



ADS Florida Insider

EXPERIENCE, INFORMATION AND CONSULTANTS YOU CAN TRUST

AUGUST 2012

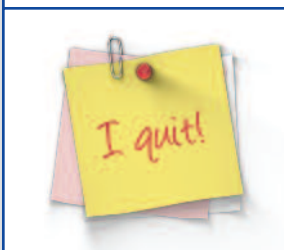
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David Maddy, DDS to Nishith Patel, DDS Bradenton

Thomas McRae, DDS to Matthew Nawrocki, DMD, MS Orange Park

Last Chance to Save Big on Taxes?

Some Options for End-of-Year Planning



So, it's another presidential election year. The rhetoric is filling the airwaves, and the subjects most discussed are deficit and taxes. The Democrats want to let part of the Bush tax cuts expire and return to a 39% tax rate for earnings over \$250,000. The Republicans want to extend the Bush tax cuts for everyone. Most economists acknowledge that spending is too high, but cutting spending alone will not reduce the deficit, suggesting that some additional tax dollars must be raised.

So, here we are with the Bush tax cuts ready to expire on January 1, 2013. What better time to consider some potential tax planning—before it's too late.

If the Bush tax cuts expire certain actions could be taken this year to mitigate the additional taxes many dentists might owe. If your income for 2013 is expected to be above \$250,000, you will be paying the old tax rate of 39% on all income over the \$250,000 threshold. Discussing your options with a Certified Financial Planner or CPA could save you significant additional taxes. What else can you do?

Section 179 Depreciation

Section 179 of the IRS Code provides a rapid depreciation of \$125,000 (on equipment purchases in 2012). This provision will be discontinued if the Bush tax cuts expire, and will revert to a five or seven year depreciation schedule in 2013. Also, if you did not take advantage of the Section 179 depreciation schedule in 2011 (which allowed for \$250,000 of depreciation for equipment purchased in that year), you could amend your 2011 return to take advantage of that rapid depreciation and perhaps reduce your taxable income for that year. If you are considering significant capital equipment purchases, you may want to take advantage of the Section 179 rapid depreciation this year.

Capital Gains

If the Bush tax cuts expire at the end of 2012, anyone selling their practice in 2013 and after will be paying at least ten percent more in taxes on the goodwill portion of the sales price. So, for illustration purposes, if you sell your practice for \$800,000 in 2012, the amount of taxes you would pay would be \$145,000 (assuming \$675,000 as goodwill and \$125,000 as ordinary income). In the same circumstance, if you sell your practice for \$800,000 in 2013, the taxes you would pay would be \$213,000 - \$68,000 more! If you are planning on selling this year or next, waiting until next year could be costly!

These are just a couple of the options you may have available to keep your tax bill in check. We are not offering tax advice, but merely pointing out some of the areas where tax savings might be realized. We highly recommend contacting your accountant and/or your financial planner to discuss all of the available options for maximizing your personal and professional financial positioning—before the end of 2012.

Why Prepare for the Worst?

It DOES Happen.

By Phil LoGrippe, DMD
ADS Florida



Buying and getting established in a new practice will naturally take most of a dentist's time and energy initially. But even those who are just starting out should not delay planning for unexpected events that can derail the best-laid plans.

Although for many dentists, the road to retirement will be mostly a straight run with some predictability, some of us will face sudden twists and curves from unexpected events for which we are ill-prepared. With little or no warning, we may be left unable to practice our chosen profession. Physical illness, accidents, and emotional disabilities are among the most common events that render a dentist unable to practice. In the most tragic situations, premature or sudden death occurs.

For most dentists, your practice is either one of your most valuable assets or it is THE most valuable. "Expecting the unexpected" can make the difference between financial survival and financial ruin for the dentist and his or her family when disability or death strikes. This is most pronounced in the case of death. Although every dentist needs to be prepared for the unexpected at every stage of their practice life, many of us are not. Now is the time to act, when you seem to have the least need but the most ability to prepare. Unfortunately, it is human nature to be complacent when all is well in our lives, so dentists and their families continue to suffer unnecessary financial ruin following disability or death.

One Dentist's Experience

Sometimes disability sneaks up on you rapidly. In my situation, degenerative spinal pathology progressed rapidly to create permanent motor function damage, precipitating an almost immediate need to cease practice. When it became urgent, I was able to transition expediently, as my comprehensive practice information was already on file with ADS Florida. This facilitated a match of my practice with an appropriate buyer almost immediately. In this case, the buyer had also been proactive while waiting for the ideal opportunity to arise, having bank financing pre-approval and updated contact information with ADS Florida. The practice retained its value and the proceeds of that sale have been invaluable for my family and me. The practice continues to remain strong and profitable for the buyer, and I had the additional peace of mind knowing that the patients had no interruption of care.

You can choose to be proactive and "expect the unexpected" in several ways. First and foremost, if you haven't already done so, align yourself with a competent dental transition specialist. Having a true and accurate appraisal for your practice is not only an integral part of your financial and retirement planning, but will be invaluable in case you become impaired, disabled, or deceased. ADS Florida can provide a true appraisal for your practice, and this appraisal should be updated annually.

Forget About It, Until You Need It

You can carry this one step further with ADS Florida's Death and Disability Program. The Death and Disability Program is a product we have developed to protect doctors and their families from facing problems that we see far too often when planning has not occurred. As the value of your practice is largely a function of your goodwill, the drastic decrease of that goodwill after a tragedy can force a major, rapid reduction in value that could have been prevented if planning allowed prompt actions to be taken.

The documentation for the program encompasses what we need to establish an opinion of value (letter appraisal). Once completed, this will provide you a current snapshot of your practice value and will function as the basis of a future transition. This document will be reviewed annually and updated with the most current information available to keep the practice value up-to-date. The program includes consultation time, as well as essential information including checklists and documents for you have on hand, describing the steps for you or your family to take in the case of your disability or death.

Standards for Appraisals

A critical consideration in this process is the transition specialist's ability to perform an appraisal. According to Hy Smith, author of *Dental Practice Transactions Handbook*, the government has established standards that should be met when an appraisal is performed. These standards are known as the Uniform Standards of Professional Appraisal Practice (USPAP) and must be adhered to during the appraisal process to assure that relevant facts and information have been analyzed and interpreted properly. In his book, Hy goes on to explain that in addition to USPAP, the Institute of Business Appraisers (IBA) and the American Society of Appraisers (ASA) have universally accepted and required standards that the appraiser be knowledgeable in the area of the appraisal. Therefore, it is essential that the appraiser have specific dental practice experience, as do each of the transition specialists at ADS Florida.

Unfortunately, most of "the unexpected" is not preventable. Therefore, now is when you should be proactively taking the steps necessary to minimize financial losses in the case of disability or death. One of my colleagues at ADS Florida, who instantly went from being a fully-functioning practitioner to being unable to practice again as a result of injuring his hands during a skiing accident, has summed it up best. The closing sentence of an article he recently co-authored states, "Remember, serendipity is not a plan. Prepare now." I believe this most accurately summarizes the need to expect the unexpected.

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[PROFile]

Stuart M. Auerbach, DDS
Vice President of Sales
Southeast Florida

Stuart lives in Pembroke Pines, Florida and manages ADS Florida, LLC on Florida's East Coast. Stuart has been associated with ADS Florida, LLC and Professional Transitions, Inc. since 1994. He is a graduate of the University of Maryland Baltimore College of Dental Surgery, and practiced general dentistry for 18 years. Stuart has been a speaker at study clubs and participated with ACDDA and SFDDA programs. He is married to Marcella, is an avid road biker and has a French bulldog named Cyrus.

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Q&A

Q: What is Dual Representation, and why doesn't ADS Florida dual represent?

A: Dual Representation is the practice of representing both the seller and purchaser in a brokered transaction. In the State of Florida, this practice is **illegal**. ADS Florida has never represented both sides in a transaction as we, like the State, feel that it is a conflict of interest.

Q: Will the staff stay after I sell the practice?

A: The staff typically is as worried about keeping their job as you are about leaving them. If they leave, they have to start working for a new doctor anyway, so why wouldn't they give your carefully selected successor a chance?

How does ADS Florida rate among other transitions specialists?

Find out at
ADSflorida.com/Professionalism

What Our Clients Say

"Dr. Paul Rang's attention to detail, his business plan for selling the practice and professional demeanor were all superb. Every aspect of the sale went flawlessly (as planned). I would, without reservation, use ADS and Paul Rang for another transaction."

— Jeffrey Bowden, DDS

"Greg did an excellent job leading me through a highly complicated process and ultimately securing the deal on our terms. It would not have happened without his help."

— Matthew Holtan, DDS

Meet the ADS Florida Team



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Economics of Your Exit Options

For details call 866.818.1037
October 26th & 27th | Chicago

Don't Miss This Seminar.





Roger K. Hill, MSA
President
Roger K. Hill & Co., Inc.



H.M. (Hy) Smith, MBA
Managing Partner
ADS Florida

I Happy New Year? Tax Planning to Consider Before Jan. 1, 2013.

I The Worst That Could Happen? You Might Be Surprised. But Don't Be.

I FAQ: What Will My Staff Do When I Sell My Practice?

CONNECTED



ADS Florida's specialized network includes relationships with the leaders in the dental transition industry including:

- ▮ Lending Sources
- ▮ Legal Counsel
- ▮ Accounting Advisors
- ▮ Technology Consultants



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