

DENTISTS: 7 STEPS TO CREATE A LEGACY THAT'S BUILT TO LAST

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You have spent many years — perhaps even decades — building your dental practice. Have you stepped back and thought about the legacy you will leave once you've retired from the profession? Here are the top seven steps you should take to create a solid foundation for your second act while making the most of the wealth you've worked hard to create.



1. Clarify your objectives

Do you want to make sure you are debt-free before you start retirement? Are you interested in contributing to a charitable trust? No matter what you want to do with the wealth you have amassed over your dental career, it's important to clearly define the goals you have in mind for your legacy. Work with a financial planner and investment advisor to brainstorm your objectives and set clear financial benchmarks for achieving them.



2. Get a handle on your current financial house

What are your assets? What are your liabilities? What does your personal cash flow look like? What personal obligations do you have to your immediate or extended family members (for instance, helping your parents with their health care needs)?

Knowing the answers to these questions will help fuel your ability to achieve your legacy goals. Even if you're a high earner, a budget can also be a valuable tool you can use to better organize your financial objectives and focus more intently on what you're spending and investing.

When organizing your financial house, make sure that you don't blur the lines between your personal and business finances. Setting parameters and keeping those accounts separate from each other eliminates confusion down the road.

3. Organize your estate plan and insurance policies

Your estate plan and insurance coverage work together to protect your business and family in the face of catastrophic events and emergencies.

When building your legacy, it's helpful to review your insurance policies and determine if they meet your needs. Do you have enough life insurance? Is your disability insurance coverage adequate with your profession? Evaluate the risk factors in your personal and professional life and make sure to get your policies reviewed every three to five years; this can help you take advantage of better benefits or prices, putting money back into your pocket.

It's also critical to regularly review the beneficiaries designated in your estate plan and insurance policies, as well as the titling of your assets. If you set up your estate plan and policies years ago, they may not reflect the current state of your life and relationships. Incorrect beneficiary designations can present major legal issues in the face of the unexpected and could put your legacy at risk. Be sure to also review any practice insurance you may have with your co-partners, or overhead insurance to secure your brick-and-mortar property and equipment against emergencies.

4. Review your retirement plan

As a practice owner, you need to make sure that you have the right retirement plan in place. You may already have a retirement plan benefit for your practice and employees, but that doesn't necessarily mean it is the best fit for you as the owner, especially since different plans allow different contribution levels.

Work with your tax advisors and financial planners to establish the right plan that not only protects your existing wealth but also helps you build on that wealth with a disciplined, tax-efficient investment strategy. It's also important to set goals and an income strategy to help replace your paycheck and fund your lifestyle when you do start taking out distributions. What do you need to have in your 401(k), Roth IRA or traditional IRA to achieve your income goals? What do you need to have in your taxable savings and investment accounts? It's also important to understand the tax implications associated with those accounts so that you can develop the most tax-efficient strategy for withdrawing funds through retirement.



5. Get the right valuation

You may have an idea of what your practice is worth, but that could be vastly different from the reality in the marketplace. Enlist the help of a team who can provide a clear understanding of the true worth of your practice before you prepare for an eventual sale. If the practice is not worth as much as you think it is, what can you do within the business to create more value or efficiencies? Does that mean you need to upgrade your equipment and software, or make staffing adjustments? Aprio's team has intensive experience working specifically with dental practice owners to boost practice value and coordinate the eventual sale/purchase process.



6. Explore other tax-advantaged wealth strategies

If your objective is to pass down your legacy to your heirs, work with an experienced tax and estate planning team to explore what strategies are available to you. For instance, some practice owners utilize 529 college savings plans as gifting strategies for their beneficiaries. There is a wide variety of sophisticated vehicles you can use to pass down your wealth in a tax-efficient manner.

On the investing side, make sure that you're working with a professional, seasoned and credentialed advisory team to invest the right way. Re-evaluate the vehicles in which you're investing your money and make sure they are keeping up with your risk tolerance, inflation and time horizon. It's also important to constantly reassess your portfolio as you approach retirement to make sure your investment strategy is aligned with your end-of-work date and the timeline for drawing down on your savings.

7. Don't forget your succession plan

Don't wait until you near retirement to re-evaluate your succession plan. Make sure that you have a proper strategy in place for passing down your business to successors and that you have deployed the training and communications necessary to facilitate a smooth transition.

The bottom line

Are you ready to prepare for life after your dental practice and cultivate a legacy that lasts generations? At Aprio, we specialize in creating and coordinating the implementation of sophisticated wealth management plans for business owners, including estate planning, wealth transfers, tax management, risk analysis and personalized investment strategies.

Speak with your Patterson territory representative to learn more.

About the author

Caroline Galbraith, CPWA®, CFP®, Aprio Wealth Management, Wealth Advisor, Director, specializes in the creation, coordination and implementation of sophisticated wealth strategies that include estate planning, wealth transfers, tax management, risk analysis and personalized investment strategies. Caroline's goal is to provide clients a better wealth management experience. She is a stickler about maintaining good communications, and believes in going the extra mile to make sure clients understand their financial plans and feel confident, informed and reassured that they are on track.

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