What’s on your mind?

Invest wisely and allay your concerns about financial independence during the credit crunch. Thomas Dickson

Not only do dentists face the constant pressure of keeping up-to-date with new techniques and equipment, meeting the ever-increasing expectations of patients and (for NHS dentists in practice) negotiating with Primary Care Trusts, but there is also the challenge of choosing how to invest any disposable income.

Many dentists have seen their investments drop considerably over the last 12 months, leading in some cases to a rethinking about how to invest. However, the average dentist is not, in general, going to find themselves with very little money at a time of life when they should be financially independent.

Save for the future

Because every dentist’s situation is unique, there is no one solution. Those dentists expecting a sizeable windfall from the sale of a quality practice, or an inheritance sum, need to realise that neither of these is guaranteed, and that they, along with their peers, should therefore set aside a significant proportion of their income to ensure that their future is provided for.

As a rule of thumb, dentists without an effective investment strategy need to consider their short-term, medium-term or long-term options. For a short-term saving, there are high-interest bank accounts. For medium-term investments, dentists should make the most of their £1,200 maximum annual allowance for Individual Savings Accounts (ISAs). Long-term investment opportunities can include contributing to either the NHS or a personal pension.

Contrary to what some dentists believe, now is potentially a good time to make an investment in the stock markets. There is always an element of risk, due to the market’s current volatility, but the old investment tenet of ‘be greedy when everyone else is fearful’ might well be valuable advice. The pressures are there are significant profits to be made for the canny investor in the stock market is likely to rebound several months before the economy does.

Stay or go?

In order to achieve a number of personal and professional goals, dentists often need to move into new premises or carry out extensive refurbishments. It might be that the dentist can no longer meet the demands of the patient base in the current building, or comply with health and safety requirements. In short, continuing success in many cases requires relocation to new premises or refurbishment of existing premises, but because of the credit crunch, some dentists are thinking twice about making this kind of financial commitment.

One issue is raising money, but it is still possible to secure finance with the right advice and presentation. The value of Goodwill is still strong, and there is still a real demand for properties by a significant number of dentists and corporate bodies.

With regards to making a freehold investment, if the purchase of the property is intended as a short-term investment then now might not be the best time because second-guessing the market is particularly difficult at the moment. However, there is still an argument to invest in property where there is no short-term pressure to sell – for example, when the dentist does not need to sell while the credit crunch is still biting.

Plan for the future

Financial planning should always be a priority for dental professionals, but in the current climate it is vital. The obvious benefit of having a plan in place is that it provides security and comfort in constantly changing times. Dentists who have done everything that could be done are able to face the future with more certainty, and are better placed to roll with the punches should a financial crisis develop.

The ability to earn money is of course a key factor in determining whether or not the dentist will achieve financial independence, and the ability to earn money depends on having enough money to work and carry out the necessary day-to-day tasks. For instance, a dentist who cannot sit for long periods due to back injury has a severely curtailed ability to perform certain procedures important to diagnosis and treatment. A hand injury can effectively end a dentist’s active involvement in clinical duties, throwing his or her future into uncertainty. For these reasons, a comprehensive income protection strategy is important, as it will ensure that the dentist can still achieve financial independence even if he or she is unable to work due to health reasons.

Think of it like this: dentists ensure their home and contents and their car, but what if they had a machine in the practice that printed several thousand pounds a month? Should they insure it? Of course they should, and they would, too.

Dentists without income protection who suffer an injury that prevents them from working are liable to see their whole plan for financial independence fall apart. Whether in practice or hospital-based, dentists without income protection should contact an independent financial adviser specialising in advising dental professionals, in order to discuss their needs.

Planning for retirement

Planning for retirement is not just about investing in a pension. It includes putting together a whole range of investment assets to provide a reliable income in the future. Pensions tend to be used in the majority of cases as they are an extremely tax-efficient form of long-term investment, especially for higher-rate taxpayers.

However, it does not suit everyone to invest in pensions as soon as the opportunity arises. Dentists recently set up in practice, or who have student debts to pay, might be better advised to make a success of their new business first, or even step onto the property ladder, before thinking about putting money aside for retirement.

This is not to suggest that making pension savings is reserved only for dentists settled into a successful career. Younger dentists, or dentists yet to pay off student debts, can always make short to medium-term investments, which carry the benefit of allowing the dentist to access the funds invested should they be needed. An ISA can be an advisable investment option, because if the dentist finds that he or she has overcommitted, the money can simply be taken out again.

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