Practice alone doesn't mean financial freedom

By Dr. Paul Hanks

A common belief among dentists is that their retirement will be funded from the big money they reap from the sale of their practices.

Starting with the day after receiving their DDS, many dentists begin their professional journey with the sole intention of owning their own dental practice. The reasons vary but part of the decision is a heartfelt belief that ‘my practice is my retirement.’

But the reality of creating wealth contradicts this deep-seated notion.

There’s an important distinction between being rich and creating wealth. Previously, I shared with you how investing in real estate should focus on long-term wealth development, as opposed to short-term gains. When you create wealth, you build financial freedom and a whole new approach to your work.

Work as a hobby

Owning a dental practice was a way for me to enjoy the clinical side of dentistry, I could specialize in the care that I preferred providing, for patients I wanted to treat.

I sought to move away from the pressures of having to work to earn an income. Instead, work became a hobby, which I enjoyed immensely. The separate income stream from my real estate investments provided me financial freedom and opened up many new personal and professional choices.

But to implement this vision of fiscal liberation and security, I had to make some clear choices among the often confusing options in real estate investment.

Dentists' fears

For many dentists, investing is a scary proposition, even more so when real estate is involved. Much of this apprehension stems from working in a profession that is ripe for scam artists or unscrupulous companies.

As dentists, our intelligence and professional success work to our advantage. Our responsibilities are considerable — we provide clinical care to our patients, manage a practice and employ staff. We enjoy social lives outside of work and have loving families.

But I have often heard the same lament among my colleagues — “We are taught well with regard to dentistry and patients, but get very little, if any, training on finances and investing.”

Typically, a dentist seeking to build an investment portfolio seeks referrals for a financial advisor from a colleague or friend. Generally, these referrals are nice people and investing through them is relatively straight forward, comfortable and safe. However, that financial advisor may not offer the best way to create wealth and propel your long-term vision of financial freedom into reality.

Promises of riches

When seeking to broaden your investment possibilities, there’s a plethora of information and companies at your disposal. Many claim to be able to make you rich instantly, so it’s important to scrutinize material carefully.

When I searched Google for “real estate investment,” I was faced with 52,900,000 Web sites. On closer inspection, I found most company sites would show me how to “make $20,000 by noon tomorrow,” or “earn $20,000+ per month.” They promised to pass me their “secrets to real estate riches” through seminars, weekend camps, books and DVDs.

I began to wonder why I bothered studying for more than 13 years to become an orthodontist, when in just after single weekend course I could become richer.

Another troubling aspect of these companies is the type of investments offered. For the most part, they directly relate to the misfortune of others. Luring you with “profit from foreclosures” and “invest in REOs,” these companies rarely focus on social investing. Certainly there must be a way for your investment to benefit communities and those people suffering financial hardship, while also providing a good return for you.

In my opinion, most companies seem to miss the point. For me, investing is about creating wealth — a feeling of security for you and your family — and financial freedom.

Beware of the quick buck

As financial writer Luis Rodrigues says, “much like starting your own business, investing in real estate requires entrepreneurial skills, a vision, and a lot of time — probably the most important aspect of real estate investment.”

Seasoned investors know that in real estate, there is no quick buck. Unlike the stock market, where traders’ fortunes soar and collapse in a day, investing in real estate is for the long haul. Your action plan must account for a more patient and extended timeline.

Success entails learning the market, discovering how to locate and inspect property, negotiating your deal, contracting to buy, financing the purchase, and closing the transaction.

So if you find yourself getting drawn into investing with someone who promises to make you rich by tomorrow, remember that the tomorrow with a big payoff never arrives.

Strategic returns on your investment

I recommend beginning your real estate investing with single-family homes. They have the two biggest players in the market — investors and owner-occupants. Single-family homes are easier to purchase and subsequently sell. Apartments are commercial properties, only purchased by investors playing in the market.

Remember, the return on your investment is what you should seek. The less you invest, the greater the return. Financial institutions feel more comfortable lending a higher percentage of the value of residential property compared to commercial, which requires a 15-25 percent down payment.

When purchasing a single-family home as an investment, consider these two strategies:

• Buy and Hold: Purchase the house with the sole intent of renting it.
• Buy-Low-Sell-High: Invest in a home located in a neighborhood with high sales activity, make the improvements, and then sell the house for a higher price.

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Treatment acceptance: Creating the buzz

By Sally McKenzie

It’s one thing to provide superior or dentistry. It’s another for patients and staff to talk about it, to “create a buzz.”

Create a what?

That would be the all too common refrain in all-too-many dental offices. Sure, lots of practices provide quality care. Lots of teams from coast to coast are friendly. The majority of dentists are quite competent. But nice and competent alone do not improve a practice’s bottom line.

Most patients trot in for a dental appointment about every six months and aside from a daily spin with the electric toothbrush, they’re not giving more than a passing thought to dental care opportunities. Maybe they look at their smile and wish it could be brighter, but settle for dull. Maybe they envy their colleague’s new veneers, but assume their dentist doesn’t offer that. Perhaps they look at their mouthful of black fillings and blue-lined crowns that they’ve had for years and years and simply assume that’s still the best available.

Patients do not know what their dental options are because practices don’t take the time to educate them. Or, dental teams are so afraid their efforts to inform will be misconstrued as “selling” that they settle for treatment acceptance nowhere near the 85% benchmark.

Create a buzz! In other words, get staff and patients talking about what’s available, and you can create a desire for care. Create the desire for your care and you create greater case acceptance. Start by maximizing the opportunities you have to communicate with patients. Collect e-mail addresses and develop a quarterly newsletter designed to educate and inform patients about practice services. Spotlight a specific topic, such as implants or veneers, and feature it in the newsletter. Include information about a service the practice offers that might appeal to the patient, such as composite restorations, whitening, veneers, or anterior splints, etc.

Create a buzz about routine staff accomplishments. Keep an 8.5 x 11 frame at the front desk. Each month, insert a new information sheet about a practice or staff accomplishment. For example, “Dr. Vann recently celebrated the 10th anniversary of her certification from the American Association of Cosmetic Dentistry.” Or “Dr. Vann and her staff will be visiting Pleasant Park Elementary School Feb. 5 as part of National Children’s Dental Health Month.” Or “Please join us in congratulating our hygienist, Ann, for completion of continuing education in the area of Advances in Periodontal Treatment.”

Make sure the buzz carries over to your team, as well. Each employee should be well-versed and prepared to answer basic patient questions about services and do so with enthusiasm. If Mrs. Carter leans over and in hushed tones asks your Scheduling Coordinator if she’d ever consider having implants, she should be prepared to answer with an enthusiastic “absolutely.” And then go on to tell Mrs. Carter precisely why she wouldn’t hesitate to have doctor perform the procedure.

In addition, each staff member should be advocates for practice and the doctor. If they don’t believe that the quality of care merits such an enthusiastic endorsement, they probably don’t belong in the practice. Sustain the buzz each day with close attention to the smallest...
of details. Look for opportunities to improve service, enhance patient interaction, and to build both interest and enthusiasm, among both the staff and the patients, create a buzz, generate desire, enjoy the treatment acceptance.

Interested in speaking to Sally about your practice concerns? Email her at sallymck@mckenziemgmt.com.

Market conditions – a buyer’s time

Decreasing numbers in the housing market have grabbed headlines during the past few months.

Mortgage Bankers Association estimates declines of 7 percent in existing-home sales and 8 percent for new-home sales for this year. The National Association of Realtors places the sales decrease even sharper, at 10.7 percent, for existing homes and a slide of 15.3 percent for new homes.

So why am I advising you to invest now? Quite simply, the downward numbers have created a buyer’s market.

Since real estate investing is not for the short-term, buying now, in the right areas, will allow you to fulfill both strategies – buy and hold, and buy low-sell high.

On the horizon, the news is positive. Experts, such as Doug Duncan, MBA’s chief economist, believe that the housing slowdown will have dissipated by mid-2007 with sales of both types of home bouncing back by 5 percent in 2008 and by 1 percent in 2009.

Wise investors don’t jump in capriciously. Do your homework, talk to professionals in real estate and consider using companies who specialize in real estate portfolio development services. And any advisor should readily address how their plans align with your desire to strategically create wealth and realize future financial freedom for you and your family.

What’s on your mind?

Speaking of the future, in forthcoming issues of the Dental Tribune, I will share with you important issues to consider in real estate investing, such as IRC 1031 tax-deferred exchanges, IRAs and the benefits of using a specialist advisory company.

This column is intended to provide a forum for fellow clinicians to be successful in real estate. So I want to answer your questions about real estate investing in future issues. Please contact me at phanks@us-pds.com with your questions and suggestions.

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