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Boosting practice profitability

There are two key factors that will boost the profitability of your practice: (1) delegation of tasks to staff members, and (2) increasing hourly production. Here are some practice booster tips:

1. Look at increasing fees. This can be accomplished by adding more profitable procedures, charging more than the fee guide, and eliminating treatments for which you have been habitually discounting fees.
2. Delegation is only possible if you employ the best people. It is imperative to always hire the cream of the crop. Be ready to pay at least 10% more than the average salary, but it is worth it.
3. Cross train staff members, so that they can fill in for one another.
4. Hire part-time employees to avoid paying overtime.
5. Always introduce new technology.
6. Instead of writing a bonus cheque for outstanding performance, use non-monetary rewards, such as a "pat on the back".
7. Prepare an annual budget for dental supplies, and work with your staff and your dental suppliers to make sure you stay within that budget. If you are exclusively dealing with one supplier, ask for volume discounts.
8. Trim your inventory, so that the amount of the inventory does not exceed your average monthly dental supply costs.
9. Make sure your front-end staff knows that collections is a top priority.
10. Purchase, instead of leasing, dental equipment.
11. Put in place simple practice monitors to help you quickly identify areas that need remedial action.

No more GST refunds for dentists?

Judging from recent re-assessments, CCRA is denying GST refund claims. CCRA seems no longer to comply with the long-standing GST arrangement worked out with the CDA. Under this arrangement a dentist was allowed to claim GST, based on the lab component of the total billings. For instance, if lab expenses amounted to 12% of the total office production, then the practice was entitled to claim 12% of GST paid. We are objecting to these re-assessments.

What we do best

- ▶ Help you plan and successfully execute your practice transition.
- ▶ Structure associateships and practice purchases.
- ▶ Prepare practice valuations and marketing prospectuses.
- ▶ Organize successful group practice arrangements.
- ▶ Provide you with leading-edge tax, financial and estate planning advice.

Dentists must self-assess PST

When you purchase supplies or equipment from a supplier outside B.C. who has not charged the tax, then you are responsible for remitting the tax. The following items are examples of equipment and supplies that are subject to provincial tax:

- ✓ Dental equipment, instruments, and tools.
- ✓ Office furnishings and administrative supplies.
- ✓ X-ray film.
- ✓ To filling, polishing, and cleaning materials.
- ✓ Fluoride and fluoride applicators.
- ✓ Mouthwashes and tissue papers.
- ✓ Dental masks.
- ✓ Dental hygiene products provided to patients at no charge.

The following items are PST exempt:

- ✓ Drugs and medications that alleviate pain.
- ✓ Rubber or synthetic gloves.
- ✓ Dental hygiene products obtained as samples from suppliers at no charge.
- ✓ Denture adhesives.
- ✓ Dentures and dental apparatus prescribed and fitted for the patient, including crowns, bridges, partial dentures, inlays, orthodontic appliances, acrylic materials, wire, porcelain powders, metals and other materials which become a component part of dentures and dental appliances and which are not re-used by the dentist.

The form for remitting the tax can be obtained from the Consumer Taxation Branch.

Practice transition FAQs

1. *In a share sale, do I have to discount the asking price?*

No. Use the asset valuation as the basis for your asking price, even if you are contemplating a share sale. Whether or not a discount is warranted should be subject to negotiations between the purchaser's and your accountants. The discount, if any, should be small, because the potential loss of future-asset depreciation in a share sale is compensated by the purchaser saving transfer taxes, such as GST and PST.

2. *When should I consider adding another dentist to the practice?*

This requires a thorough analysis of your particular circumstances. In general terms, I would be reluctant to add another dentist if the office production is below \$600,000.

3. *Shall I offer the practice to my associate at a discount?*

In strict business terms, I would charge my associate the same price I would ask from another party. Remember, your associate was fairly compensated for services; in addition, the associate did not have to shoulder the burden of practice management, nor did

he or she have to assume the risk of ownership.

4. *When should I tell my staff?*

A.S.A.P. Staff involvement in your practice transition is very important and, most often, staff will look forward to a new dentist who often re-energizes the practice and brings new enthusiasm. Any staff member who leaves as a result of a transition is probably not happy and would leave anyway.

5. *Am I liable for severance pay for the employees who stay with the practice?*

To reduce your exposure for severance, it is important that the sale agreement contains a provision that you will be not be obligated to pay severance for employees who quit the practice after the purchase date.

6. *How many patients can the purchaser expect to lose?*

The statistical average is about 10% of the patient base. This potential loss can be significantly reduced if both the purchaser and the vendor work together on the transition.

Unhappy CIBC customers

When your CIBC account manager informs you of a drastic increase in your bank charges and debt servicing costs, he is not just picking on you. For a number of CIBC clients, we have seen drastic hikes in interest costs—as much as 2%. An interest rate increase from bank prime-to-prime plus 2% amounts to a 45 % increase. It is no surprise that many dentists are turning their back on CIBC. It is incomprehensible that CIBC spent many years building relationships and goodwill in the dental community and is apparently now destroying that relationship in record time.

Deduction Checklist Just For Dentists

Item	Deductible	Non-Deductible
Automobile expenses	Attributable to driving between workplaces; Inc. deducts mileage reimbursements; 2003 limit: \$.42 for first 5,000 km, \$.36 thereafter.	Attributable to driving from home to clinic.
Cell phone and pagers	Rental fees paid for practice use.	Costs associated with personal use.
Books/library	Cost of library (incl. market value of books in 1 st year of practice) amortized at 20% per annum; books purchased individually fully deductible.	Any books/periodicals not related to your profession.
Conventions	Up to two conventions per year.	Conventions held outside territorial limits of sponsoring organization; expenses for family members.
Courses	Expenses (tuition, travel, lodging, food) to maintain or upgrade skills.	Tuition to acquire new skill (specialist training); costs amortized at 5.25% per year.
Conference meals	50% of cost of meals; \$25 per day, if meals are part of package.	Cost of meals before or after conference; meals of family members.
Meals/entertainment	100% of expenses if all employees are invited; or while traveling on plane, train, or bus.	50% of all meals, drinks, and entertainment incurred for business purposes.
Club fees/dues	50% of entertaining expenses at club if there is business purpose.	Membership dues for club providing dining, recreational, sporting facilities; green fees.
Equipment and instruments	Equipment and instruments amortized at 20% per year. Instruments less than \$200 fully deductible.	Equipment and instruments not associated with your profession.
Home office	Reasonable house expenses, if home is the principal place of business.	If home office space is not used exclusively to see patients on a regular basis.
Insurance	Malpractice, office overhead, general office insurance; premiums to private health service plans; term insurance premiums, if policy is collateral for bank loan.	MSP, Life and Disability insurance premiums.
Interest on student loans	Interest paid on loans designated Student Loans by regulation; 5-year carry-forward of expense.	Personal loans; loans where student is not the legal borrower; refinanced student loans.
Practice search	Travel, lodging, food costs of finding a new position.	Expenses related to accompanying family members.
Salary to spouse/relatives	Reasonable salary in terms of services provided; employment agreement recommended.	Unreasonable salary and bonuses.
Association assignment	Travel, lodging, and 50% of meals in location other than regular place of practice.	Expenses incurred in location that is no longer temporary.
Uniforms and cleaning	Cost of purchasing and cleaning special clothes (lab coats).	Any item that is considered street clothing.

2003 Wealth Building Tips

The topic of personal finances is top of mind for most dentists. For some the financial stress weighs so heavily that it takes the fun out of practicing dentistry. The cure for financial stress is to put a solid financial plan in place. Here are some tips to help you implement effective financial planning strategies for 2003.

1. Make 2003 the year of execution

Execution is the Achilles heel in financial planning, as you must over-

come the common affliction called procrastination. Execution means turning your dreams into reality—implementing your goals, rather than just talking about them. Have your spouse sign onto the financial planning exercise, so you can work together to realize your dreams.

2. Reduce income taxes

Unlike gasoline taxes or the GST, income taxes are a discretionary expense. Use all available tax tools to reduce taxes to the absolute minimum.

3. Want to have more—spend less

Dental school gave you the skills to make money, but you did not learn how to spend it. Rich people buy assets, while poor people buy liabilities. Many dentists don't know the difference between the two. An asset is an investment that generates income, but items such as boats, sports cars and recreational properties are liabilities because they require cash to maintain them. In 2003 be more frugal and, perhaps, toast with cheaper wine.

just for dentists

Visit our booth at the Pacific Dental Conference, March 6 & 7

We're working hard to give you lots of reasons to visit our Pacific Dental Conference booth—**#1517**.

Retirement Analysis Service

We'll give you answers to your two most critical questions:

- When can I retire and maintain my current lifestyle?
- How much more do I need to save to be able to retire at my current lifestyle?

Practice Valuation Service

We're putting the final touches on our database to give you a quick response to your question: "What is my practice worth?"

All we need is your answers to a few simple questions. The best part? There is no charge!

New Dentist Practice Guide

If you're a new dentist, be sure to get your copy of "The New Dentist Practice Guide" with checklists when you're

- looking for an associateship
- purchasing a practice
- renting space
- entering a cost share agreement
- arranging bank financing

Lots of practical advice on wealth building, tax planning, negotiating a practice purchase, building a successful practice, and much, much more.

This guide (value \$75) is yours—free—only at the conference!

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