



THE 10 BIGGEST FINANCIAL MISTAKES DENTISTS MAKE

And What You Can Do To Fix Them Today!

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Hey there Dentist!

When's the last time you felt unsure of a business decision you had to make?

Are you afraid that you might be making serious mistakes when it comes to running your dental practice?

As a dental practice owner, you have to make hundreds of decisions every week about finances, accounting, taxes, payroll, banking, and more...

And it can be hard to know if you're doing the right thing and making a good decision.

Every week I talk to dentists all over the US who are excellent at what they do but struggle with the business side of things.

If that sounds like you, it's not your fault. As a dentist, you've spent over 10,000 hours honing your craft and learning how to provide excellent patient care...

But you've probably received very little education and training on how to start and grow a profitable business.

In fact, I've discovered that there are 10 financial mistakes that over 90% of dentists owners make when running their businesses.

The worst part is, only one or two simple mistakes can leave you working harder than you have to and pocketing much less profit than you should.

But don't worry - all of these mistakes can be fixed with the right help, saving you thousands of dollars and dozens of precious hours.

So let's go over each of the 10 biggest financial mistakes dentists make and what you can do to fix them today.

1

Not understanding the difference between profits and cash flow



One of the most important things you must understand when running a business is the difference between profits and cash flow. Every dental practice owner starts their business with the goal of turning a profit. But what they don't realize is that cash flow is actually more important.



Imagine this hypothetical. You meet with your accountant at the end of the year to review your tax return, and they report that your business turned a substantial profit. While this is good news, you can't help but be surprised. Why? Because there's no cash in the bank and you have no idea how you're going to pay the income taxes on the profit.



This happens more often than you think. A lot of dentists turn a profit in their business while being cash flow negative, and others have lots of cash flow but no profit to show for it.



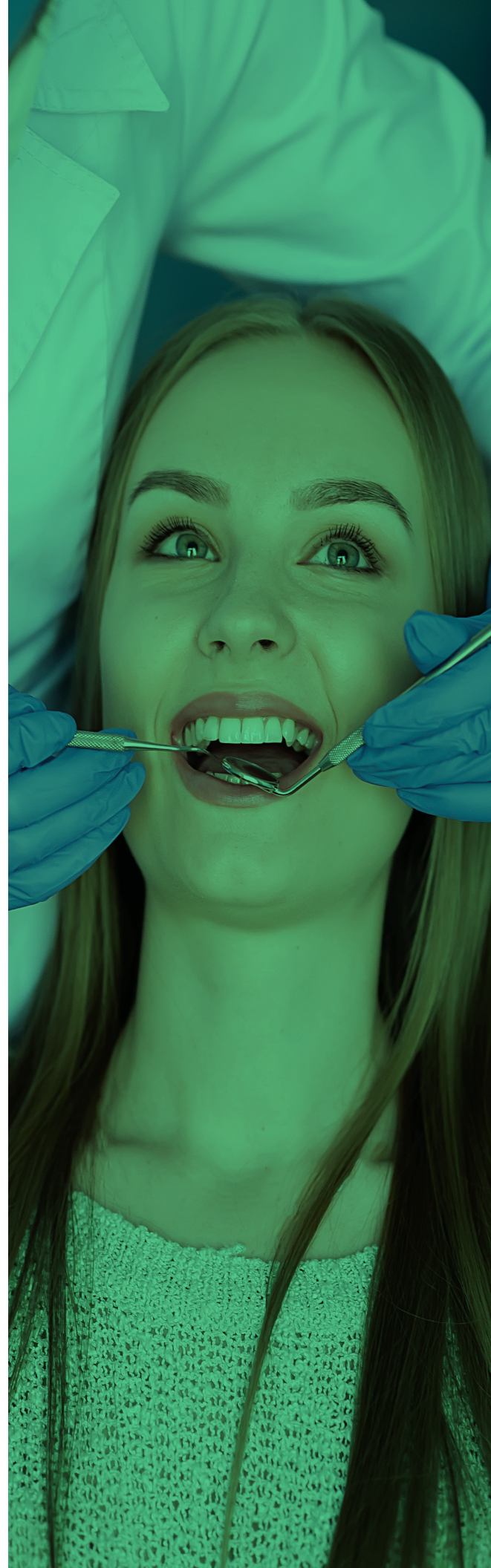
This is because a dental practice can have positive cash flow while having no profit if the cash comes from sources other than income, such as when an owner puts in their own money or if they take out a loan. These types of transactions aren't income but rather liability or equity transactions that appear on the balance sheet.



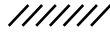
On the other hand, a dental practice can have negative cash flow while having a large profit if the owners take cash out of the business to pay personal expenses or use it to make investments or loans to others. These types of transactions where cash is taken out of the business are also reported on the balance sheet, not the profit and loss statement.



As a dental practice owner, you must understand this critical difference between profits and cash flow if you want to leverage your business to create lasting wealth.



2



Failing to maximize retirement contributions early



Being self-employed gives you a certain measure of freedom, but it doesn't give you an excuse to skip out on saving for retirement. In fact, it makes putting money away that much more crucial, because unlike an employee who might have access to an employer-sponsored 401(k), you are on your own.



The biggest mistake dentists make when it comes to planning for retirement is not understanding the value of time. To effectively build lasting wealth, you need to harness the power of compound interest and put it to work for you. Warren Buffett, billionaire investor and business magnate, once said "My wealth has come from a combination of living in America, some lucky genes, and compound interest."



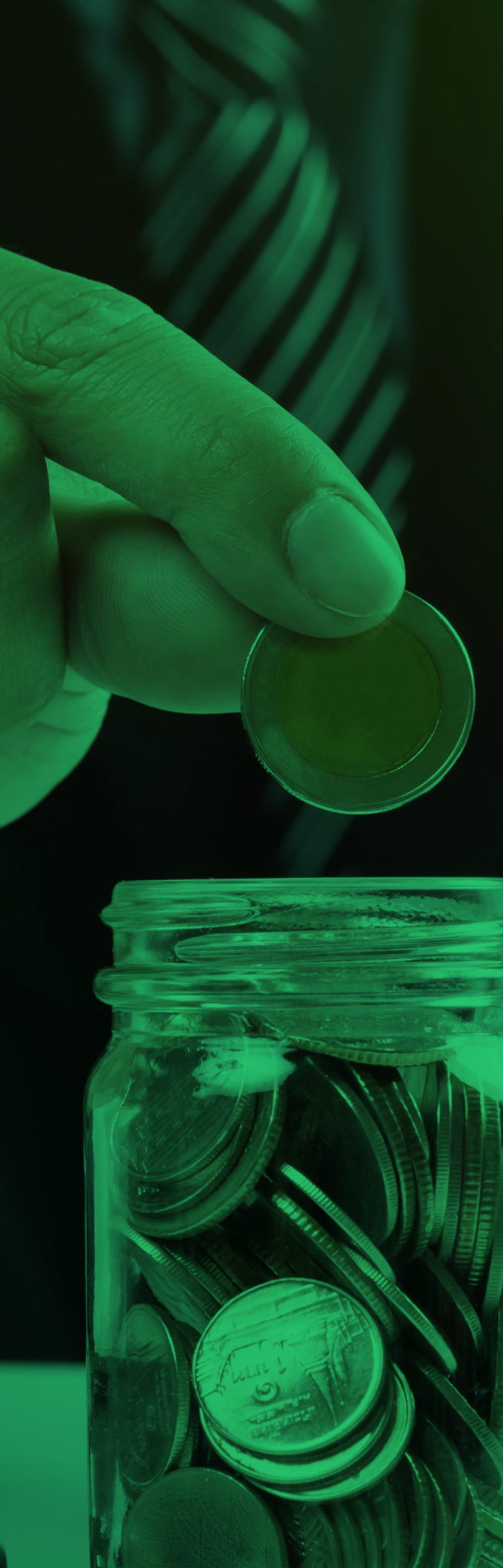
Consider this scenario. Let's say that I have \$100,000 invested today, and each year, I add \$25,000 to it. I expect a return of 8% per year. In 25 years, I'll have \$2.6 million. In 30 years, I'll have over \$4 million, even though I've added only \$125,000 over the additional 5 year period.



As you can see, it is important to begin saving early, and it's also important to live below your means, because the more you save and invest, the more compound interest will be able to work for you. Always be sure to max out contributions to tax-advantaged retirement plans, such as 401(k)s and IRAs, before investing excess savings in a brokerage account.



I also recommend automating your savings and investing plan. Decide on the amount you want to put towards savings each month, and have that debited into a savings account. You can then invest the money in that savings account into your retirement plans and brokerage accounts.



3

Not managing student loan debt properly

- 🦷 The average vgraduate has \$261,000 in debt upon graduation, with over 8 in 10 graduates reporting at least \$100,000 in student loan debt.
- 🦷 In fact, many dentists have so much student loan debt that they report having to make payments on it well into their 40s and 50s. This means that dentists need to have a well-defined, actionable plan of how they're going to pay down this debt from the outset.
- 🦷 During the early years of their careers, some dentists may turn to income-driven repayment plans. These plans reduce the monthly payment one must make, but the reduced monthly payments are oftentimes not enough to cover the interest which has accrued on the loans. That means it's possible for one's overall student debt to continue to grow, even if making regular monthly payments.
- 🦷 As a dentist advances in their career and begins to build credit and net worth, they should begin to look at options to refinance their student loan debt. Getting an interest rate that is just one percent lower could save you thousands of dollars in interest over the course of the loan's life.



4

Waiting too long to expand or purchase a second practice



Many of the dentists I talk to everyday feel that expanding or purchasing a second practice is out of their reach. Several factors could play into this mindset.



Some feel that they're not creditworthy enough to obtain a practice loan, due to their student loan debt or existing debt from practice loans. Others might feel that they don't yet have all the business experience and financial knowledge needed to make such a sizable investment.



The truth is, there is never a "good" time to start or buy a new practice. There will always be other things going on in your life that will make the transition difficult, and you'll never feel fully prepared to make the leap on your own.



To have the best chance of success, you need to work with an expert who has successfully guided dozens of dentists through the process of growing their business by expanding their existing practices, acquiring other practices, or starting new practices of their own.



There are several critical steps you need to do to prepare to grow. You should work with your accountant to make sure you have a clean set of books that will meet a lender's requirement so you won't have any trouble getting a bank loan.



You'll also need to plan your tax strategy for this move in advance, because you won't be able to do anything about it looking backward. But with a solid plan and the guidance, you can do it.

5



Not separating personal finances from business finances



As a dental practice owner, it's crucial to remember that your company is an independent entity that is separate and free-standing from you and your personal finances. Although it may seem apparent, there are many important reasons why you need to separate your personal and business finances.



You've likely invested time and money to incorporate your business as an LLC, partnership, S-corp, or C-corp. One of the reasons you probably made the decision to do so is for the legal protections that establishing a distinct, separate business entity affords you as a business owner. But in some cases, commingling your personal and business funds can make you personally responsible for business liabilities.



Commingling of funds also makes accounting and tax preparation less accurate because there is always the risk that important business deductions can be missed. It can also cause you to incorrectly deduct personal expenses that won't be deductible or sustainable in an audit. This can result in severe fines and penalties from the IRS and state tax authorities.



Another reason why you want to keep your personal and business finances separate is because when they become intertwined, there is no way for you to determine how much money you, as the business owner, can afford to keep for yourself. This may lead you to make poor decisions based on a distorted perception of how your business is performing.



You want to establish a financial firewall between you and your business so you can make accurate decisions, protect your personal assets, and minimize taxes and risk when it comes time to file your tax returns.



6

Failing to track ROI of marketing campaigns



Dental practice growth can't be left to chance. According to a report by Henry Schein, the average dental practice experiences approximately a 17% erosion of their active patient base each year as patients relocate, die, and so on. In a healthy, growing practice, the practice will replace these patients with 20–25 new patients per month.



This means that you need to be marketing so you can get your name and practice in front of potential patients. But too often we see dental practice owners waste thousands of dollars on “hope” marketing with dubious results that are impossible to track.



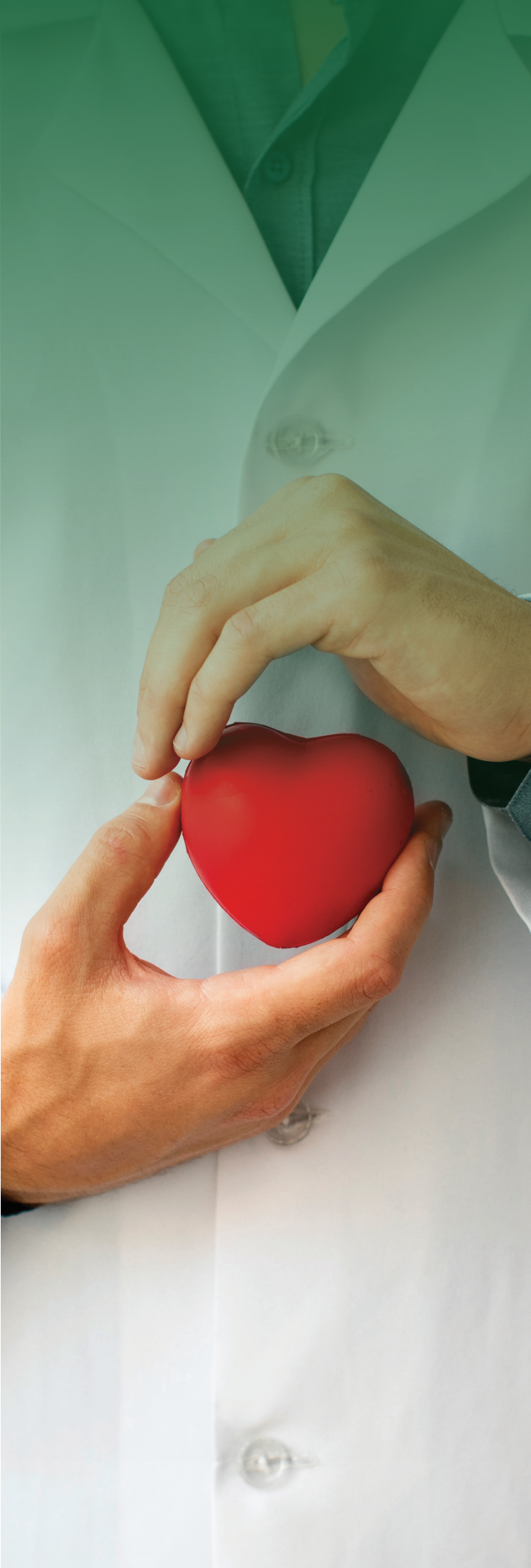
Here in our firm we find that a lot of our dentist clients who are spending money on advertising and marketing are actually losing money. They put their blind trust in marketing agencies, but they don't really understand how to track the ROI on their ad costs. And that means that it's easy to burn through marketing dollars without getting any new patients or revenue.



That's why we've developed a simple, proven system to help our clients understand their marketing expenses and see which ads and promotions are driving practice growth. This allows you to double down on what's working and cut out all the waste.








It's also important to have processes in place to nurture your relationships with your current patients. Patient retention is one of the most important drivers of overall financial success due to the fact that it's 10x more expensive to acquire a new customer than to retain an existing one.





7






Not using a specialized dental accounting system

-  You're an expert when it comes to keeping your patients healthy, but you also have to make sure that your practice is financially healthy. One of the biggest financial mistakes dentists make is not having a specialized dental accounting system that gives you the data you need to make proactive decisions.
-  The chart of accounts is the backbone of any accounting system. It is the list of accounts an organization can use to track revenues and expenses. Dental practices need industry-specific accounts to track certain revenue and expense items that aren't relevant to other businesses.
-  To understand your practice's financial health, you need a chart of accounts that is customized to your practice's unique operations. This will allow you to create budgets and run reports to analyze your practice's revenues and expenses.
-  You can then use that data to compare your numbers to industry benchmarks so you can see how your practice is performing compared to other dental practices. These insights will enable you to make your business more efficient so you can make more money without working harder.
-  Setting up a specialized dental accounting system and chart of accounts will give you the insight you need to grow your practice and streamline operations.

8

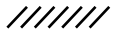
A background image showing a close-up of a person's hand holding a calculator. The hand is positioned on the left side of the frame, with fingers resting on the calculator's keys. The calculator is dark-colored with white and red keys. The background is slightly blurred, focusing attention on the hand and calculator.

Not having a budget for your personal expenses





-  It's not enough to have your dental practice's finances in order. You also should have well-defined personal goals and make a budget that enables you to achieve them.
-  Too often, I've seen dentists, young and old, who believe that they do not need such a plan because they have a highly profitable practice. They think that they can spend more than they can actually afford because the business's numbers look good.
-  But the goal of owning and operating a dental practice is not to have a high disposable income. The goal is to build lasting wealth that will benefit your family for many years to come.
-  It's simply not enough to rely on your business's financial statements when trying to plan how much you can spend on your personal expenses. You need to have a separate personal budget that tracks all your sources of income and each of your fixed expenses.
-  Dentists without a personal budget always spend too much and save too little. They miss important opportunities for wealth creation, such as investing in the efficiency of their practice or expanding to additional locations in favorable markets.



9



Being late on quarterly estimated tax payments

-  As a dental practice owner, making quarterly estimated tax payments towards your federal income tax liability is one of the many compliance obligations you have to the federal government.
-  When you own a business, you can't just wait to pay your taxes at the end of the year. The IRS says that taxes are due regularly over the course of the year as you earn income.
-  If you have a source of income that isn't subject to withholding - such as dividends or profit distributions from your business that you don't pay yourself on a W-2 - you have to pay estimated taxes on that income instead. Estimated taxes are payments you make throughout the year based on what you estimate you will owe for the tax year.
-  Paying estimated taxes is one way to make sure you're giving the IRS enough money during the year to avoid owing a lump sum at filing time, and it also prevents you from incurring steep penalties for underpaying your taxes throughout the year.

10

Not working with an experienced dental CFO and tax strategist



As you've learned from going over the last 9 mistakes, there are a lot of problems that dental practice owners can run into while running and growing their businesses.



To avoid these deadly mistakes and make good decisions that will enable you to leverage your business to create lasting wealth, you need to work with an accounting and tax expert who understands dentistry and can guide you through every stage of the dental practice ownership cycle.



The sad truth is, many of the dentists I talk with don't have the tools they need to assess the profitability and overall financial health of their practices. In fact, a lot of them are used to being behind on their financial statements and having to get "caught up" in time for tax season.



But by tax time, it's simply too late to take the steps necessary to minimize your tax liability. Tax planning needs to be a proactive process that considers the entirety of your financial situation.



Most CPAs can prepare an accurate tax return, but very few are well-versed in the unique challenges dentists and dental practices face. You need industry-specific advice and strategies to keep more of your hard-earned money in your pocket.



You also need a real-time, cloud-based accounting system that is customized for your dental practice. You can then use this data to analyze which services are most profitable so you can focus on them and also to reduce your payroll, overhead, and marketing expenses.



How would you like to increase your dental practice's profits & cash flow while minimizing taxes and risk?

If you have read this book and discovered that you might be making one of these 10 costly mistakes in your business, and you feel that your mistakes are too far gone, guess what...

There's hope for you too. This is what we do. We care about dentists and the dental community. I'm here to help you overcome your mistakes and plan a better future for your business.

I'd love to give you 45 minutes of my time for free where we can deep dive into your current business structure, tax strategy, and accounting system to make sure your business isn't leaking your hard-earned money.

You can book your free Strategy Session with me here:

<https://go.browntax.co/10mistakes-calendar>

There's no obligation whatsoever. I won't hold anything back. At the end of our call, you'll have a clear plan for what you need to do to turn your dental practice into a wealth-generating machine.

In fact, I believe that I can help you so strongly that I will give you a \$100 Amazon gift card if you don't think our conversation is valuable. That's the promise I am making to you, so you have absolutely nothing to lose.

The best case scenario is that I help you save thousands of dollars and dozens of hours every year. Worst case scenario, I'll give you a \$100 Amazon gift card. Does that sound fair?

Schedule your call with me here:

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Talk soon :)
Carla Brown, EA



Carla Brown, EA
Dental CFO & Tax Strategist

About The Author

Hi there! My name is Carla Brown, EA, and I'm a dental CFO and tax strategist who helps self-employed dentists and dental practice owners leverage their businesses to create lasting wealth.

I'm also licensed by the Department of the Treasury as an Enrolled Agent, which means I am authorized to represent taxpayers and fight for them before the IRS.

If you feel like you might be paying too much in taxes, or if you feel like you're working too hard for not enough money...

I might be able to save you tens of thousands of dollars and dozens of hours of your precious time in just one 45-minute phone call.

On this call, we will review your current business structure, tax strategy, and accounting system to make sure that your dental practice is operating efficiently and that you're not wasting any of your hard-earned money.

This Strategy Session is complimentary, and there's no obligation whatsoever. I won't hold anything back. When we're done talking about your business and your goals, you'll have total clarity and peace of mind about where you're at and where you're going.

If you want my help implementing the plan we design on the call, then I'll be happy to talk with you about working together, but you absolutely don't have to become my client to get massive value out of our conversation...

If you want to take control of your financial future and keep more of your hard-earned money, book a free 45-minute strategy session with me here:

<https://go.browntax.co/10mistakes-calendar>

I look forward to talking with you and helping you get clarity on how to create lasting wealth for you and your family.