

Helping dentists build wealth.

Introducing
TMFD Financial

Selling a Dental
Practice: Part II

The Value of a
Marriage Contract

Introducing **TMFD Financial**

OUR HISTORY

The concept for our firm originated some three decades ago when founder and CEO, Mike Lakhani decided to combine his accounting background with financial planning skills to help clients meet their retirement goals. In the early 2000's, dentists in Ontario were permitted to incorporate and a decision was made to focus our services on dentists and dental specialists.

Fast forward to today, and while the core of what we do hasn't changed much over the years, our team, service menu and capabilities have grown immensely.

Forty employees now operate out of four offices in Ontario - Toronto, Mississauga, Oshawa and Ottawa. Together, our client facing team has over two hundred years

of financial services industry experience and collectively we hold over twenty professional designations in accounting*, financial planning and investment management disciplines.

Our mission is simple;

"We enrich the lives of dentists and their families by providing a comprehensive and integrated set of accounting, planning and consulting services through one point of contact."*

OUR NEW NAME

We are very excited to announce our new name, TMFD Financial and our new tagline Helping dentists build wealth.

Why change our name and brand? Quite simply, to better

highlight who we are and what we do. While TMFD – Tax Matters for Dentists is descriptive of one of our most important services, and a necessary function for every dental professional, we offer so much more than completing tax* returns. The decision to rename and rebrand was the result of hearing many times over, "I didn't know you provided services other than tax* returns and accounting*." Everything we do is aimed at increasing the net worth of our chosen clientele – dentists and dental specialists.

OUR SERVICES

The value proposition for you and your peers focuses on three key areas: accounting*, planning and consulting. Our accounting* service bundle includes

*All tax and accounting services provided by
TMFD Professional Corporation,
Chartered Professional Accountants





bookkeeping, payroll, financial statement preparation and both personal and corporate tax* return preparation and filing. The planning group focuses on providing a holistic wealth management solution including a comprehensive financial plan, investment management, retirement planning and estate planning services. Our consulting team provides complete practice management support including practice assessments, practice improvement plans and practice succession and transition plans.

OUR CLIENT FIRST VISION

We feel fortunate to have grown from one office in Mississauga with a handful of local dentists, to a

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multiple-office operation with hundreds of dentists and dental specialists province wide. Thank you to all our clients who have helped make this possible!

But, we aren't stopping here. In fact, we aspire to become “The premier, national provider of integrated financial and practice management solutions for dentists and dental specialists from graduation through retirement.” In order to realize this goal, we will continue to put our client's interests first, increase our knowledge base and expand our suite of services for dentists and dental specialists.



HOWARD J ATKINSON CFA, CIMA® and ICD.D is the President of TMFD Financial, focusing on business development and corporate strategy. Prior to joining TMFD Financial he was a founder and president of Horizons ETFs Management Inc. and over his three decades in financial services has held executive positions with Mackenzie Financial Corporation, CI Funds and Barclays Global Investors Canada Ltd. He is the past founding chair of the Canadian ETF Association and a past president of CFA Society Toronto. He is the author of four books including *The New Investment Frontier III: A Guide to Exchange Traded Funds for Canadians*, (Insomniac Press, 2005).

ALSO IN THIS EDITION

of TMFD Financial you can read **Selling a Dental Practice: Part II**, where **Chris Molloy** focuses on what you need to do to close the deal! This issue's guest contributor **Justin Clark, LL.B.**, weighs in on family law issues.

TMFD Financial provides integrated financial and practice management solutions for dentists and dental specialists from graduation through retirement. Book your free initial consultation to discuss your goals or obtain a second opinion, by contacting us directly at info@tmfd.ca or (844) 311-8633.

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SELLING A DENTAL PRACTICE:

Part II – *Closing the Deal!*

This is the second of a two-part series focused on preparing a dental practice for sale.

From beginning to end, good planning and thorough preparation will lead the way to a successful sale and smooth transition. We know from talking to other dentists preparing to sell, they want to protect the integrity of their practices, provide quality care for patients, and manage their businesses to obtain the most interest and highest value from buyers. This is possible by assessing systems in the practice, ideally years in advance.

THE POWER OF THE PATIENT BASE

A practice wouldn't thrive without a solid patient base and excellent staff to deliver quality service. But so often, practice management software is greatly under-utilized to track practice efficiency. For example, buyers want to know the active patient count. According to Dale Tucci, of TMFD Financial, active patient count for an urban practice is generally the number of patients who received treatment within the last 12 months. For a rural practice, an 18 month timeframe is the more common. Dale Tucci's team of consultants are expert at the most common dental software platforms, and can train staff to use the programs effectively.

Once active patient count is accurately reported, it can have a positive impact on practice value. In fact, there are many types of management reports and dashboards available from the

software; but like any database, the reports are only as good as the information entered. Since buyers wish to review at least three years of production history, training staff and managing the software effectively needs to take place well before a sale.

THE VALUE OF STAFF CONTRACTS

The largest expense for an established practice is staff costs. And for good reason—staff deliver quality care to patients. But another often overlooked element is the use of staff contracts. Well drafted contracts provide financial certainty to the buyer and can greatly enhance the practice value. For example, a

contract can define the amount of termination pay if things don't work out with a staff member after transition. In the absence of a contract, employees could be awarded as much as two years compensation depending upon job duties, tenure and age. To mitigate further risk for the buyer, the sale agreement often contains provisions for sharing termination pay for a short duration (such as 3 or 6 months) after the sale. These steps are helpful, but practice value erodes to some degree simply due to the lack of well drafted contracts. Staff contracts should be introduced many years prior to sale with the guidance of an employment or commercial lawyer.



BROKER VS. GOING IT ALONE

As mentioned previously, a practice valuation should take place a few years prior to sale. But as the transition draws near, you will need to decide whether to retain a broker or sell privately. Conceivably, brokers can secure the highest price since they advertise in the open market. Brokers also ensure that intentions remain private, helping to protect practice value from competing dentists in the area or early departure of patients and staff.

On the other hand, many dentists prefer to sell privately on the basis they save the brokerage fees and keep more net proceeds. This might not be the case if the practice isn't placed on the open market for the highest bidder. In addition, there are the hidden costs. It takes a lot of effort to manage the sale process by oneself, which steals time and production hours from the practice. Under unique circumstances, a private sale might be a good solution, but for most situations, a broker arrangement can be just as rewarding.

SELLING AND RETIREMENT

The sale of a practice can provide the foundation for a solid retirement nest egg, but the proceeds alone are rarely enough to meet one's needs. Like other elements of preparing for sale, retirement planning requires ample time in advance to ensure you achieve your financial goals. Retirement can extend 30 years or more, which requires a substantial amount of savings.

When planning retirement for our clients, we determine how

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much income is needed to maintain the same lifestyle. In reality, spending patterns rarely change once a dentist hangs-up their lab coat for the last time. Property taxes, utilities, food, and transportation costs generally remain unchanged. In fact, with more time on one's hands, discretionary spending for travel and recreation can increase. By far, spending patterns influence one's retirement savings target far more than investment returns, taxes or inflation.

To give an example of how much retirement savings are required, we use a common benchmark called the 4% withdrawal rule. For example, \$1 million in savings can generate \$40,000 per year for 25 to 30 years. For a family spending \$100,000 per year, then savings of

\$2.5 million is required to meet their needs. This rule-of-thumb is just a starting point for discussion; there are many factors that can influence the result. Again, caution is advised against relying primarily on the sale proceeds of a dental practice, which although substantial, may not be sufficient. A financial planner can map-out the most tax-efficient sources of income to satisfy your spending patterns, now and in the future, to ensure your retirement years are financially secure.

Dentistry can be a very rewarding profession, not only for maintaining and improving the health care of patients, but financially as well. It takes prudent planning well in advance of a practice sale to capitalize on your years of effort.



CHRIS MOLLOY, B.A.Sc., CFP, is Senior VP, Advisory Services at TMFD Financial. Chris has over 20 years of experience at TMFD Financial working in the Ontario area. Chris specializes in tax, estate and investment planning for dentists and dental specialists. For a complimentary initial consultation with our team, we can be reached at info@tmfd.ca or by toll-free at (844) 311-8633.

THE VALUE OF A MARRIAGE CONTRACT

As a dental professional, you know that financial honesty and transparency are intrinsic to a healthy and balanced practice and partnership. While it may be delicate, and in some cases uncomfortable, it's just as important to apply the same values when it comes to partnership with a significant other.

Whether contemplating marriage or living together in an intimate or committed relationship, financial fallout as a result of relationship breakdown is difficult to contemplate. However, the outset of the relationship is the wisest time to grasp understanding of your potential rights and obligations along with options available to preserve wealth and minimize associated risks.

CONSIDERATIONS FOR A CONTRACT

Situations can vary and outcomes are not necessarily predictable. For example, much to the surprise of many, in the case of individuals unmarried and living together, courts are showing increasing willingness to allow successful claims to be made against property - even in the absence of significant financial contributions made toward the original acquisition of that property. Property is not limited to real estate and investments; it could include a dental practice. Although we're not yet at the stage in Ontario where there is automatic sharing in property values - as is the case with married spouses. With each passing year

we move ever closer to the possibility that the court and/or the government, will elect to implement that result in the future.

Dental professionals may focus particularly on minimizing risks pertaining to the payment of spousal support (alimony), or desire to preserve the value of a dental practice, investments, or real estate being brought into a relationship. Or it may be enough to consider the appeal of having a reasonable written agreement in place, one that provides for a realistic orderly outcome in advance of an actual separation, and offsets significant dispute later when perspectives have changed and memories have faded. The less dispute and uncertainty on the horizon, the better it is for you, your dental practice and your future profitability.

A MODERN-DAY MARRIAGE REALITY

Marriage Contracts (known as "pre-nups") and Cohabitation Agreements are becoming increasingly common, particularly in cases involving second marriages. The first step to proceeding with a Marriage Contract or Cohabitation Agreement is to speak with a family law lawyer concerning your particular situation as well as your goals and concerns.

These agreements can be negotiated and completed prior to





marriage or cohabitation but also after and during the relationship. Contrary to some misconceptions, they can be prepared, negotiated, and finalized in a fully enforceable manner. However, the process followed is critical and may utilize specialized interest-based processes like mediation or collaborative family law to arrive at a signed agreement.

THE VALUE OF AN AGREEMENT

Agreements can be creatively tailored to address, in advance, the resolution of a variety of important issues from the very narrow and discrete (such as how to address a particular home or a dental practice that is brought into a relationship) to all possible issues in the right circumstances.

There is no-one-size-fits-all approach to handling these agreements, however, it must always be in a sensitive and fair manner since they're being negotiated within the scope of an existing committed relationship.

What these agreements expressly cannot provide for is:

- The right to custody of or access

to children, though they can address the right to direct the education and moral training of children; and,

- A limitation of certain rights a spouse may have with respect to a Matrimonial Home, including a right to possession of a Matrimonial Home.

It is true that many agreements are challenged in court and it's critical to understand the main reasons behind a successful challenge. This allows you and your lawyer to tailor an approach and process to address the real goals and concerns you have in any given situation.

Some of the main reasons these agreements have been successfully challenged in court in the past include:

- Inadequate financial disclosure;

- Lack of independent legal advice for each spouse; and
- One-sided agreements that provide for unconscionable results.

Apart from agreements that are upheld and fully enforceable, sometimes the mere existence of the agreement itself opens some significant leverage even in those situations where a party seeks to challenge the agreement years later.

IN CONCLUSION....

If you're entering a new relationship and making plans for the future, consider a consultation with a family law lawyer to ensure you understand the extent of your rights, obligations and options.



JUSTIN CLARK is a Partner at the law firm of Simmons, da Silva LLP, a firm located in Brampton, Ontario, in the heart of the Regional Municipality of Peel. He obtained his LL.B from the University of Ottawa.

Justin Clark practices exclusively in the area of family law and is also trained to practice in the area of Collaborative Family Law. He has successfully argued family law matters in all levels of Court in Ontario.

Simmons, da Silva LLP is a multi-disciplinary firm that practices in the areas of family law, business/corporate law, real estate, wills and estates, and civil litigation. The firm was established in 1969.

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TMFD **Financial**

Helping dentists
build wealth

Tax* and Financial Planning
Incorporation and Practice Transition
Practice Management
Payroll and Accounting*
Insurance Planning
Retirement Planning
Wealth Management
Estate Planning

FOR OVER 30 YEARS TMFD HAS BEEN PROVIDING DENTISTS AND DENTAL SPECIALISTS WITH COMPLETE TAX AND FINANCIAL SOLUTIONS. WE WORK WITH NEW GRADUATES, ASSOCIATES, ESTABLISHED DENTISTS AND DENTISTS TRANSITIONING OR IN RETIREMENT. WE ARE PROUD TO BE LEADERS IN THE INDUSTRY, BUT OUR CLIENT'S SATISFACTION IS OUR TRUEST MEASURE OF SUCCESS. TO ALL OF OUR CLIENTS,

"THANK YOU FOR PLACING YOUR TRUST IN US."

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Congratulations to Savannah Grewal for achieving 1st place in the Girls 14-15 age group in the fourth annual Drive, Chip and Putt National Finals in Augusta, Ga.

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Mike Lakhani and his team listen and act on my individual needs rather than using a “one size fits all” method. They take a comprehensive approach to financial planning that includes tax planning, education, investment planning, insurance needs, estate planning and structuring, and debt reduction. Prior to working with the Lakhani team, I had to rely on multiple specialists and it consumed a lot of my



time. Now, Mike and his team serve as a kind of CFO for my business and personal finances. Their integrated service frees up my time to do the things I really enjoy, such as practicing dentistry and spending time with my family.

Dr. Sara Syed, B.Sc. (Hons), D.M.D. (Ottawa)

I spent many years carefully investigating who I would work with as my financial planner. I decided to commit to



the Lakhani team and can very strongly recommend them. The team is knowledgeable and competent, as well as being down to earth and friendly. They provide significant benefits to my financial and legal affairs.

Dr. Murray Arlin, D.D.S., dip. Perio., F.R.C.D.(C) (Etobicoke)

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