The most common questions dentists ask about credit

By Joseph Flumian, MPA

The most common phrase I hear as I help dentists with their financing situations at McKenzie Management and the one I wish I had a dollar for every time it is spoken is: “They never taught us business in dental school.”

This is apparently a true statement because I never cease to be amazed at how some of the most intelligent, thoughtful people I have had the pleasure to help in my 30-year career are lost when it comes to the financial aspects of their dental practices. Following are some of the most common questions dentists ask.

What affects my credit score?

This is the No. 1 question dentists ask. Your credit score is composed of how much of your available credit you use, the number of late payments, length of credit history, new credit applications and the types of credit accounts you have used.

Certain decisions have an impact on your credit score as you go through life and some can last for ever. Divorce, in particular, is the No. 1 credit score killer, followed by your credit score when you have more than $2 million in production, and then it’s all about defined benefit plans for you and allocation if you include your staff. It really is worth going to a professional and getting the best tax and liability advice.

Should I incorporate?

There are still many dentists who are not proprietors for tax purposes. Again, this is the time to talk to your attorney about what you should be. Every state has different liability benefits and the main purpose of incorporating is to try to protect personal assets in case of litigation. That’s the “limited liability” in LLC.

Considerations make sense when your practice generates income that is $250,000 or more and you have a staff.

Selling your practice at the end of your career is a strategy, but very expensive. You can get a real free credit report at www.annualcreditreport.com. They won’t give you a score, but you can see all of your activity and it gives you the ability to promptly contest anything that’s incorrect. Here’s a true story: I am currently working with a dentist who lives in the south, and an individual with the identical name but is deceased had a notice to pay up with penalties attached. They won’t give you a score, but you can see all of your activity and it gives you the ability to promptly contest anything that’s incorrect. Here’s a true story: I am currently working with a dentist who lives in the south, and an individual with the identical name but is deceased had a notice to pay up with penalties attached. The credit bureaus cross-pollinate the data between dentists and the one I wish I had a dollar for every time it is spoken is: “They never taught us business in dental school.”

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I'm a new dentist and I want to start up a new practice, what do I do first?

That's easy. Enroll in the McKenzie Management’s two-day, one-on-one training program. It's everything they didn't teach you in dental school about business. The frightening reality is you don't know what you don't know, so get help.

The materials and workbooks alone make this a worthwhile investment. From there, develop a business plan with the information you receive and put together a team of trusted and experienced advisors, including an attorney, a certified public accountant, a reputable dental supplier, etc.

Should I use a credit counseling service? Caution here. Some charge thousands of dollars. I have had dentists proudly tell me that they were able to reduce their debt obligations on their credit cards by thousands of dollars.

Do you think the banks are going to be happy with this negotiated settlement? Are you going to be happy to be forced to take 50 percent of a crown fee? Of course not, and nor are they.

The banks get even by killing your credit. Don't be surprised if you can't get a loan for up to 10 years for your business. You are better off trying just about anything else. Consider doing a merchant advance or a cash for collateral loan. These are two options to consider first. Again, I can't stress enough the importance of seeking professional advice from a financial advisor first. It's a worthwhile investment.