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 reluctance to invest. However, for many dentists, even if dental professionals do not invest in property, stocks and shares, long-term options may present 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 can be guaranteed, and that they, along with their peers, should aim to save at least 20% of the cent of their monthly 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 £12,200 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 rationale is that there are significant profits to be made for the canny investor as the stock market is likely to rebound several months before the economy does.

Plan for the future

Financial planning should always be a priority for dental professionals, but in the current climate it is vital. The obvious benefits 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 having the necessary income to work and carry out the necessary 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 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 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 plan for 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 re-tirement.

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.

About the author

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, full of practical hints and tips, contact Essential Money on 0121 685 5060 or email thomas@essentialmoney.co.uk.

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