



The Value of  
Good Advice

Preparing Your  
Practice for Sale

Changes in  
Relationship Status

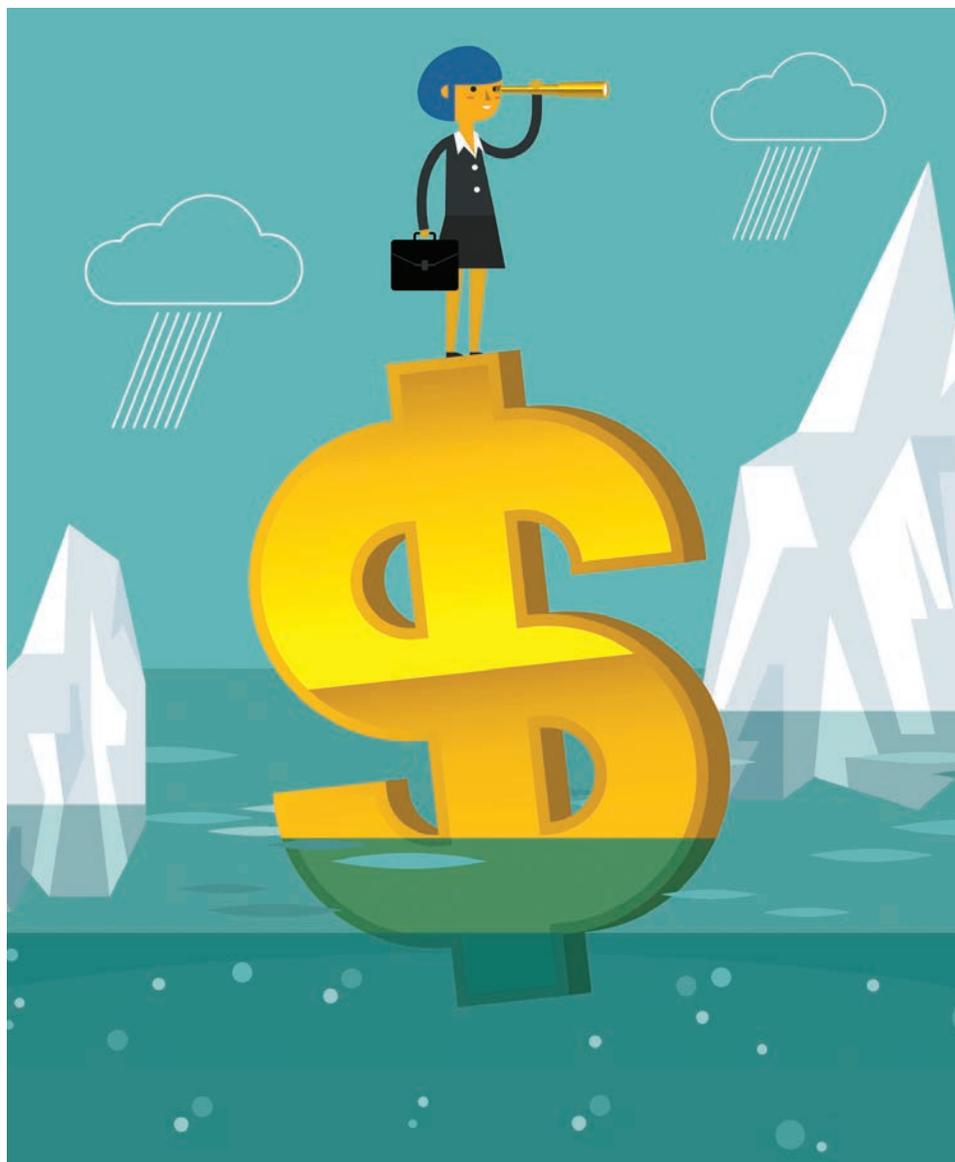
# THE VALUE OF GOOD ADVICE

It seems like everywhere you look these days, there is a commercial, article, or media piece, talking about investment and advisor fees. The focus is always on how ongoing fees eat into long-term returns and ultimately diminish a family's retirement assets. We find these messages paint only part of the picture and leave out the most important piece.

A crucial portion covered by investment and advisor fees is the value of advice. It's a vast area that makes it challenging to apply a tangible value. Advice takes many forms and is ever-changing as one's financial life evolves. Maybe it's no wonder these commercials and articles choose to avoid it completely?

## So, What is Good Advice?

The answer is as varied as each investor—unique to their situation, and even personality, (particularly regarding individual risk tolerance!). But one thing is for sure—good advice leads to confident decision-making. It also helps to avoid big mistakes, which can be costly. Consider your role as a dentist and your delivery of patient care. How often have you encountered a patient who obtains hygiene treatment elsewhere for a lower price, but doesn't get the full oversight of a doctor's care? Without an integrated approach, the patient could be at higher risk to the health of their teeth, and general overall health. The same principle applies to investment and financial planning advice. It may



be easy to see only the tip of the iceberg and ignore everything that lies below the surface, given the breadth of knowledge and experience provided by a professional advisor. Whether dentist or financial advisor, the value of a professional should not be understated.

Some forms of advice are universal in nature. As a financial advisor, it could include assessing the investment allocation for your long- or short-term plans, tax planning, or deciding which investment vehicles to use in your unique situation (RRSP vs TFSA vs Corporate investing vs



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Non-Registered). There is also cash flow planning, debt repayment, determining your retirement savings goal, and protecting your net worth with a proper estate plan and insurance coverage.

That's not all. Major life changes require good advisors to help clients successfully navigate divorce, job loss, career changes, death of a spouse or family member, sale or restructure of a business, inheritance planning, gifting to children or charitable giving, and the list goes on.

Even still, there's a more vital component that is ignored from today's persuasive call to avoid ongoing investor/advisor fees--the human element. When the shakiest of market conditions begin to unravel the nerves of most investors, a dependable advisor is delivering on their most important job for fees charged. Keeping clients disciplined and on-track,

reminding them of their long-term goals, guiding them yet again through their well thought out investment strategy--it's a service that surpasses value for money.

#### Research, research...

At TMFD Financial, we prefer research-based answers. Solid research provides the basis for making the best decision possible for the best possible outcome. There was a Canadian study done in the last five years showing investors who receive professional advice are 2.7 times wealthier after 15 years than comparable investors without advisors<sup>1</sup>. When it comes to ensuring that the right decisions are made along your family's financial journey, results like this speak volumes.

Professional advice is about so much more than investment returns. It is also about protecting what you have saved through hard

work using comprehensive and intelligent planning that strives to, over time, realistically achieve your unique goals.

As dentists, your financial lives are even more complex than the average investor. You have practices to run, huge tax issues to constantly navigate, and family life to coordinate. You are busy! As life promises to ramp up, it becomes increasingly difficult to keep your finger on the pulse of your financial life. We are here to help ensure you are making all the right decisions, lower your stress level, and ultimately give you time back.

Remember, the evidence is in the research and statistics--the value of good advice more than makes up for any perceived loss. Achieving your goals over time is the only objective that matters and the happiness that it brings is worth the advisor fees it takes to get there.

1. CIRANO Institute, "The Gamma Factor and the Value of Financial Advice", 2016



#### JOSH BELLIVEAU CFP

A member of the TMFD Financial team since 2009, Josh believes in providing sound financial advice to clients by taking in their entire personal and professional picture. This includes investment analysis with a focus on proper risk exposure, tax minimization strategies, retirement planning, and estate planning centered on minimizing estate tax and transfer to next generation. Josh's commitment is defining and achieving client goals in the best way possible while growing a lasting and beneficial relationship.

# PREPARING YOUR PRACTICE FOR SALE

## PART ONE

**T**here's an old expression that says, "If you don't know where you're going, any road will take you there." It's a playful thought, suggesting that a journey without direction should result in a satisfactory outcome. Maybe so, but it's hardly a formula to guarantee success.

The same perspective should be applied to the eventual sale of a dental practice. It takes years to cultivate and grow a dental practice, to set your place in the local community, and to nurture relationships with patients and staff. Naturally, those efforts deserve reward when transition appears on the horizon. Rather than taking a come-what-may approach, preparing your dental practice for sale takes care and thoughtfulness.

### Setting Plans in Motion

Preparing a practice for sale is like getting a house ready to sell. These days it's popular to stage a home so that it looks its best to prospective buyers. It makes sense to put on a fresh coat of paint, fix the leaky faucets, and remove all the clutter. You want your dental practice to look its best for buyers as well.

There are two primary benefits of setting plans in motion ahead of time:

- to attract the highest price; and
- to have a smooth transition

If you get both right, the practice sale will be a success.

In general, it is wise to start planning 3-5 years before a future transition. You might ask, "why plan so far in advance?" Ample lead-time provides an opportunity to:

- Improve practice efficiency
- Negotiate a favourable lease
- Establish staff contracts
- Arrange proper tax planning
- Reflect on the ideal buyer and transition
- Determine your retirement readiness

In this article, we'll start at the top.

### Improve Practice Efficiency

The health of the business is key, and a buyer will immediately set their focus on the financial statements. What are the revenues? What are the expenses? How efficient is the practice? At the end of the day, buyers are looking at the cash flow of the practice, and better cash flows equate to higher practice values.

The revenue of a dental practice can be categorized by doctor production and hygiene production. In a general practice, an industry norm for production distribution is 60% for doctor revenue and 40% for hygiene revenue. A lower rate of hygiene production could be improved by downtime management, training the clinical team on billable time, and identifying and scheduling patients on an ideal periodontal interval. A lower doctor



production could be managed by increasing case acceptance rate by implementing a treatment tracking system and educating patients on the benefits of the treatment.

In general, the lifeblood of any general practice relies on the recurring nature of the hygiene program. So, when assessing ways to improve the financial health of a practice prior to sale, hygiene usually presents the greatest opportunity.

There may be ways to better manage expenses, by comparing your practice to industry benchmarks. This useful knowledge can help identify anomalies and, if possible, allow for adjustments back to industry norms. The greatest practice expenses are wages, rent and supplies. However, without making dramatic changes to staff, location, or suppliers, there is only a modest amount of wiggle room in these areas.



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Review them all the same, since they amass the most substantial expenses of the business.

Why spend so much effort to improve the efficiency of your practice? Simply because the practice will be worth more. It is not enough to rely on a rule of thumb, like multiple-of-revenue, to determine the practice value. On the surface, two dental offices, might appear to be worth the same amount if they each generate revenue of \$1 million, but the more efficient practice will command a higher price. Better cash flow impacts not only the

ability of a new owner to satisfy the bank financing obligations, but also their potential remuneration.

Clearly, the value of a dental practice is highly dependent on the sustainable and recurring cash flows. Whether the goal is to

increase revenue or decrease expenses, it takes time for these changes to reflect in financial statements that will appeal to a buyer, and planning 3-5 years in advance will result in a tangible increase in the practice value.

In the next edition, we will explore the other important factors to consider in preparing a practice for sale.

*Please visit [www.tmfcd.ca](http://www.tmfcd.ca) to view our video series on *Preparing Your Practice for Sale*, or contact us for a complimentary no-obligation meeting at [info@tmfcd.ca](mailto:info@tmfcd.ca).*



**CHRIS MOLLOY** B.A.Sc., CFP

Chris 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@tmfcd.ca](mailto:info@tmfcd.ca) or by toll-free at (844) 311-8633.

# CHANGES IN RELATIONSHIP STATUS

## IMPORTANT REASONS TO REVISIT YOUR WILL



**M**any people have mistaken beliefs about revising their Will, should their relationship status change. It is crucial to understand how the law views changes in relationship and the consequential impact on an estate plan. Changes can be complex or straightforward, but we recommend you meet with your lawyer to update your plan concerning these significant markers:

### Marriage

If an individual has made a Will and later marries, then the individual's existing Will is revoked, rendering the Will invalid. If the

individual makes no new Will following the marriage, the laws of intestacy (dying without a Will) apply to the person's property at death. The laws of intestacy will give the new spouse a preferential share of the deceased's estate, which can be particularly concerning to the children of a parent's first marriage.

### Getting Engaged

If you are recently engaged, you may be thinking that based on the above (marriage revoking a Will), you should now wait until after the wedding to put your Will in place. However, if a Will is made in

contemplation of a particular marriage and makes mention thereto, then the Will would not be revoked upon marriage. If you make a Will in contemplation of your upcoming nuptials, you have one less thing to worry about when you go skydiving on your honeymoon!

### Separation

If you separate from your spouse, you may see it as a clean break, but merely separating does not affect one's Will or the consequences of dying without a Will. If your Will gives all assets and appointments to your separated spouse, those gifts and appointments will stand until you revise your Will. If you do not have a Will, the laws of intestacy (dying without a Will) still entitle your separated spouse to a preferential share in the estate (or the entire estate if there are no children). When you are separated but not legally divorced, it is imperative that you get legal counsel to understand the ensuing consequences to your estate plan.

### Divorce

A divorce does not invalidate one's Will but has the effect of reading one's Will as if the divorced spouse has died before the individual's death. Any appointments of the divorced spouse (such as an executor or trustee), or gifts to the divorced spouse in a Will, shall not take effect. An essential part of an



estate plan that is not affected by divorce is the designation of beneficiaries on designated products, such as an RRSP, a TFSA, or insurance. It is important to review these designations upon separation or divorce to ensure the divorced spouse is not named. It is equally vital to ensure that the terms of the divorce or separation, as set out in any agreements, are not in contradiction to your Will.

### Common-Law Relationship

From an estate planning perspective, Ontario law treats legally married spouses and common-law spouses very differently. As mentioned earlier, when a person who is legally married dies intestate (without a Will) in Ontario, the person's married spouse

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inherits the majority of the individual's estate (or the whole if they had no children). However, the same is not true of common-law spouses, regardless of how long the common-law couple has been living together, or if they have children. Common-law couples have no inheritance rights unless a Will is created giving the common-law spouse such benefits. Common-law couples must have Wills in place if they would like

their spouse to benefit in their estate.

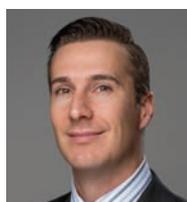
Changes in your relationship status can spell for exciting or tumultuous times, but your financial and legal life doesn't have to ride a rollercoaster of angst. Whether you need to make changes to your Will planning, or the beneficiaries on your financial products, the trusted professionals at TMFD Financial are ready to help.



### AMBIE EDGAR-CHANA

Ambie is a trusts and estates lawyer who has practiced exclusively in this area of law since her Call to the Bar in Ontario in 2007. Ambie advises clients on tax-efficient will and estate planning, business succession planning, family and alter-ego trusts, and estate administration. Ambie is an active member of the estate planning Bar. She is the author/editor of O'Brien's - Wills and Trusts, Division V, one of the foremost resources for estate planning lawyers. She is the President of the Estate Planning Council of

Toronto, is a former executive member of the Ontario Bar Association, Trusts & Estates section, and has her designation as a Trust and Estate Practitioner (TEP) with the Society of Trust and Estate Practitioners.



### AARON EDGAR

Aaron advises clients on estate planning and estate administration matters as part of his estates and trust practice. In his estate planning role, Aaron meets with clients to ascertain their estate planning goals and drafts tax-efficient planning documents, including Wills, Powers of Attorney, and inter vivos trusts. Aaron also assists clients with obtaining probate (Certificate of Appointment) and provides general estate administration advice.

# **TMFD** **Financial**

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Wealth Management  
Estate Planning

For over 30 years, TMFD Financial 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.”**

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

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**Dr. Leny Sferlazza, DDA, MAGD**



Mike Lakhani and his extraordinary proficient team have been extremely helpful with my professional and personal finances. From forming a corporation for my dental practice to estate planning, the process was thorough and comprehensive. The strategies have greatly reduced my taxes and increased my retirement savings. I have been most impressed with the absolute competence of the people I have had the privilege to work with.



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TMFD remains committed to supporting you and are here for you during these trying times. We are actively monitoring and assessing the evolving health risks posed by COVID-19. We are closely following guidelines and updates from public health organizations and government agencies.

**Book your complimentary consultation today | [www.tmf.ca](http://www.tmf.ca) | [info@tmfd.ca](mailto:info@tmfd.ca) | (844) 311-8633**