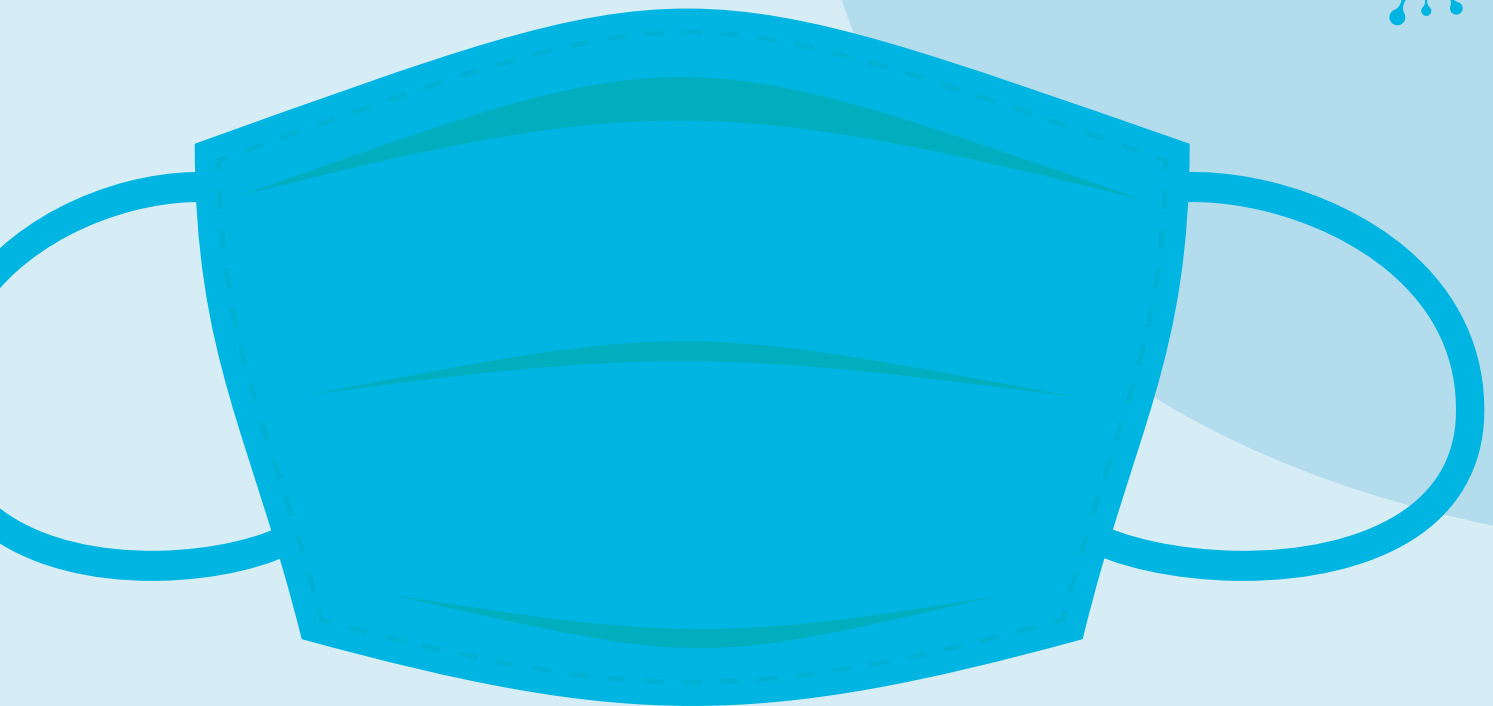




# Helping dentists build wealth



**Dentistry Post  
COVID-19**

**Preparing Your  
Practice for Sale**

**DIY Investing and  
the Value of Advice**

# DENTISTRY POST COVID-19

**T**he year of COVID-19 will long be remembered as an unprecedented and stressful one for all dentists. While some industries continued working productively from home during the lockdown, dental offices were closed for months until the economy began to re-open. The pandemic affected us all in unique ways, and we wanted to share just one ‘war story’ that inspired us during tough times.

Dr. Shanny and Charles Chang own a dental practice in downtown Toronto. While the lockdown certainly impacted their practice, they were able to bounce back so quickly due to relentless preparation and hard work before, during, and after the lockdown.

In mid-July, we had the fortunate opportunity to interview Charles Chang.

**Mike Lakhani: Hi Charles, thanks for being with us today. Tell me a little bit about yourself.**

**Charles Chang:** My wife and I own a dental practice in downtown Toronto. Shanny is a dentist, and I run a company called Unified Technologies that looks after all the IT, security, and A/V needs for dental offices across Ontario. This segment of the dental office is becoming more important because technology is being used and integrated throughout the practice experience.

I have an engineering background, so I am really interested in how we can use technology to automate as much as we can while

constantly thinking about how to improve the patient experience.

**I understand that even pre-COVID, you were doing some fairly major renovations to the practice. What kind of changes were you making?**


Yeah, absolutely. I look at dentistry not only from a clinical view, but my engineering brain is always thinking about patient and business flow. How do we make things easier from the time the patient enters the office to when they leave? How can we prep the operatory the night before, get the trays ready? All of this translates into a more efficient practice, and we use that extra time to develop deeper relationships with our patients, which always come first.

We also thought, what if someone comes into the office sick with a cold or flu? How can we localize that? So, we enclosed all our operatories in glass, added doors, and installed new air filters. We’ve always taken a health-focused approach to dentistry for our patients and staff.

We completed those renovations about a year ago, and while it was really expensive, it was definitely worth it! We didn’t know at the time just how important it would be in 2020.

**When did you realize that the COVID-19 pandemic was going to dramatically affect your practice?**

In mid-February, we thought this was going to be a huge issue in



North America. These days, people are travelling everywhere and we didn’t see Canada doing anything to restrict travel. After it moved from China to SE Asia, Europe, and then Seattle, we knew it was only a matter of time before it would come to Toronto.

So, that’s when we started to really focus on PPE. We really shifted gears.

In February, we ordered everything. Hand sanitizer. Gowns were still cheap. Our basement at home is just filled with gloves. My wife also had a former classmate who practices in China, and we were able to piggyback off his orders.

**Describe all the preparations you made as you began to think about re-opening your practice.**

We were doing so much more than PPE. We also put in a whole bunch of new protocols for infection control. We took the patient’s O<sub>2</sub> saturation. We asked about recent travel.

Going back to my earlier comment about patient flow, we



also thought, how can we minimize people in hallways? How can we minimize wait time? Can we stagger appointments so that two patients aren't checking out at the same time? We moved our receptionist off site.

Luckily, we didn't have to change much about the operatories themselves, but we did install a new high efficiency extraoral aerosol capture unit to each operatory.

#### **How long were you shut down for, and when did you re-open?**

There were a few weeks where we fully shut down, we did a bunch of role-playing to get ready for re-opening. We opened for emergencies starting in late April.

#### **How did re-opening go? Did your patients come back right away?**

Once we were re-opened and confident in our new environment, we decided to have a steady but controlled patient flow into the office. We started a Google marketing campaign. Our schedule filled quickly. Many of the people we saw were new to our practice. However, it's important to note that we did not solicit patients to join our practice just because we were open and had PPE. We didn't think that would be fair to other dentists.

#### **What is your practice like now that we are in later stages of re-opening?**

More and more patients are coming

back. We're now trying to catch-up on the backlog of treatment plans while also trying to cope with the new protocols. At the end of the day, we can't see as many patients as we used to on the hygiene side, but on the dental treatment side, we are slowly able to get back to where we were.

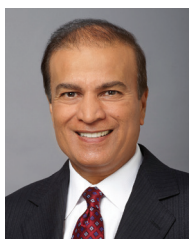
#### **How can dentists use technology to thrive in a post-COVID world?**

Dentists can do a lot to modernize, such as online marketing campaigns using Google Adwords, or by building a website.

Dental offices can update their technology to go paperless. Even by going from traditional film x-rays to digital x-rays; this helps to minimize touching something and passing it to someone else.

#### **Thank you so much for your time. Any closing thoughts?**

As a business owner, I also hope that everyone looks into infection control. You don't want to be that one office that's in the news. It's just not worth it. Invest in the proper PPE and infection control, and invest into your staff and have them trained so that they are safe and patients remain safe.



**MIKE LAKHANI B.COMM**, FCCA, CPA, CGA, CFP, R.F.P.

Mike is the CEO & Founder of TMFD Financial, formerly Tax Matters for Dentists. Since 1987, Mike has been providing expertise in tax planning, accounting and personal financial planning to dental clients. He has created a 'Multi-Family Office' for dentists geared to align their dental practices with their personal lives. With accessible, seasoned professionals all under one roof, each client's unique needs are considered with regard to tax planning, accounting, cash management, practice issues, retirement planning, structured portfolios, estate planning and insurance.

# PREPARING YOUR PRACTICE FOR SALE

## PART TWO

In the previous edition of *Preparing Your Practice For Sale*, we discussed the merits of planning 3-5 years in advance to attract the highest price and ensure a smooth transition. It is clear that improving practice efficiency and enhancing cash flow can increase the practice value significantly.

However, there are several other aspects to consider when preparing to sell your practice. As you read on, you'll see that they also reinforce the importance of a longer lead-time!

### Negotiate a Favourable Lease

The lease is perhaps the most important document in the practice (although the IPAC manual is probably a close 2nd these days). Since a dental office is specifically designed for a single purpose, not just any space will do. It would be costly to set-up a new office, not to mention the disruption and potential delays of obtaining building permits and approval for x-ray equipment. In most situations, the best solution is to negotiate a favourable lease to keep the practice in the same location.

Some of the key elements of a lease to watch for include:

**Assignment Clause** – this grants the landlord ability to approve the transfer of the lease to a new tenant. While this is usually granted without undue delay, it is just one more hurdle to overcome at the time of sale.

**Demolition Clause** – this grants the landlord ability to relocate your business or terminate the lease if they decide to demolish, renovate, or redevelop the building. This could be devastating to any dental practice for all the reasons mentioned above.

**Term Renewal** – defines how far into the future the tenant can renew the lease. The buyer often wants at least 10 years because the bank financing relies heavily on the length of the renewals. For the seller, it makes sense to negotiate these renewals many years prior to sale.

A commercial lease is an intricate document that requires a skilled lawyer to review the terms carefully so there are no hidden surprises. A solid lease will go a long way towards improving the future value of your dental practice.

### Establish Staff Contracts

Planning well in advance allows time for the seller to establish staff contracts. These documents address a wide range of issues, starting with job description and duties, but also include compensation, workplace guidelines, scheduling flexibility, inducement and termination pay. Every practice has its own staff dynamics, so it can be disruptive when someone new takes over. Staff contracts provide clarity for the buyer in terms of

scheduling, and even termination obligations, should it come to that. That clarity adds value to a dental practice and a higher selling price.

It should be noted that staff contracts signed after employment has already commenced may be vulnerable to challenge. An employment lawyer can provide the guidance needed to ensure contracts are drafted and implemented in a proper manner, protecting the value of your practice.

### Arrange Proper Tax Planning

There are usually two ways to sell a business—a share sale or asset sale. In recent years, most transactions have been by way of a share sale, which allows the selling dentist to utilize the Lifetime Capital Gains Exemption. Eligible shareholders can benefit from the tax-free sale of shares, up to \$883,384 each (for the year 2020). However, careful planning is necessary in advance to ensure shareholders can qualify. If a professional corporation has accumulated profits—reflected in substantial investments, real estate, or loans to other related companies—then it may not qualify for the







LCGE. Steps must be considered to 'purify' the corporation by removing excess assets not required for the daily operation of the practice. A skilled accountant familiar with these issues should be consulted at least two years prior to the sale.

### Reflect on the Ideal Buyer and Transition

There are many options for selling a practice these days--it could be through a broker, privately, or to a corporate buyer. Each has benefits and disadvantages. The top considerations for choosing a broker could include the likelihood of obtaining the highest price and privacy. But for some, it is also important that the buyer is a good fit, which can be easily determined in a private sale to an existing associate. A private sale also has the advantage of saving the brokerage fees. However, a broker may still be needed to provide a practice valuation for the buyer to obtain bank financing.

The selling dentist must also determine if they wish to continue associating in the practice during the transition, or to stop working

entirely. Corporate buyers prefer that the dentist remain for an extended period, usually many years. Their offers are competitive, but often have variable compensation structures based on future revenue or profitability targets.

Again, by putting time on your side, you can reflect on the most important criteria to help you decide which method would be best.

### Determine Your Retirement Readiness

One of the most important factors in determining retirement readiness lies in achieving financial independence. This means that money is no longer the driving factor behind your decision making. Achieving retirement readiness takes time and proper planning. It can be surprising to

discover that far more savings are required than the proceeds of a dental practice sale to meet one's retirement income needs. A comprehensive financial plan is so important in assessing whether your projected savings and investments will be enough to provide for anticipated lifestyle expenses. It can also help determine the best timing for the sale of your dental practice.

At TMFD, we have developed the *Financial Independence Target™*, or FIT#, which is a set goal that represents financial independence for you and your family. It is a guiding star, a number that helps gauge the success of your financial plan. Having a FIT# goes a long way toward determining if you can achieve your goals sooner rather than later. In fact, it just might be a catalyst for you to work smarter, not harder, by assessing all the different ways of preparing your practice for sale!

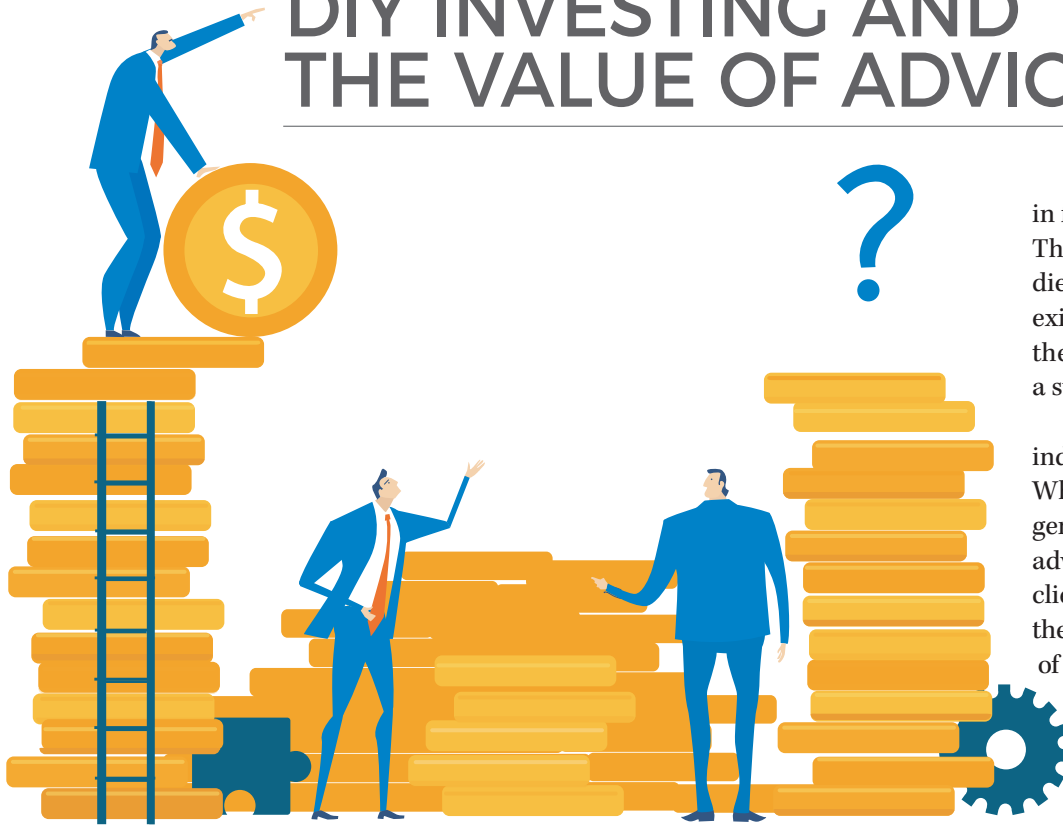
*Please visit [www.tmf.ca](http://www.tmf.ca) to view our video series on Preparing Your Practice for Sale, or contact us for a complimentary no-obligation meeting at [info@tmf.ca](mailto:info@tmf.ca).*



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

Chris is Senior VP, Advisory Services at TMFD Financial. He 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@tmf.ca](mailto:info@tmf.ca) or by toll-free at (844) 311-8633.

# DIY INVESTING AND THE VALUE OF ADVICE



**“RETIRE UP TO 30% WEALTHIER.”** This is the heart of Questrade’s marketing. The DIY-focused digital discount brokerage firm has done an effective job reducing costs for the average Canadian investor. While some people probably would do well buying a single-ticket asset allocation product, there is so much more to building wealth than just an investment experience. In Canada, there are great advisors who go above and beyond the investment product. They truly understand their client’s needs and offer a wider range of necessary services such as tax, retirement, and estate planning.

## What’s the Difference?

For dentists, Questrade’s pitch is missing some vital distinctions. First, the average dentist is not at

all like the average Canadian. The financial affairs of an incorporated practice owner are much more complex than a typical salaried employee. Second, while it is easy for some to say they are managing all of their financial affairs themselves, the reality is that most do not. The average retail investor can fall into a lot of traps (they do not know what they do not know!) and there is a lot of conflicting information on the internet which can lead to poor advice. Research shows that the average retail investor significantly underperforms the market. In the same way that achieving good health can be as simple as proper diet and exercise, the fact remains that few of us are lucky enough to have six-pack abs! How many patients brush three times per day, floss daily, and come

in for cleanings every six months? This is why personal trainers, dieticians, and financial advisors exist. Even Tiger Woods, arguably the best golfer that ever played, has a swing coach.

We can sum this up in what the industry calls the **value of advice**. While advice does have a price, the general rule of thumb is that an advisor charges around 1% of their clients’ investible assets. Which, by the way, is around half the amount of the claims in the Questrade ads.

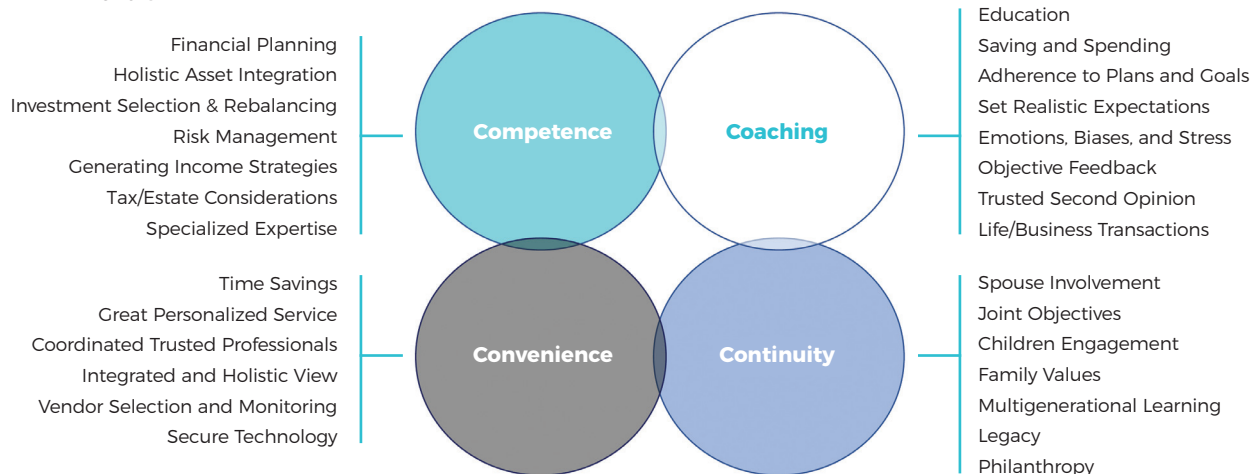
But more so, the messaging misses the point that financial advice is about far more than investible assets. The

value of advice is powerful and presents itself in a variety of ways through Competence, Coaching, Convenience and Continuity. The graphic on the opposite page gives a thorough breakdown.

## Meeting Your Needs, Especially in a Crisis

As a dentist, the ultimate driver of your wealth is your dental practice, not your investible assets. Our suggestion is to work with an advisory team that focuses on maximizing the value of your practice, minimizing your taxes, and fitting your practice with your life so you can eventually achieve financial independence. Would a discount brokerage review your practice management software to assess whether you could be earning more hygiene revenue, or find practice efficiencies to

## TMFD Value



*The value of advice is powerful and presents itself in a variety of ways through Competence, Coaching, Convenience and Continuity.*

improve your wealth 30-40% over the course of your career? Who can help evaluate a practice that you might wish to purchase, or prepare your practice for sale? If you're not receiving this type of advice from your team, then you might be overpaying, or at the least, missing out on the full value of advice.

Perhaps nothing better demonstrates the value of advice than our collective experiences during COVID-19. Few professions have

been hit harder than dentists. When there is already enough to worry about in re-opening your practice, staying on top of new RCDSO guidelines, and taking care of staff and family, who wants to add the worry of their investments? At TMFD, we provided guidance and support to quite a few clients during the dark days of the pandemic when dental revenue dried up and portfolios plummeted. We helped clients

navigate the complex web of government programs including the wage subsidy, loan program, and rent relief. During times of crisis, there is enormous value in knowing someone is invested in seeking ways to protect your overall wealth - not just your investment portfolio.

In summary, Questrade may be good for some investors, offering solutions that are low cost, simple, and technology forward. But as a dentist with far more complex needs, you have access to some of the best financial advisors in the country who will more than earn their fees over the span of your career. Now that's good value.



**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.



# **TMFD** **Financial**

Helping dentists  
build wealth

Accounting\* | Planning | Coaching

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 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



**Dr. Neha Patel, DDS** (Mississauga)

As a new graduated dentist trying to buy a practice, TMFD has been constantly helping me in acquiring one. From informing me of opportunities, checking the appraisals, to coordinating with the banks for commercial lending, they have assisted throughout. With my hectic work schedules I do not have the time to research and follow through, but with the TMFD one stop shop model with everything under one roof for all my financial needs, my life has become much easier. They have experienced advisors who work as a team to plan and implement solutions for my personal financial needs. The TMFD team has been helping me reduce my debts faster and in an effective manner. I now have a good financial roadmap and their guidance in connecting investments, insurance, wills and estates and other planning matters

## PREPARING YOUR DENTAL PRACTICE FOR SALE

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**NEW  
BOOK  
COMING!**

**The Financially Independent Dentist:**  
A Framework for Aligning Your Practice, Family, and Future  
Available in 2020.

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.tmfcd.ca](http://www.tmfcd.ca) | [info@tmfcd.ca](mailto:info@tmfcd.ca) | (844) 311-8633**