommendations with minimal additional input or collaboration from the client. Because the traditional process can take weeks, even months to complete, momentum can be lost, critical input assumptions and economic conditions can change, and recommendations can go unimplemented. The interactive approach replaces this traditional approach with a live, highly visual and collaborative meeting where the team works with the client to understand his/her personal planning possibilities in a wide range of life's toughest scenarios. The 'real-time' nature of the process allowed the dentist to clearly see and evaluate the likely consequences and ramifications of various combinations of options for each scenario.

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# A Global Approach...Continued

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During the interactive planning session, the dentist was able to quickly understand where he stood from a personal planning perspective and to determine which areas required more attention. In this case, there were a number of serious concerns from an investment perspective. Personal and retirement plan assets were spread over a large number of accounts at a variety of banks and brokerage firms, with the result that there was a lack of any coordinated strategic investment plan. Further, the cost in terms of fees and internal expenses was quite high especially given the minimal level of service and attention. We were able to map out a strategy for consolidating the accounts, establishing a coordinated investment strategy, restructuring the 401(k) offering to provide professional help to the employees, and for getting the investment costs under better control for both the personal and retirement plan assets.

From a personal planning perspective, the long term retirement and education planning goals seemed quite achievable in a wide variety of market or expense situations. However, another critical concern was identified in the interactive planning session. The aggressive business expansion plans coupled with aggressive personal savings goals could only be achieved by building up personal debt on his home and personal credit cards, and this was projected to increase dramatically over the next couple of years. The solution here was to temporarily adjust personal savings while still taking advantage of the critical investment opportunities. The business plan was also modified to restructure the practice acquisition debt to still meet the business objectives of the dental practice while relieving some of

the tremendous pressure on personal cash flow and savings.

The final result was a combined personal savings and business plan that helped this dentist get his investments under control, reduce his investment costs and continue to save aggressively towards his personal retirement and children's education, all while structuring his business to achieve those acquisition and expansion goals. Even more importantly, a major personal debt nightmare was avoided right before one of the worst credit market meltdowns in history. The global approach with dynamic and interactive collaboration between the dentist and the consulting team made all the difference.

While this case is based on the specific financial situation of one dentist, its components are typical for a lot of dental practices. It very clearly highlights the importance of taking a global look at your combined personal and business planning needs with a team of experts that understands the business of dentistry and personal financial planning, and that has the tools to put it all together into an actionable plan to meet your personal and professional financial goals. ■

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## Retirement Plan Restatements

By Bob Buss, CPA, Senior Manager

One of the legal requirements for maintaining a qualified retirement plan is that the plan be in writing. The written plan sets forth the eligibility requirements for participation, the benefits, and when those benefits may be distributed. In addition, the plan must include numerous other provisions required by the Internal Revenue Service (IRS) and the Department of Labor (DOL). These provisions generally relate to the operational requirements that must be followed in order to remain qualified and to protect the rights of participants.

One consequence of the written plan requirement is that you must amend your plan if you wish to change any of its provisions. In addition, you must amend your plan to reflect changes in the laws governing retirement plans. In some cases, these changes may be handled with "short" tack-on amendments to the plan. In other cases, however, the plan must be rewritten in its entirety (this is referred to as a restatement).

Most retirement plans will need to be restated over the next several years. Those plans maintained under a prototype or volume submitter document must generally be restated by April 30, 2010.

In the past, the IRS has permitted fairly long delays between the time a plan's operation is changed to reflect a modification to the law and the time the written plan must actually be updated. The IRS, however, has recently decided that shortening these delays will help foster better compliance with the law because plan sponsors will become more quickly aware of the changes that affect their retirement plans. Under the new procedures adopted by the IRS, plan amendments will generally be required to be made within specified time frames.

You should regularly consider whether your qualified plan meets your goals, as well as the goals of your employees. This is an ongoing process that should be done regardless of when plans must be amended or restated. However, in order to be more

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# Gain an Advantage: Tax Planning for Closely Held Business Owners

By Rick Taylor, CPA, Partner

The business world is ever evolving and successful business owners know they must remain informed to keep up. Your dental practice is no exception. Staying ahead of tomorrow's economic challenges requires looking for ways to gain an advantage - and tax planning could provide your next advantage opportunity.

Many of the provisions in recent tax acts are set to expire under sunset provisions at the end of 2010. And, with a new congress and administration as well as numerous and sometimes complicated provisions of the economic stimulus acts, it becomes increasingly important to make use of current tax planning opportunities and keep informed of business incentives and tax planning ideas.

## Section 179 expense election

The tax law has always provided small business owners an election to expense tangible personal property. For a dental practice this means new or used dental equipment, office furniture and fixtures, computers and off-the-shelf computer software. The 2009 economic stimulus act extended the 2008 temporary increase which allows \$250,000 of asset additions placed in service in tax years beginning in 2009 to be expensed. In 2010 the allowable expense amount is \$125,000, and after 2010 the maximum expensing allowed will revert back to the \$25,000 limit allowed under the previous law. Please note there are provisions to phase out the allowable expense amount when assets placed in service exceed certain thresholds each year.

## Bonus depreciation

The bonus depreciation provision of The Economic Stimulus Act of 2008 was extended to 2009 and allows a taxpayer to deduct 50% of the original cost of new "original use" property in addition to depreciating the remaining basis of the property under normal depreciation rules. The bonus amount is taken in the calendar year in which the asset is placed in service.

For a five-year asset, a taxpayer can claim approximately 60 percent of the asset cost as depreciation in the first year.

## Cost segregation

When a business buys or constructs real property, allocating the costs in a manner that maximizes depreciation deductions reduces taxable income without any additional cash outlay. The analysis generally involves three steps:

- Initial land and building cost allocation
- Identification of land improvement costs
- Building cost segregation analysis

## Get your advantage

Now is the time to apply business incentives and tax planning ideas to your dental practice.

- If you have built or purchased real estate in the past three years, consider a review of the depreciation lives on the real estate which could still result in substantial tax savings.
- Keep in mind the end-of-year dates when acquiring equipment and placing it into service.
- Evaluate whether it makes sense to purchase new equipment as compared to used equipment in order to utilize the tax advantage of bonus depreciation.
- Consider a cost segregation study if you have purchased or constructed real property

Talk to your tax advisor to ensure that you are putting current small business stimulus tax incentives to good use in your practice and for more information on this subject and how it pertains to your specific tax or financial situation. ■

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efficient and reduce your costs, many practitioners may conduct a review of your plan as part of the restatement process. Thus, now is a good time to review your plan provisions for possible changes.

A qualified retirement plan is one of the best ways to provide adequate retirement income security for you and your employees. We realize, however, that amending and restating your plan can be burdensome and confusing. Please contact us if you have any questions about your plan restatement requirement. ■

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## Start Planning for 2010

Once again it is that time of year when many practices face two key decisions that will dramatically affect their financial results for the coming year: setting fees and managing staff pay raises. In view of the current challenging economic environment, these decisions take on even more significance. Because your fee schedule is a key revenue driver and staff wages are your single highest overhead expense, you need to get them both right to meet your bottom line profitability goals.

The first step is to gather the information you need to make informed decisions. You'll want to understand the market in your area so your fees will reflect the overall quality and value offered by your practice relative to your competition. Wage rates should reflect the skill and experience of your team. Dental Practice Advisors' statewide database and annual dental fee and wage surveys can provide valuable information to help you get started in this process.

### Fee Survey Report with Volume Impact

The annual Fee Survey facilitates fee comparisons by region to help you understand the market in your area, and the Volume Impact Analysis highlights the financial impact of fee adjustments on the procedures that drive 85% of your revenue.

### Staff Wages

Our staff wages database tracks regional dental team wages by position and provides pay rate trends to help you design a compensation strategy to attract and retain the right team.

For many dentists, the annual fee and wage setting process is one of the most difficult and unnerving tasks undertaken. Our dental practice management services are designed to provide you with the comprehensive current information you need to set your fees and wages with confidence. Call one of our dental practice specialists to find out how we can help. ■

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