THE FIRST DAY THROUGH THE FIRST YEAR

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About this publication…

This publication has been completed to provide you information, guidance and important considerations as you move towards the next stage in your career lifecycle – as a practicing dentist. In your training thus far, you have received excellent practitioner and clinical training skills as well as some financial management exposure. But a recurring theme we continue to hear from graduates is their preference for more training on the practice management side.

Our objective in writing this publication is to help fill this gap and deliver a good starting point to build your knowledge from.

Our information has been designed as a workbook. There are eight chapters each one dealing with a major question that you must answer while setting up practice. In most cases, the material is presented in outline form. This was done so you can locate information without having to wade through a lot of excess verbiage. Under the title on each chapter page the main points of that chapter are listed. We have tried to present this material in an objective factual manner. Please remember that there can always be exceptions.
THE FIRST DAY THROUGH THE FIRST YEAR

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financial and other professional advice in applicable
jurisdictions for acting on these strategies.
TYPES OF PRACTICES

As a new graduate, there are many options to consider – associate, start up a new practice, or purchase an existing practice. We will identify the benefits and drawbacks of each.

ASSOCIATE

**BENEFITS**

1. Nominal outlay of capital typically required.
2. Gain experience and build confidence.
3. Learn from an established practitioner.
4. Fairly stable earnings – can repay any student debt.
5. Full appointment book from the first day.

**DRAWBACKS**

1. Lower earnings potential versus ownership.
2. More challenging, higher priced procedures may be saved for the owner.
3. Does your Agreement impact your ability to own in your desired location?
4. Possible personality conflicts.
5. Not your own boss.
6. May learn poor practice procedures as well as good ones.

ASSOCIATESHIP CONSIDERATIONS

1. Are there sufficient support staff to serve both dentists? If not, what provisions are to be made?
2. Are the facilities and equipment adequate?
3. Is the practice large enough for another dentist? Would a hygienist or the addition of another assistant, take care of the overflow?
4. Does the owner dentist plan to work less once you are in the practice? Does he/she plan to specialize? If so, how will it affect the overall practice billings?
5. What is the owner dentist’s succession plan over the next 5 years? Does he/she plan to retire in that time frame? Will there be an opportunity for you to acquire the practice?
6. Will the owner dentist allow you to complete a trial period prior to signing an associate agreement?
7. If you are only able to work 1 or 2 days at the practice, then look to associate at 2 or 3 different practices.
8 Are the owner dentist’s practice philosophies consistent with yours?
9 Will you get an opportunity to perform challenging procedures?
10 If you sign a non competition/non solicitation agreement does it impact your ability to own in your desired location?

ASSOCIATESHIP CHECKLIST
(Consult a competent attorney prior to signing an agreement.)
1 What days and hours are you to work?
2 What are your days off including holidays?
3 Vacations?
4 Will you be an employee or an independent contractor (obtain legal advice)?
5 Who is responsible for support staff?
6 Who will pay for insurance coverage—professional and liability?
7 Who is responsible for collections?
8 Are there any restrictions on the type of dentistry you are able to do?
9 What is the policy in regards to equipment, supplies, instruments and maintenance?
10 What are the fees and how are they determined?
11 Compensation:
a. Straight salary
b. Percentage of dentistry produced (40 to 50% after lab fees)
c. Percentage of collections (40 to 60%)
12 Compensation increases.
13 New patient policy.
14 Length of association.
15 Policy covering prolonged illness of owner dentist.
16 Collections and financial arrangements with patients.

17 Death provision—what rights do you have concerning the practice?
18 Is there a Non Competition/Non Solicitation clause that states that you may not set up practice within a certain area for a specified period of time upon termination of the association? This is not uncommon; however, consult with a lawyer to make sure it is not too severe.
19 Termination clause. What are the terms and conditions?

Our experience has shown that associating for several years at a few practices prior to owning a practice is extremely beneficial. You gain the dental experience and confidence while observing from the owner(s) what works and what doesn’t, in terms of practice management, human resources and other policies.

NEW PRACTICE START UP

**BENEFITS**
1 Operate your practice with your philosophies.
2 Be your own boss.
3 Typically less costly than acquiring a practice.
4 Hire and train your own staff.
5 Develop and design the office layout to suit your needs.

**DRAWBACKS**
1 No patient base.
2 Expect losses in the first 12 to 24 months.
3 You may choose a bad location.
4 You may lack confidence in your dental skills.
5 You may lack experience with your practice management skills.
NEW PRACTICE
START UP CONSIDERATIONS

1. Are you comfortable and good at networking and marketing?
2. Are you independent, entrepreneurial and confident about starting your own practice?
3. Are you comfortable hiring your staff, training them and implementing your own human resources policy?
4. Do you see yourself developing various policies and procedures?
5. Is the market size in your desired location large enough to support another practice? You will need to determine the size of your market, estimate your market share as well as analyze demographics and the average income level.
6. Have you considered purchasing some used equipment and utilizing a modest layout and design?
7. Will you continue to associate and earn a stable income until your practice reaches full capacity?

Our experience has shown the most successful start-ups have the following characteristics:

- Located in relatively underserviced or unsaturated locations.
- Utilized some used equipment and undertook modest leasehold improvements in order to minimize start-up costs.
- Operating in premises of 1,000 sq ft – 1,200 sq ft, typically consisting of up to 4 operatories.
- Equipped additional operatories only when amount of billings and cash flow could support (all operatories were wired and plumbed at the outset.)
- Established an effective recall program.
- Employed well-trained, empowered staff that is paid fairly.

TYPES OF PRACTICES
You may decide to become an owner in a group practice. We will discuss the primary forms of group ownership.

1. PARTNERSHIPS

A partnership can consist of any number of partners who share in the net practice income. Their share of income as well as other provisions and arrangements are determined by a prearranged written agreement called a Partnership Agreement.

**PARTNERSHIP CHECKLIST**

Below are key areas that need to be documented in a partnership agreement. Consult an experienced lawyer prior to signing any agreement.

- Arbitration of disputes policy.
- Termination clause.
- Dissolution of partnership clause.
- Buyout partner clause.
- Policy on the purchase of deceased members share of practice.
- Life of each member should be insured to provide money in case of death (for purchase of his/her share.)
- Support personnel policy:
  - Hiring and terminating
  - Compensation
  - Authority
  - Duties
- Vacations, meetings, postgraduate studies.
- Sick leave.
- Policy concerning extended illness of group member.

**PARTNERSHIPS**

**BENEFITS**

1. Shared initial capital outlay.
2. Pooled general expenses - lights, telephone, etc.
3. Shared support personnel - receptionist.
4. Possible doubled income potential or more.
5. Practice is always covered; succession plan in place.

**DRAWBACKS**

1. Loss of income due to inefficiencies.
2. Great chance of personality conflicts.
3. Doubled personnel responsibilities.
4. Not your own boss.
5. Difference in energies expended with equal incomes.
6. Jealous spouses or nosey family members.
7. Responsibility for the liabilities of the partners.
Insurance-professional liability. If 1 partner is found negligent are all partners deemed negligent.

Separate contract on ownership of building (if applicable.)

Expenses-supplies-overhead.

Compensation

Fees

Collections

Patient policies.

Division of work responsibilities.

Division of profits clause.

**FACILITY SHARING PRACTICE**

A facility sharing practice usually consists of several dentists (some may be specialists) who combine for the purpose of sharing certain expenses and personnel. Very often they will use a joint reception room, receptionist and hygienist. In a facility sharing practice, each dentist owns his/her practice patient base.

It is important that a Facility Sharing Agreement be prepared, which set out all of the terms and conditions. Below are the main benefits and drawbacks.
PARTNERSHIP BUY-IN

**BENEFITS**
1. Turn key - Instant practice, equipment, staff and patients.
2. Highest earnings potential.

**DRAWBACKS**
1. More expensive to purchase than set-up.
2. Décor and equipment may have become outdated.
3. Shortage of available practices in large urban areas.

CHECKLIST FOR BUYING A PRACTICE

1. Why is the practice for sale?
2. Is it located in a desirable area (i.e. growing and safe area, access to public transportation, etc.)?
3. Be aware of the demographics of the area where the practice is located.
4. How many active patients? How many new patients per month?
5. Have you conducted a random audit of at least 10% of the total number of active patient charts? Are there any red flags?
6. Review a minimum of the last 3 years of financial statements.
7. Have revenues been stable or growing the last several years? What is the practice’s cash flow?
8. What is the level of hygiene revenue as a percentage of overall revenue? The greater the percentage, the higher the average hygiene billings per active patient, typically resulting in higher billings. A high percentage is an indicator that a good hygiene recall program is in place.
9. Is the vendor staying on to help in the transition (send out a joint letter, introduce to new patients, etc.)? If the vendor is staying as an associate, have an Associate Agreement prepared.
10. Is the vendor signing a non competition and non solicitation agreement?
11. If associates are being maintained, have they signed non competition and non solicitation agreements?
12. Are key staff being retained?
13. In what condition are the premises and equipment? Are substantial expenditures required to update the equipment and décor?
14. Has a valuation report been completed by a well-known valuation firm? The vendor typically pays for this.
15. What is the value of the goodwill and equipment?
16. How long has the practice been established? How long has it been located in the present location?
17. If premises are leased, is the lease assignable? Does the lease have a demolition clause or other unfavorable clauses? What is the remaining term of the lease, including options to renew?
18. Engage an experienced lawyer and accountant.
Acquisitions that typically are the smoothest and most successful are ones where an associate working at the practice for a few years buys it. The patients and staff are familiar with the buyer and patient attrition is lowest in these instances.

The purchase by an outside dentist can also be successful as there are measures you can implement to minimize patient attrition, such as: have the vendor stay on for a short period of time, send out joint introductory letters, have a grand opening or similar event attended by the buyer and vendor, staff and patients.

We are asked numerous times whether it is better to start up a purchase or acquire one. Each has its advantages and drawbacks. Ultimately, the answer is based on your preference, skill set and comfort level with establishing a practice from scratch. You need to first assess what your goals and needs are.

From a financial perspective, our experience indicates acquiring an existing practice usually is more profitable than setting one up. The primary reason is the established cash flow and amount of time it would take the new practice to reach its full capacity. There are exceptions of course. One is starting a practice in a less saturated, less competitive market, such as a rural area. These areas benefit from less competition and a smaller market that may not support an additional practice. In addition, these practices also enjoy lower expenses such as wages and occupancy costs (rent or cost to purchase the building) along with lower leasehold improvement costs. So these new practices are quite profitable and can be more profitable than those in urban areas. One financial drawback of a rural practice is it will typically be more difficult to sell and will sell for less than an urban practice. The majority of dentists want to live and practice in an urban area, making the rural practice unattractive to most purchasers.
It is often said the 3 primary success factors of operating a business are location, location, location. This also applies to dental practices. Below are examples of communities where you can operate, as well as their main advantages and disadvantages.

### Size of Community

#### Large City

- **Benefits**
  1. Usually more patient referrals.
  2. Greater chance for professional contacts.
  3. Usually good public transportation.
  4. Usually greater cultural, recreational, entertainment and educational options available.
  5. Better chance to specialize.

- **Drawbacks**
  1. Office expense (salary & rent) is usually greater.
  2. Greater competition.
  3. Your practice will usually build more slowly.
  4. More difficult to become socially and professionally acquainted.

#### Small Town

- **Benefits**
  1. Usually easier to become socially and professionally acquainted.
  2. Practice will usually build more quickly.
  3. Office expenses (salaries & rent) are usually less.
  4. Less competition equals typically better economic opportunities.
  5. You can become prominent in the community much more easily.

- **Drawbacks**
  1. Fewer professional contacts.
  2. Smaller pool of experienced support staff.
  3. Likely more difficult to sell, resulting in a lower resale value.
  4. Poor public transportation.
  5. Educational, recreational and cultural facilities may be limited.
COMMUNITY CHECKLIST
We recommend you look into the following to determine if this is the best fit for you.

1. How does it compare to the “best” community you ever lived in?
2. Is the town growing, static or declining?
3. How many dentists are practicing in the area?
4. What is the dentist population ratio?
5. How many dentists have moved? Why?
6. Are the local dentists active in their local society?
7. What do the local dental offices look like?
8. What fees is the local dentist charging? Are they up-to-date?
9. Are the people enthusiastic about their community?
10. Talk to the bankers and ask them about the town’s future. Is there new industry coming to town—what are they doing to attract new business.
11. Is it a one industry town? Tourist or seasonal industry?
12. Talk to someone your own age and get their opinion of the community.
13. How many hospitals serve the community?
14. Talk to some physicians and get their opinion of the community and its people.
15. Is new housing being built?
16. How are the local schools?
17. What are recreational facilities and cultural events like?
18. How is the climate?

COMMENTS
It is important that you jot down the answers to each of these points to enable you to re-evaluate them in order to reach a conclusion.

SPECIFIC TYPES OF LOCATIONS
Once deciding on the community you would like to practice in, you then have to determine where within that community you prefer. Below are some examples.

DOWNTOWN PROFESSIONAL BUILDINGS

**BENEFITS**

1. Close professional contacts.
2. Many established locations requiring little building upkeep.
3. Many sources of referrals.
4. Close to laboratories.
5. Good public transportation.

**DRAWBACKS**

1. Some people don’t like to fight “downtown” traffic and parking.
2. Your practice will usually build more slowly.
3. Rent and salaries are usually higher.
4. Often you’re tied down to a long term lease.
5. It’s difficult to expand.

BUSINESS NEIGHBORHOOD

**BENEFITS**

1. You may find an established location.
2. Rent may be less than downtown.
3. Practice may build more quickly.
4. Free convenient parking may be available.
5. More word of mouth referrals.
6. Typically higher patient retention even if they move as most will work in the area.
CHAPTER 2

LOCATIONS

SHOPPING CENTER LOCATION

**BENEFITS**
1. Become established more quickly.
2. Usually up-to-date surroundings.
3. Convenient location with free parking.
4. Usually high traffic.
5. Good patient referrals.

**DRAWBACKS**
1. Typically higher rent.
2. More late hour and emergency appointments.
3. May have poor public transportation.
4. Fewer professional contacts.
5. Longer hours of operation to match shopping mall hours.

RESIDENTIAL NEIGHBORHOOD LOCATION

**BENEFITS**
1. Your investment may increase in value.
2. You are in charge of your own building.
3. Convenient
4. Easier to expand.
5. All of the benefits that were listed under the business neighborhood.

**DRAWBACKS**
1. Initial cost is greater.
2. Neighborhood may deteriorate and so might your investment.
3. Cost of upkeep is higher.
4. More late hour appointments.

RESIDENCE OFFICE LOCATION

**BENEFITS**
1. No traveling time.
2. Overhead is shared.
3. It’s easy to expand.
5. All of the benefits listed under residential neighborhood.

**DRAWBACKS**
1. More emergency calls.
2. More late hour appointments.
3. Very little office or personal privacy.
4. Lack of professional contacts.
5. Much harder to discipline yourself when first starting out.
Another key consideration involves your premises. Whether you lease the existing premises, convert a space into a dental office or build a new premise, all have important considerations and pros and cons. Here are some examples.

- Leasing an existing dental office
- Changing an office into a dental suite
- Building a new office
- Sharing a premises
- Equipment selection
- Patterson.com

**LEASING AN EXISTING OFFICE CHECKLIST**

1. How long is the lease? Are there options to renew?
2. Is the lease assignable?
3. Does the lease have a demolition clause and other unfavorable clauses (i.e. relocation clause)?
4. Is the rent competitively priced?
5. Are the renewal rates subject to arbitration?
6. What renovations are you allowed to make?
7. What renovations and improvements are necessary and how much will they cost?
8. Who pays for the renovations and leasehold improvements?
9. Is the landlord willing to provide a few months rent free while renovations are made?
10. Are there enough operatories and are they large enough to accommodate the equipment you are going to use?
11. Is there adequate room for future expansion?
12. Does the layout assist with patient traffic flow?
13. Check the past history of the building.
14. Consult an experienced lawyer to review the lease.

**CHANGING AN EXISTING OFFICE INTO A DENTAL SUITE**

As above in addition to:

15. Can plumbing be run under the floor?
16. Are there any objections to a dental suite by surrounding offices?
17. Consult a competent dental dealer.
PURCHASING AN EXISTING DENTAL BUILDING

If you are contemplating buying an existing building, it is important you look at the cashflow of the practice to ensure it is sufficient to repay any financing you may need. It is also highly recommended you compare the cost to buy the building versus leasing it.

If you intend to build your own office, then you will need to make sure you have the time to oversee building plans, get the necessary permits, etc. And ensuring you have the budget to carry out these costs is equally important.

SHARING THE RECEPTION ROOM WITH ANOTHER DENTIST

**BENEFITS**

1. Less overhead.
2. Practice is covered during absence.
3. May be possible to share receptionist.

**DRAWBACKS**

1. May have personality problems.
2. Possible conflict over standards of cleanliness and appearance.
3. Unequal patient loads.
4. Room may not be adequate.
EQUIPMENT
If you decide to establish your own practice, then you will need to purchase equipment as well as plan your office layout. We will first discuss equipment and the primary items you should have in your practice.

EQUIPMENT SELECTION
We will not recommend any specific brand of equipment in this book. We will, however, pass on some of the techniques that we have been using for years to help dentists determine what type of equipment they will work best with. Notice, we said with. Improper selection of equipment can cause a great deal of pain and discomfort. We feel your equipment should be personally designed for you so that it will act as an extension of your body. If your equipment is not chosen with care you could find yourself twisting and turning and making awkward time-consuming motions. Here are the basic items we feel you should have in an operatory.

STOOLS
Dental stools are commonly the last piece of equipment that will be chosen by the Dentist and their Dental Assistant or Hygienist. The dental stool is the most utilized piece of equipment during a typical working day. A properly fitted quality stool will help the practitioner to not only maintain good health but will also aid in reducing operator fatigue. Dental seating should be of utmost importance when making your equipment selections. You should take into consideration the product construction, support, personal fit, physiology, and ergonomics. A good stool will aid in a more productive career.

CHAIR
The chair is one of the first pieces of equipment that a patient will experience in the dental office. It needs to be comfortable, easy to access (retractable or no armrest) and modern in design. An articulating headrest is recommended for better comfort and improved operator access during procedure. Seamless upholstery is also recommended for infection control purposes. It’s a practice builder.

INSTRUMENTATION
Dental instrumentation is also commonly referred to as the treatment center, unit or control. It will provide the air, water, electricity and vacuum services necessary for dental procedures. When choosing a treatment center, some of the things that must be taken into consideration are:

- Are you left or right handed?
- Will you work 2 or 4 handed?
- Will you need to perform any procedures in a stand-up position?

You will then have to choose between the following instrument delivery systems:

- Rear delivery
- Over the patient delivery
- Side delivery
- Wall mounted delivery
- Ceiling mounted delivery

One important thing you need to consider when choosing a unit is “How easily will this unit integrate new technologies?”
**X-RAY**

Digital x-ray is now a standard in dentistry. You have two choices for intra-oral x-ray machines: an AC or DC generator. DC is the unit of choice when working with digital sensors. Today’s x-ray machines allow you to choose variable KVP and some with variable MA. The technology is changing constantly, so be sure to visit a showroom to see the latest products.

**LIGHTING**

If you didn’t have an X-ray you could still practice a certain amount of crude dentistry, however, without a dental light you would be helpless. General vision illumination and oral illumination are two of the most important items in a well equipped office. Check with your dealer for the latest in operatory illumination.

**CABINETS**

The value of cabinets cannot be overlooked in an operatory. They will provide storage as well as equipment compartments, organizing drawers and auxiliary work surfaces. Time and motion is almost synonymous with good dental cabinetry. Discuss the various equipment concepts with your dealer. He/she is going to have a preference, but remember, his/her primary concern will be to make you as comfortable and as efficient as possible. They will be able to tell you which equipment is reliable (from a service standpoint) and which equipment is supported by the manufacturers.

**EXAMPLES OF A FLOORPLAN**
DEFINITIONS OF COMMON FINANCIAL TERMS

PRINCIPAL
Principal is the sum of money upon which the interest is paid.

INTEREST RATE
The percentage per period of the principal that is paid as interest. There are two rates to choose from:

1. Variable rate, which is traditionally based on a bank’s prime lending rate. The rate can fluctuate as the prime rate changes. Thus the amount of interest paid changes as the rate changes.

2. Fixed rate, whereby the rate is fixed for the term of the loan. The level of interest remains constant over the term.

INCOME STATEMENT

Also known as the profit and loss statement, this is a critical component of a practice’s financial statements. It records the revenue and expenses over a certain period of time, typically 12 months.

The top entry is billings or revenues, which includes both dentist and hygiene billings. The expenses incurred to generate those revenues, such as lab fees and dental supplies (totaled together are referred to cost of sales) are deducted from billings. The next figure is called gross profit. Additional expenses (called fixed expenses as they are incurred regardless of whether any billings occur) are then deducted. Some examples include salaries, rent (if premises are leased) and office expenses. Gross margin less the fixed expenses determine whether you have incurred a profit or loss. A positive figure is a profit while a negative amount is a loss.

Given the cost of starting a practice or acquiring one, most dentists require financing. Banks that understand a dentist’s needs and the various defined points in the career lifecycle have been an important source of financing. In this section we discuss the basic financial terms, information required to obtain financing and other useful information.
CASH FLOW

While profits are important, it is ultimately cash flow that is the most critical financial component as cash repays loans and other obligations. A bank pays particularly close attention to cash flow and it is a key consideration on whether financing will be granted.

Cash flow is calculated from the income statement to determine the level of cash a practice generates and how much is available to repay any debt. Net income (or loss) is the starting point and we add the amounts for interest, depreciation and amortization. If we also add back taxes, the figure is called earnings before interest, taxes, depreciation and amortization (EBITDA).

PRACTICE START UP FINANCING

If you decide to start your practice, the cost will usually be lower than if you purchase one. But this can still be a significant amount. The cost is dependent on a number of factors that we previously mentioned: size of premises, amount and type of equipment purchased and whether new or used, level of leasehold improvements, whether in an urban or rural area, etc.

LEVEL OF FINANCING

Lenders are often asked the level of financing required. This is dependent on several variables. These variables include reliability of the projected financial statements, location and ability to support another practice, your experience and ability, and whether experienced advisors have been engaged among others. However, it is possible to receive up to 100% financing if the above are positive. An interest only period is also typically offered to allow you an opportunity to build up your patient base.

INFORMATION REQUIREMENTS

The bank usually requires the following:

- Business plan, which includes projected financial statements and cash flow projections for 2 or 3 years.
- Market analysis, including size of market, assumed market share, demographic analysis and competitive analysis.
- Marketing plan.
- Your background
- Amount of financing required and what it will be used for.
PRACTICE ACQUISITION FINANCING
Usually more costly than to start a practice, nonetheless banks familiar with the industry provide financing.

LEVEL OF FINANCING
Again, up to 100% financing, including goodwill, is possible. The exact amount is based on purchase price compared to value of the practice determined by an experienced valuator, level of cash flow and whether it is sufficient to repay the debt as well as having a sound transition plan in place, etc.

INFORMATION REQUIREMENTS
The bank usually requires the following:
- A Practice Valuation (which typically includes historical and projected financial statements and cash flow projections).
- A Purchase and Sale Agreement.

CREDIT RATING & CREDIT REPORT
CREDIT RATING
As discussed previously, lenders look at a number of factors when looking to grant financing. An important aspect we have yet to talk about is your overall credit rating. This is determined by your level of personal debt and repayment record.

CREDIT REPORT
Your credit report provides a broad picture of your financial health. It is created when you first borrow money (i.e. line of credit, loan, credit card, including retail or department store credit cards). It includes your credit limits or original loan amounts, account balances, repayment history (including late payments), bankruptcies, liens and judgments.

Since your credit report is so crucial, it is imperative to take steps to protect it. Below are some ways to do so:
- Pay all your bills on time. If unable to make a full payment, then make the minimum payment on time.
- Advise your credit provider in advance if you can’t make a payment. They may be able to adjust your repayment terms to more manageable levels.
- Keep your account balances below 75% of your available credit.
- Avoid applying for credit from too many lenders. Too many inquiries in a short time period may be interpreted as a sign of financial difficulties or overextending yourself.
- Check your report yearly. The 2 credit rating agencies in Canada (Equifax Canada and TransUnion Canada) usually do not charge if ordered over the phone or via mail. Report any incorrect information, including date of birth and Social Insurance Number.
TYPES OF OWNERSHIP
There are three main types of ownership models. Each has its benefits and drawbacks. Again, you should obtain accounting and legal advice before deciding on a model.

SOLE PROPRIETOR
This is when you operate in your own name, i.e., Dr. Smith.

**(+) BENEFITS**
1. Lower cost to establish.
2. Lower ongoing professional service costs.

**(−) DRAWBACKS**
1. Usually tend to pay more in income taxes due to higher tax rates.
2. You are personally liable.
3. Ceases upon your death.

PROFESSIONAL CORPORATION
Dentists are able to incorporate in most provinces. A professional corporation such as Dr. Smith Dentistry Professional Corporation is set up.

**(+) BENEFITS**
1. Typically pay lowest income taxes due to lower tax rates and other tax minimization strategies.
2. You are not personally liable.
3. Continuity as it is its own legal entity.

**(−) DRAWBACKS**
1. Most expensive to set up and maintain.

PARTNERSHIP

**(+) BENEFITS**
1. Low cost to establish.
2. Low ongoing professional service costs.

**(−) DRAWBACKS**
1. Usually tend to pay more in income taxes due to higher tax rates.
2. You are personally liable.
3. Potential personal conflicts among partners.
TEAM OF ADVISORS
A good and experienced team of advisors can help you successfully meet your objectives and become a successful owner.

ACCOUNTANT
Helps you set up your books and advise on tax matters. He/she will prepare tax returns along with financial statements. There are several competent accountants who are familiar with dental practices.

LAWYER
A lawyer will assist in preparing legal documents such as associate agreements and purchase and sale agreements while advising you on a variety of legal topics. Again, there are several who understand the legal matters faced by dentists.

PRACTICE VALUATOR
An experienced valuator assesses the value of your practice. And there are some who provide additional services, such as brokerage services. These firms will list your practice and facilitate you through the process.

BANKER
An experienced lender understands the dental industry and the needs and challenges faced by dentists. He/she will be familiar with the distinctive stages of the professional lifecycle and banking solutions required. A lender will not only provide the funds needed but also act as a trusted advisor.

TAXES
Due to the different Provincial taxes as well as the ever changing Federal tax rules, we will not go into detail in this book. We will, however, point out a few basics that every dentist or dental student should know.

1. Retain a competent and experienced Chartered Accountant to handle your books and your taxes. The money you pay him/her will be more than offset by the time and money he/she is able to save you. There are several accountants who deal primarily with dentists and are familiar with dental economics.

2. Have an accountant or someone who is experienced in dental economics advise you on how to set up your bookkeeping system.

THESE ARE EXAMPLES OF FINANCIAL DOCUMENTS USED

<table>
<thead>
<tr>
<th>SAMPLE BUDGET</th>
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<tbody>
<tr>
<td><strong>Expense</strong></td>
</tr>
<tr>
<td>Tuition (including incidental fees)</td>
</tr>
<tr>
<td>Books and supplies</td>
</tr>
<tr>
<td>Monthly Expenses</td>
</tr>
<tr>
<td>Rent/Residence</td>
</tr>
<tr>
<td>Groceries/Medical Plan</td>
</tr>
<tr>
<td>Utilities</td>
</tr>
<tr>
<td>Phone (Land Line)</td>
</tr>
<tr>
<td>Phone (Cellular)</td>
</tr>
<tr>
<td>Internet</td>
</tr>
<tr>
<td>TV/LUERE</td>
</tr>
<tr>
<td>Transportation</td>
</tr>
<tr>
<td>Entertainment</td>
</tr>
<tr>
<td>Personal care</td>
</tr>
<tr>
<td>Other expenses</td>
</tr>
<tr>
<td><strong>Total monthly expenses</strong></td>
</tr>
<tr>
<td><strong>Total expenses for 9 months</strong></td>
</tr>
<tr>
<td><strong>Total All Expenses</strong></td>
</tr>
</tbody>
</table>

If you require more information or have any questions regarding financing or banking, feel free to contact the National Manager, Professionals Program at 1-877-629-6262 or industry@bmo.com
**PERSONAL FINANCIAL STATEMENT**

**PERSONAL DATA ON YOUR SPOUSE**

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Social Security</th>
<th>Address</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Doe</td>
<td>35</td>
<td>123-45678901</td>
<td>123 Main St.</td>
<td>555-123-4567</td>
</tr>
</tbody>
</table>

**FINANCIAL INFORMATION**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>VALUE</th>
<th>LIABILITY</th>
<th>MONTHLY PAYMENT</th>
<th>TOTAL</th>
<th>NET WORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Accounts</td>
<td>$20,000</td>
<td>Mortgage</td>
<td>$1,500</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Stocks</td>
<td>$30,000</td>
<td>Credit Cards</td>
<td>$1,000</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

**INCOME SOURCES**

<table>
<thead>
<tr>
<th>Source</th>
<th>Monthly Income</th>
<th>Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$5,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Rental Income</td>
<td>$1,000</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

**SUNDARY PERSONAL OBLIGATIONS**

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Amount</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Loans</td>
<td>$2,000</td>
<td>Monthly</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>$1,500</td>
<td>Monthly</td>
</tr>
</tbody>
</table>

**SCHEDULE A: STOCKS AND BONDS**

<table>
<thead>
<tr>
<th>Stock</th>
<th>Description</th>
<th>Holding</th>
<th>Value</th>
<th>Market Value</th>
<th>Date Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>US Company</td>
<td>100</td>
<td>$200</td>
<td>$2,000</td>
<td>01/01/2020</td>
</tr>
</tbody>
</table>

**SCHEDULE B: REAL ESTATE OWNED**

<table>
<thead>
<tr>
<th>Property</th>
<th>Description</th>
<th>Value</th>
<th>Market Value</th>
<th>Date Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>House</td>
<td>Single Family</td>
<td>$300,000</td>
<td>$300,000</td>
<td>01/01/2018</td>
</tr>
</tbody>
</table>

**PRIVATE DISCLOSURE AND DISCLOSURE**

**Your Personal Information**

- **What is Personal Information?**
  - Personal information is any information that identifies you or can be used to contact you, such as your name, address, telephone number, or credit card number.

**Why Does the Bank Ask You for Your Personal Information?**

- To provide financial services and products that meet your needs and requirements.
- To manage your account and access your financial transactions.
- To comply with legal and regulatory requirements.

**Disclaiming Your Information**

- You have the right to access and correct any personal information that we hold about you. You may also contact us to request that we do not use your information for marketing purposes.

---

**1. Profit and Loss Forecast (in thousands of dollars)**

<table>
<thead>
<tr>
<th>Month</th>
<th>Revenue</th>
<th>Expenses</th>
<th>Profit/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$50,000</td>
<td>$30,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Feb</td>
<td>$55,000</td>
<td>$32,000</td>
<td>$23,000</td>
</tr>
<tr>
<td>Mar</td>
<td>$60,000</td>
<td>$35,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

**2. Cash Flow Budget (in thousands of dollars)**

<table>
<thead>
<tr>
<th>Month</th>
<th>Operating Income</th>
<th>Operating Expenses</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$10,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Feb</td>
<td>$11,000</td>
<td>$6,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Mar</td>
<td>$12,000</td>
<td>$7,000</td>
<td>$5,000</td>
</tr>
</tbody>
</table>
ETHICAL ADVERTISING

Attracting new patients is important as these new patients will help lead to growth in the practice. However, it is critical for start up practices to develop an effective marketing strategy.

Here are various methods that can help your practice attract new patients:

- Be active in the community (sit on boards or clubs, attend the local church, sponsor local kids teams, etc.)
- Join the local chamber of commerce
- Have a grand opening
- Advertise in local/community newspaper
- Set up a web site
- Consider social media (Facebook, Twitter)
- Ask patients to refer you to their friends and family

PRACTICE BUILDING BASICS ATTITUDE

A friendly but professional attitude at all times is most important. If you’re not an outgoing person by nature, make an effort to try to improve your social skills. And make sure your staff (especially the receptionist) are outgoing and friendly. They will help to make the patients feel at home.

Take professional development seminars with regard to patient and staff management. Encourage and fund your staff to take professional development seminars in patient management.

NETWORKING

Become a member of your local dental society as well as the provincial association. Your fellow dentists can provide valuable advice and may also provide referrals.

OFFICE

Your practice should be clean, orderly, aesthetically pleasing and equipped with functional equipment and furniture. While it is easy to go overboard and incur significant expenditures in purchasing the latest equipment and creating a spa like atmosphere, it is recommended you be prudent. You can minimize costs by locating in modest sized premises (a 1,200 sq ft practice can accommodate 3 or 4 operatories and a treatment room), purchasing critical equipment with some of it used and minimizing leasehold improvements.
OFFICE PROCEDURE

The efficiency of today’s world demands action. Our society’s adoption of drive-in drive-out business has diminished our ability to sit and wait. Try to schedule your patients so they have very little time to spend waiting. For those who must wait, make your reception room pleasant and agreeable.

The seating and caring for a patient in the operatory should be handled in a manner that is smooth and efficient. This will not only relax the patient, it will also give them the feeling that everything is being done just for them.

PATIENT EDUCATION

A patient who has been well educated by you as to the health value of the dentistry you have performed will bring more referrals to your office than ten patients who leave your office with low dental I.Q.’s. The old saying about a satisfied customer is just as applicable to dentistry as it is to merchandising. Word of mouth advertising is still the strongest and most effective form of promotion. Conversely, it can also be the most devastating when it takes the form of a complaint or negative customer experience.

The main thing to remember is that every patient who leaves your office is a walking advertisement for—or—against your practice. Use every means at your disposal to make your patients realize the value of the services you have provided.

HELPFUL HINTS ON HOW TO GET PATIENTS TO REFER OTHER PATIENTS

1. Develop the confidence of child patients. Bring a new child into the operatory to watch a good, older child patient—one who has visited you before.
2. Develop an effective recall system. Give the patient their next appointment before they leave. Then follow-up with a reminder notice several days before the appointment using the patient’s preferred means of communication.
3. Treat your patients with respect, care and in a professional manner.
4. Phone your ailing patients after extractions. Upon completion of difficult or elaborate cases, contact the patient at least every three months. Make sure that the case is satisfactory and that the patient is following your instructions on hygiene.
5. Send thank you letters to patients who pay their bills promptly.
6. Ask your patients for referrals. Send thank you letters for referred patients. Reward your referring patients.
7. Emphasize the unusual features of your patient’s work; give him/her something to “talk about” to friends.
8. Don’t hurt patients unnecessarily. Use anaesthesia whenever it will contribute to the comfort of the patient. Remember you are treating a sick person.
9. Inform your patients of your attendance at meetings and courses.
10. Take “before and after” pictures.
11. Explain the progress of your work in so far as each step relates to the patient.
12. Qualify the satisfaction of each patient. Solicit an opinion of the work you have done from the patient.
WHAT ARE THE ADVANTAGES OF A DENTAL ASSISTANT?

1. Less interruptions.
2. More productive chair side work.
4. Patients are greeted and dismissed more smoothly.
5. Better record keeping.
7. Depending on the assistant, he/she could prove to be a practice builder.

HOW DO YOU FIND A GOOD DENTAL ASSISTANT?

1. Advertisement in local paper.
2. Local employment agencies.
3. Possible referral by other dentists.
4. Local dental society or dental assistant society.
5. Dental assistant’s schools.

QUALIFICATIONS FOR DENTAL ASSISTANT

1. Pleasing personality.
2. Poise
3. Enthusiasm
4. People oriented.
5. Initiative and imaginative.

HOW TO INTERVIEW A DENTAL ASSISTANT

1. Using applicable questions lead applicant into a discussion of his/her qualifications.
2. Fully explain duties and salary.
3. Be frank, but at the same time be friendly.
4. Ask about background, schooling, other jobs, and why looking for a new job.
5. Ask why he/she would like to work in your office.
6. If you decide to hire - establish a trial period.

WHAT SALARY

1. Check CDA national averages by area.
2. Check with other local dentists.
3. Check with Supply House.
WORKING CONDITIONS
1 Establish written policy which covers the following:
   a. Hours
   b. Salary (including overtime)
   c. Vacations
   d. Work expected to be done.
   e. Sick leave and Holidays off.
   f. Incidental such as uniforms, courses, smoking privileges, telephone calls, etc.

UTILIZATION OF AUXILIARIES
1 Employ the right person.
2 Have written outlines for the duties of:
   a. Chair side Assistant
   b. Receptionist
   c. Hygienist
3 Delegate all ethical duties to auxiliaries.
4 Provide for frequent staff meetings to check on team effort and rapport of staff.

WHEN TO HIRE A DENTAL HYGIENIST
1 When you feel you have enough recall business.
2 When hygienist’s duties have to be performed by you to the detriment of more productive work.
3 When you cannot provide the hygiene and education services you would like, due to lack of time.

WHERE TO FIND A DENTAL HYGIENIST
1 Make contact with Hygienist Schools.
2 Use one part-time with another dentist.
3 Possibly pay part of the education cost of one of your dental assistant’s in return for X-amount of years work for you.

METHOD OF PAY
1 Salary
2 Salary and commission
3 All commission

POSSIBLE DUTIES OF DENTAL HYGIENIST
(Will vary depending on geographical area and schooling)
1 Take X-rays
2 Develop and mount X-rays
3 Dental prophylaxis
4 Maintain recall system
5 Toothbrush drill
6 Home care instruction
7 Dental education in relation to value of teeth to patient and their total health.
8 Child-parent education in relation to sweets and proper diet.

STATEMENT OF OFFICE POLICY
1 Hours
2 Salary
3 Sick Leave
4 Holidays
5 Duties
6 Miscellaneous-uniforms, etc.
HOW TO HOLD A STAFF MEETING

1. Use democratic process—everyone has an equal and valid opinion.
2. Pre-schedule frequent meetings (daily or monthly.)
3. Be careful of criticism.
4. Be sure no one holds grudges due to discussion of strengths and weaknesses of office routine.
5. Be fair.

Below is an outline of a suggested daily schedule. This obviously will vary depending on your practice, habits, and desires.

ONCE A MONTH
1. Send all statements on the 28th—never later.
2. Pay all bills payable by 10th.
3. Post recapitulation sheet.
4. Check through cross-index re-call book.
5. A monthly “organization meeting” is essential for a smooth running office routine.

DAILY ROUTINE FOR ASSISTANT

1. Arrive at least 30 minutes before first patient.
2. Ventilate office suite.
3. Get into clean uniform.
4. Tidy and dust office, reception room first.
5. Turn on power, water, gas and air.
6. Prepare sterilizer for use.
7. Make list of day’s appointments for doctor.
8. Check “appointment reminder” patients.
9. Open, sort and file mail.
10. Post all previous day’s records.
11. Deposit money receipts daily.

ODD TIMES

1. Make out Day Sheet for next day.
2. Check collection sheet.
3. Sort and arrange linen.
4. Bank all receipts.
5. Implement fraud prevention techniques.
6. Ensure you review collections and deposits.

ONCE A WEEK

1. Clean cabinet, polish furniture and perform preventive maintenance.
2. Check over supplies.
3. Tidy laboratory.
DENTIST'S CREED...

It is our aim to practice dentistry by the Golden Rule, to be known for our friendliness and caring, for our competence and for our vision.

We want to set and maintain high standards of responsibility towards our clients, our community, our profession and all those with whom we come in contact.

DR. MILAN SOMBORAC

NOTES:

___________________________________________________________________
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___________________________________________________________________
___________________________________________________________________
ACCOUNTING AND RECORD FORMS

As with any modern business, dentistry requires a system of record keeping and accounting. The dentist needs the following information recorded:

1. Patient records indicating services rendered, statements sent to patients and unpaid balances.
2. Dental supply and equipment purchases, payments made to dealers, depreciation and unpaid balances.
3. Commercial dental laboratory fees.
4. Purchases, other expenses, utilities, payroll, all accurately recorded with amounts paid and unpaid balances.
5. A balance sheet and a profit and loss statement showing the dentist’s net income before taxes.

A software system may be used that maintains this information and which is acceptable by the Canadian Revenue Agency.

DENTAL OFFICE RECORDS

- Daily record
- Filing supplies
- Expense record
- Appointment cards
- Yearly summary
- Letterheads and envelopes
- Patient account record
- Payroll earning record
- Professional cards
- Desk calendar
- Appointment ledger
- Receipt record
- Statements
- Patient call list
- Examination charts
- Recall card
- Patient health history

Depending on the system and accountant or tax consultant you select, the above list may be expanded to provide the particular analysis of the practice you desire.
INSURANCE CHECKLIST

Professional Liability/Malpractice Insurance:
To protect against claims of malpractice arising out of the dental practice. In some provinces, this is provided by the regulatory college.

Premises Liability Insurance:
To protect against claims of injury occurring in the dental office, not arising out of the practice of dentistry.

Life Insurance:
To protect family and creditors. In case of death.

Accident and Health Insurance—Disability Insurance:
To provide the dentist with an income while disabled due to accident or sickness.

Medical Insurance:
Provides coverage to the dentist or their family.

Fire and Extended Coverage Insurance:
Protects the dentist on dental equipment, supplies and the dental office, (to protect creditors when financed).

Worker’s Compensation Insurance:
To protect against injuries to employees.

EXAMPLE DENTAL OFFICE POLICY

It is the intention of all personnel in this office to provide for your dental health needs as thoroughly and as efficiently as possible. We, therefore, wish to acquaint you with the customary sequence of procedures followed in caring for the new patient in our practice.

The initial appointment is spent conducting a thorough examination. It includes clinical examination, X-ray as indicated, complete dental health history and impressions for diagnostic models for most children and all adult patients. “To see is to know, not to see is to guess”. The more comprehensive the examination, the more intelligently we can diagnose and treat. In those cases where emergency treatment is necessary for the relief or prevention of pain the examination is usually accomplished on the second office visit.

From our study of the X-rays, diagnostic models, and the clinical findings we will diagnose the case so that at the next appointment we can recommend proper treatment. If there is more than one method of treatment to be considered both will be discussed, as well as what can be expected from each type of service. An estimate of the fee for any service will also be given at this appointment. When the type of treatment has been decided upon, time will be appointed for the earliest possible completion of the case. Financial arrangements are customarily made at this appointment. We prefer that both parents of a minor patient be present for this consultation, and that adults bring their spouse, a close relative, or friend. In this way misunderstandings are avoided.

We believe most sincerely that one of the most important services we have to offer is a plan for preventive dentistry. For this reason we spend considerable time at the above appointment discussing preventive measures, which if followed will help the patient maintain the mouth in a state of optimum dental health, once it has been restored. We believe without exception, in the preservation of the natural teeth whenever they
CREDIT AND COLLECTIONS

It is generally accepted that most delinquent or unpaid dental bills stem from two causes.

1. The patient did not thoroughly understand the nature of the dental procedure completed, and/or,

2. Discussion of fees and agreement as to when they were to be paid was not properly arranged in advance.

SUGGESTIONS TO HELP PREVENT CREDIT PROBLEMS

1. Subscribe to a reliable credit rating agency.
2. Regular statements.
3. Regular reminders on past due accounts.

The following collection letters are for use after the patient has agreed to make periodic payments and has missed one or more payments.

FORM No. 1.

As you will recall, we agreed that you will make (periodic) payments in the amount of ______________. Until your entire dental bill of ______________ has been paid. No interest has been added. The balance due is ______________. You did not make the payment due on ______________ as promised, and we would appreciate hearing from you.

FORM No. 2.

We are disappointed that you have not honored our agreement to make (periodic) payments on your dental bill. The balance is and a payment was due on ______________ and not made. Please feel free to call me to discuss this.

FORM No. 3.

Unless payment is made on your overdue dental bill within the next seven days, appropriate legal action will be taken.
CHAPTER 8

SUGGESTED CHECKOUT LIST FOR DENTIST ESTABLISHING NEW OFFICE:

1. Must have certificate of successful completion of Prov. Board Examination.
2. Select your location then secure a lease or agreement for space (conditional upon financing, if financing required).
   a. Contact a full service dealer for assistance.
3. Obtain a business permit issued by City or County in which you will practice if it is required.
4. Draw up Budget for capital and operating expenses.
5. List office phone with phone company and directory listing.
6. Start utility service for water, gas and electricity.
7. Have the phone number of nearest physician or emergency hospital readily available.
8. Obtain Malpractice Insurance in addition to other insurance policies (disability, practice interruption, etc.).
9. Make application to Secretary of Local and Prov. Societies for membership:
   a. You should receive at that time a schedule of meetings.
10. Plan to hire an assistant when ready.
11. Have announcements, stationery, business cards, etc. printed.
12. Establish bank connections.
13. Establish Consumer Credit connections.
14. Establish account with Dental Supply Co., and order necessary items for office.
15. Establish account at dental laboratory.
16. Establish account with pharmacy.
17. Establish fee schedule.
18. Re-direct or begin publication subscriptions to your office address.
19. Make arrangements for janitor service.
20. Make arrangements for uniform and linen service.
21. Meet colleagues in area.
22. Choose accounting software system.
23. Hire an experienced accountant and lawyer.