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 reluctance to invest. However, it is important to note that dental professionals do not invest in property, stocks and shares, bonds, gilt or other assets, they do not invest for higher-rate taxpayers. Those dentists expecting a significant profit from their car, but what if they had a mortgage? Some dentists find that he or she has overcommitted, the dentist to access the funds invested should they be needed. An ISA can provide security and comfort in their future. Pensions tend to be used in property where there is no short-term pressure to sell – for example, when the dentist does not have to sell while the credit crunch is still bugging.

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 challenging 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 how healthy the individual is. Dentists who cannot sit for long periods due to back injury have 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 insure 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 their insurance company.

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 new regulations. 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 dentists 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-hand properties in 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 have to sell while the credit crunch is still bugging.

Planing 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 first, 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.

Once a dentist is in a secure financial position and can afford to make regular pension payments to save for retirement, there are many reasons why he or she should start as soon as possible.

What’s on your mind?

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

Money Matters

Thomas Dickson, director of Essential Money Limited, formerly a partner of Money4Dentists, has a wealth of experience in advising the dental industry. Beginning as a financial adviser, Thomas has recently launched Essential Money to provide expert independent financial advice that dentists throughout the UK can rely on. For more information, and to receive a free copy of The Little Book of Money, filled with financial hints and tips, contact Essential Money on 0121 685 5060 or email thomas@essentialmoney.co.uk.

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About the author

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