



In Practice

WITH DR. RONALD GOLDSTEIN

After You Make It...How To Keep It? A Multidisciplinary Approach



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One of the subjects that dentists always get around to in social situations is how to protect any profit that they manage to make. Everybody has their own ideas for investing, but one thing is perfectly clear—almost everybody's retirement fund is worth considerably less now than it was almost 2 years ago. Therefore, it is crucial we consider whatever tax-saving strategies we can implement to help us keep as much of our income as possible. To aid us in this quest, we consulted practice management authority, Leon Udwin, to share his views with us. A successful businessman in his own right, Leon changed his emphasis several years ago and has now focused his efforts on the dental profession. A meticulous individual, he has investigated many areas and has some sound advice in this column.

BE FISCALLY RESPONSIBLE IN YOUR DENTAL PRACTICE

Did you ever stop to wonder why Ted Turner would donate \$1 billion to the United Nations? We might all question whether

the UN was the most appropriate recipient for such largesse. However, what really piqued my interest was the financial motivation for this enormous donation. I have always assumed the wealthy had access to the finest tax consultants. So what did Ted know that I didn't? Furthermore, if this strategy works for a guy that earns millions of dollars every year, would it work for me or one of my clients?

Recently, I attended a symposium for financial advisors where I gleaned some insight into what makes Ted a billionaire, while I am fulfilling my duty to Uncle Sam and loyally imparting a large portion of my income in taxes every quarter. As Judge Learned Hand once explained, "There are two systems of taxation in our country—one for the informed and one for the uninformed." [QA: Reference?] I discovered the answer to Ted's success is rather simple. First I must ask you, "How many times have you held a meeting that included your CPA, your attorney, and your financial advisor?" In the past, I have consulted with many dentists and I know they would

all have answered—never.

The seminar had a fancy title, "A Holistic Process of Facilitating Practical Solutions to Sophisticated Problems," and was conducted by John Benn, the CEO of Bricktown Financial, LLC. I have attended numerous presentations by some guy promoting the latest "product" to help you avoid the taxman. Everything I heard boiled down to the following: Set up a qualified retirement plan that enables you to contribute about \$30,000 a year (I know this year the amount is increased, but you get the idea) and establish an employee benefit plan. Now you can shelter another \$10,000; then purchase a large amount of equipment. You've just found shelter for an additional \$20,000.

This typical strategy would be used for someone with a tax liability of \$200,000. Added together, \$60,000 was spent or invested, to save \$24,000 in taxes. These numbers simply pale in comparison to the strategies that could be used to reduce a client's tax burden. If a client's tax burden cannot be reduced to zero, then it can be reduced to a number far below the above example.

The good news is those "sophisticated problems" they talked about [QA: Who do you mean by 'they'? The John Benn seminar?] stem directly from the US tax code and the "practical solutions" are simply strategies they use to reduce income, capital gain, and estate taxes. I discovered that the best strategy is for your financial consultant to work with your attorney and your accountant, and by pooling their knowledge, they can come up with the ideal plan to protect (and even multiply) your assets. As Ted Turner knows, there is strength in the strategy of having everyone pulling together to develop a customized solution for one's specific needs.

One dentist commented to me that this philosophy appears to mesh perfectly with the dental industry. He said, "Just as we do in dentistry, we first take the patient's medical and dental history to become educated about the individual we are working with. Then with this knowledge, we adopt a multi-disciplinary approach and include all the specialists to develop the appropriate treatment plan."

The best approach is to develop a unique plan around the dentist and not try to mold the dentist around a preexisting strategy. Some dentists have a desire to retire early, whereas others never really see themselves retiring at all. Some want to leave as much to their heirs as possible; some want to set up college funds for their grandchildren or other types of funds for charitable giving. As we well know, no two patients are alike and no two individuals have



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the same set of financial goals. The following are just a few of the strategies to consider.

419 PLAN

This is a “health and welfare plan” (not to be confused with a defined benefit plan or any kind of severance or deferred compensation plan). It uses tax-deductible life insurance to reduce

income tax and provide asset protection that is litigation proof (financial protection in the event of divorce, partnership split, or patient suite)[QA: Patient suite? Does this mean lawsuit?]. The potential uses for this plan would include significant death benefits paid in a pre- (vs post-) tax manner, and/or post-retirement health care. This plan could be

used instead of long-term health care plans with considerably greater advantages. The death benefits will transfer to your beneficiaries free of death, income, gift, and estate taxes.

412i PLAN

This is a strategy that is reappearing with great favor in the marketplace. It is a defined bene-

fit plan, which works well with businesses of 10 or fewer employees (most dental practices fall into this category). Unlike some of the more widely used qualified plans, with proper design, contributions in excess of \$200,000 can be realized. This is an ideal plan for those of you who have a need or desire to shelter more than the traditional benefit plans will allow.

NONTRADITIONAL LEVERAGED DEFERRED COMPENSATION

This strategy activates previously dormant accounts receivable (which every practice has) and provides significant life insurance protection and a tax-efficient supplement to a retirement income stream. Note that this is not a “factoring” strategy. This is a great way for you to increase your retirement portfolio overnight by transforming a dormant asset into a performing asset. This strategy is also useful as an incentive to attract and retain associates.

VARIOUS TRUST FORMS

These eliminate or dramatically reduce capital gains taxes on the sale of appreciated assets such as a practice or building. This strategy has the added advantage of being able to provide a tax-advantaged income stream for life. When properly designed, the cash value may still be transferred to your heirs in its entirety without being taxed.

Once again, the similarities with a dental practice are evident. The key here is education. “If your advisors have not yet discussed these strategies with you or any of these ideas interest you, the next step is to show them this column and ask that they help you more aggressively develop a profitable strategy (treatment plan).”

CONCLUSION

What is abundantly clear to me is that if this strategy of using a multidisciplinary team to develop the best treatment plan works for Ted Turner, then I believe it should work for me or any one of the dentists I work with. The next time someone

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asks you if you have ever participated in a meeting where your CPA, your attorney, and your financial consultant were all together you can smile and say proudly, “Sure, just the other day.” ○

MARY: CAN WE CUT? JEN
