

Chapter One

Begin at the Beginning: Ask the Right Questions

Regardless of the age of the doctor or the number of years in practice, I always ask the same two questions: “*How much is enough?*” and “*How long do you want to practice?*” Seldom can anyone answer these two simple questions. The young ones say they just started and haven’t really thought about it. The mid-career doctors are beginning to worry about whether or not they will ever be able to retire, usually because they are in debt up to their eyeballs. The older doctors (who know they haven’t saved what they need for retirement) say they “want to” practice 5-10 more years. As for money, they feel like they need \$2,000,000-6,000,000 to retire. I try to give them a guideline using an approximate 5% after tax return on the money they have saved. Tax-free municipal bonds will do this with no fear of market volatility or failure to get your money back. If you think you need \$100,000/year after tax, you will need to have \$2,000,000 in savings: \$200,000/year would be \$4,000,000. You get the idea. The problem is that most of these doctors have not saved a penny. Their debts far outweigh their assets. What happened? We literally have had millions of dollars pass through our fingers during our careers and most of us have little or nothing to show for it. I believe it’s because we fail to plan. We let our lifestyles out strip our earning capacity. Believe me, there is no amount of income that you cannot spend. Because of this, I see the average dentist spend just a few percentage points more than they actually take home. A failure to set goals early in life with a due date and a strategy to get there is a plan to fail. The results of not planning create average doctors with below average results. Statistically the “average dentist” today is:

- 54 years of age.
- \$225,000 in net worth (Assets - Debts = Net Worth).

- Divorced at least once.
- 67% dislike their chosen profession.
- 47% have abused alcohol or drugs during their career.
- Have endured 3 career lawsuits.
- Only have 1.5 days of hygiene per week in their practice.
- Have a 91% collection rate.
- Have a 42% recall rate.
- Produce a little over \$425,000/year with a 67-74% overhead.
- Net pay is around \$60.00/hour. About the same as a plumber in the State of Texas.

L.D Pankey said it best: *“The average dentist is the best of the worst, or the worst of the best.”* No one ever left dental school hoping to become an “average dentist”. Fail to plan, to find a mentor, coach, or consultant and you are doomed to mediocrity. I have made a short list of the characteristics and habits of the “average dentist” that I have observed over the last few decades of coaching. I call it the “Seduction of Good Enough”.

- Do the minimum required.
- Wait until the last minute to do things.
- Be unprepared and unorganized.
- Accept mistakes and errors as part of life.
- Be willing to let someone else do it.

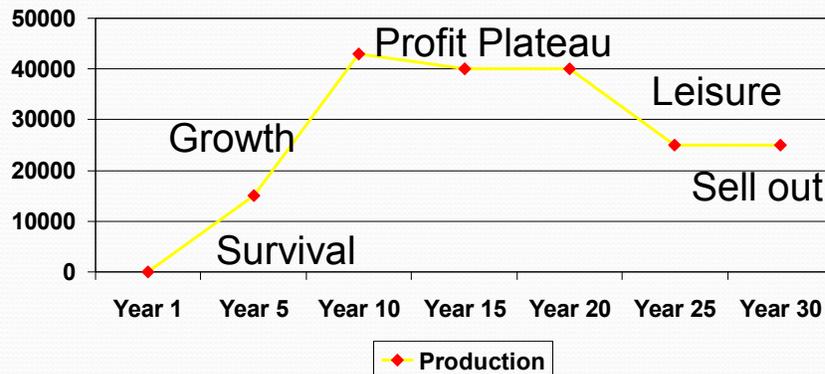
There are 5 Stages of a Dental Practice. If you were to place these stages on a piece of graph paper, they would look like the diagram below. The Vertical axis is measured in money. The Horizontal axis is a measure of

time. We all start day one with no money and we'll call this the **Survival Stage** of dentistry. We will do whatever it takes to make a living: We are real short on experience, and long on persistence. We start out doing whatever it takes. Dr. Gordon Christensen says that *"our diplomas are just learner's permits. We are just barely, not dangerous."* The great thing at this point of our careers is that we don't know what we don't know. We are pretty clueless about the business of dentistry. We are just looking for a chance to get into the game.

The next stage is the **Growth Stage**. This is the most exciting time for most of us. We start practicing as a dentist, get an apartment or home, get married, and even start a family. We are gradually increasing our clinical, business, and financial skills, usually by trial and error. Everything is looking up. At almost every turn, we run into something that is a challenge. The trouble with growth is that it ends far too quickly for most of us. Very few of us are able to keep adding challenges, clinical skills, and sustain growth in our practices. Without continued growth and profitability, we are doomed to languish in mediocrity.

The next stage is the **Profit Plateau Stage**. You could find that you hit several different plateaus during your career. Slow down, plateau, and then you market more, add a procedure or even another provider, grow a little; then hit another plateau. It is kind of like failing. You really only fail the last time you stop trying. As long as you fail forward and keep getting up after a challenge knocks you down, you have not failed. You may currently struggle with some challenge, but it will not make you fail.

5 Stages of a Dental Practice



The strange thing about this graph is that the time line may not be your entire career. You might find that you enter the Profit Plateau Stage in your 5th year, or maybe never. It varies from doctor to doctor and practice to practice. But I find too many doctors arrive too early and remain stuck in this Plateau Stage for most of their careers. They feel helpless to control their circumstances. They feel out of control. The practice, staff, patients, overhead, and management have taken their toll. They stopped trying years ago. They just come in, do what they have to, leave, and *hope* for the best. The truth is ---- *hope* is not really a strategy.

It is about this time of helplessness and lack of control that everything begins to go downhill. Patient numbers drop, production barely covers expenses, staff turnover is high, and the inevitable slow down into the **Leisure Stage** begins. The name leisure probably doesn't do it justice. It is more of a "decay of attention and profitability": A time when stress is the constant and profit is elusive. You begin to think of patients as the problem. You arrive late, never

really are fully engaged during the day, leave early, and try to occupy your life with something other than dentistry.

It is at this point that we hit the **Sellout Stage**: The very worst time to try to sell a practice or bring in a partner. Your systems are in shambles. There is little or no profit, and not even enough energy to lead the practice. You will receive the least amount of money for your practice and have little or no time left to act on an investment strategy to help it grow. At the time in your life when you need money the most, and should be able to cut back, you find yourself back at the **Survival Stage**. This is a vicious circle that captures way too many of the dentists I encounter: Great opportunity, plenty of time, but a complete failure to follow thru. You become a thermometer instead of a thermostat. You sense what's going on around you but you never control your environment.

Not a pretty story and not the path that you want to take. That is why you are reading this book. It can be the first step back to a career-long **Growth Stage** with huge financial gains, less stress and a renewed enthusiasm for life. It guarantees a successful exit on your own terms.

At forty years of age I decided I would retire from dentistry in 15 years with \$6,000,000 in assets and be debt free. I had just read Bob Buford's book "Half Time". In it, he tells how his son dies a few days before joining him in running his very successful business. It traces his thoughts and grief as he tries to make sense of life. His conclusion was that he had spent the first part of his life trying to be "successful". He felt he needed to spend the last stage of his life trying to do something "significant". He referred to this point of transition as "half time". Kind of like a football game where you go into the locker room with the first half over and having to reassess your strategy for the second half. I came away from that book with a renewed purpose and a new plan to make my dreams come true. The trouble was that I didn't know anything other than dentistry. I had to

make dentistry fun and profitable for the next 15 years. During that time I sold partnerships for fractional ownership of my practice to 3 doctors, grew the practice an average of 15% a year, lowered my overhead to the 50% range, added 9 hygienists, a commercial lab, one more location, started Summit with my partner Max Gotcher, and eliminated all of my debt. I have tried to add significance to every day of my life since that turning point. It is this sense of purpose and significance that continues to drive me today in my sixties.

Before we begin exploring the contracts and systems of a successful transition, we need to spend a little time understanding the other side: What the young doctor wants, what are the main concerns, and why we would want to consider this route at all.