

# YOUR PRACTICE CASHFLOW & COVID

**W**e're sure that after last year, you're sick of hearing the terms "unprecedented," "challenging times," "pivot," and especially: "COVID-19."

However, the "unprecedented" conditions brought on by the events of 2020 are impossible to ignore. As you continue your journey into 2021, you may be asking:

/// What did financial activity for other Dentists look like during these "challenging times?"

/// How well can I "pivot"?

/// How will "COVID-19" really affect my Practice's cashflow (and my goals for the future?)

## WHAT DID THE FINANCIAL ACTIVITY FOR OTHER DENTISTS LOOK LIKE DURING THESE "CHALLENGING TIMES"?

**During the downturn, revenue was severely impacted; but many strong Practices are returning to 100%** (month-over-month). Some Practices were able to secure new patients, which may be due to changes in work + life patterns; or, Dental Offices may have improved their communications regarding infection control protocols (winning patient confidence, online bookings, and/or virtual patient care appointments).

**The mix of revenue changed**, resulting in more dentistry, and less hygiene (which is down about 10% - 20%). This lower revenue was the result of fewer hygiene patients on a daily basis due to fallow time, higher cancellation rates out of public concern regarding infection, and an inability to significantly change billing rates.

**Valuations are currently lower because Base Profitability has declined** (Valuations = Base Profitability x Multiples). Many recent deals include an Earn-Out Clause to reward Practices that recover; and multiples remain about the same, since they are driven by sustainable growth expectations.

**Operating expenses have risen** due to increasing staff costs, PPE, and infection control protocols.

**Staffing issues have been a challenge**, since some employees decided to withdraw from the workforce

during the pandemic. This created a shortage of hygienists and assistants – however the forecast is that this will be a short-term issue when vaccines become available and more graduates enter the workforce.

**Downtown Dental Practices may have been impacted more severely** since most employees now work from home. These will take longer to recover; but this is most likely temporary, and many employees (although not all) will return to the office when vaccines are available.

/// **REGARDING CEWS:** it appears that the average subsidy was about 15% of total wages.

*I have observed during client meetings that average wage expense was down considerably due to the CEWS subsidy. Many dentists have as much cash, or in some cases, a little more cash on the balance sheet because of the CEWS and CEBA loan subsidies. Most dentists have applied for the CEBA loan (\$40k), and our accounting group has encouraged dentists to apply for the CEBA supplement (\$20k) because they would qualify due to a drop in revenue (April 2019 vs. April 2020).*

– Zachary Sloan /// Financial Advisor at TMFD Financial

### DR. JOHN SMITH DENTISTRY: 12 MONTH ANALYSIS

	PRE-COVID	COVID	DIFFERENCE	% CHANGE
<b>PRODUCTION</b>				
Dentistry	\$1,168,540	\$945,798	-\$222,742	-19%
Hygiene	\$530,655	\$332,086	-\$198,569	-37%
<b>Total Production:</b>	<b>\$1,699,195</b>	<b>\$1,277,884</b>	<b>-\$421,311</b>	<b>-25%</b>
<b>EXPENSES</b>				
Associate Fees	\$35,244	\$22,890	-\$12,354	-35%
Dental Supplies	\$154,092	\$108,463	-\$45,629	-30%
Lab Fees	\$37,248	\$61,377	\$24,129	65%
Salaries	\$411,503	\$289,518	-\$121,985	-30%
Other Expenses	\$263,200	\$199,145	-\$64,055	-24%
Dentist Draws	\$319,554	\$334,076	\$14,522	5%
Corporate Taxes	\$53,301	\$28,828	-\$24,473	-46%
<b>TOTAL EXPENSES:</b>	<b>\$1,274,142</b>	<b>\$1,044,297</b>	<b>-\$229,845</b>	<b>-18%</b>
<b>Practice Cash Flow:</b>	<b>\$425,053</b>	<b>\$233,587</b>	<b>-\$191,466</b>	<b>-45%</b>
CEWS Subsidy	\$0	\$75,203	\$75,203	-
CEBA Loan	\$0	\$10,000	\$10,000	-
<b>Total Subsidy:</b>	<b>\$0</b>	<b>\$85,203</b>	<b>\$85,203</b>	<b>-</b>
<b>NET PRACTICE CASHFLOW:</b>	<b>\$425,053</b>	<b>\$318,790</b>	<b>-\$106,263</b>	<b>-25%</b>

## I HOW WELL CAN I “PIVOT”?

According to our information, your Practice can “pivot” very well. Below are some distilled “tips” that can be drawn from the previous answer.

### /// KEY MESSAGES FOR PRACTICES:

- Secure ample supply of PPE to protect against supply disruptions
- Purchase quality products
- Communicate new protocols to patients, to instill trust and confidence in your Practice being safe

Even though your Practice may have closed for three months last year, you still have the ability to rapidly recover by: earning the trust of your patients with well-communicated safety protocol, focusing on your Dentistry production (to make up for lower hygiene production), keeping your Dental supply costs down, and letting our team help you take advantage of your CEWS Subsidy / CEBA loan assistance (and much more).

# [like] a blip in the Stock Market that recovers over time...

For every challenge, there is a solution, and our team has helped many, many Dentists like you navigate these waters.

## HOW WILL “COVID-19” REALLY AFFECT MY PRACTICE’S CASHFLOW (AND MY GOALS FOR THE FUTURE?)

For the most part, Practice owners are keeping very similar draws as in the past.

Today, most are going back to monthly production numbers that are similar to the ones they had “pre-COVID” – and to reassure you further, Mike Lakhani, CEO & Founder of TMFD Financial compares this “unprecedented” situation to *“a blip in the Stock Market that recovers over time.”*

The best thing you can do right now, is remain focused on your end goal – which, most likely, is to become financially independent. With the right advice + the right framework, you will be able to “stay on track,” and achieve this goal on schedule.

If you don’t already work with our team, we invite you to take advantage of our Complete Cashflow Analysis: a comprehensive assessment of all the moving parts of your finances with respect to your wishes + timeline for retirement.

At TMFD Financial, our mission is to help you build (and maintain) an integrated financial plan – ensure that all of your financial decisions are being made with your Financial Independent Target number (your “FIT#”) in mind – and help you achieve your dreams, despite this “blip” in time.

With sincere thanks for putting your trust in us,  
- The Professionals at TMFD Financial

## COMPLETE CASHFLOW ANALYSIS

A COMPREHENSIVE ASSESSMENT OF ALL THE MOVING PARTS OF YOUR PRACTICE + PERSONAL FINANCES – WITH YOUR END GOAL IN MIND.

Let us show you how **we can help.**  
Book your Complete Cashflow Analysis now.

CALL (844) 311-8633 OR  
VISIT [tmfd.ca/book-a-cashflow-analysis](https://tmfd.ca/book-a-cashflow-analysis)

## RESERVE YOUR FREE COPY...

...of Mike Lakhani’s latest book. Discover the framework that will align your Practice with achieving your dreams.

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