Debt vs. success

Five steps to keep your career on track

By Robert Graham

Your journey as a dental professional begins with the hope of having the best possible outcome. Yet, once you are out of school, as many have experienced, you will encounter some forks in the road.

The forks represent decisions you will need to make that will chart your course to either success or failure. They may include questions such as, "Should I go the route of associate or owner?", "How long before I build a practice?", "How do I build the best team?", "What do I do about my debt?", "How do I stay out of debt?", "How do I organize my practice?" and "Do I work for a large group or go it alone?"

With all of the above significant and critical considerations within the life of a practice, debt stands out as the lynchpin. In most circumstances, debt is a necessary tool to gain education, purchase or build a practice and to purchase your home. However, debt is also the "tool" that may tether your freedom and limit your choices when charting your course.

Debt management is essential for a successful outcome. Here are five simple steps you can follow to help you identify the best path to follow or plan to manage your debt.

Identify your big picture vision and goals

Identifying your big picture visions and goals for you and/or your family is the most critical first step to avoid unnecessary debt.

For example, RG Advisors has a pediatric dentist client who is practicing in the Northeast. When we met, she had been out four years as an independent practice. The practice was still wading through debt, struggling to make payroll. However, her practice was experiencing remarkable growth. This being said, she still had difficulty paying herself. The doctor and her husband outlined with clarity their big picture visions and goals.

One goal that stands out is the goal of building their Financial Freedom Plan™, which includes their visions and goals, take time and start now.

Identify your choices

When you are considering your debt options, the decisions are mostly economic:

- What is the best rate?
- What is the best term?
- Are there any prepayment penalties and can I live with them?
- What is the debt being used for?
- Do I need it now?
- What is the monthly required payment? Can I afford the debt service?

Understand the impact of your debt

Understanding the impact of the debt will help you make good decisions. In some cases, the use of debt is needed for practice growth, purchasing a home or other large purchases.

However, what is the impact? What choice should I make? With any choice you have to budget for the additional debt service each month. With that being said, using debt wisely may give you and/or the practice the ability make needed purchases and more efficiently invest in your practice and or your future.

Build a debt elimination plan

A good debt elimination plan will give you a guide, to ensure that you efficiently pay off all of your debt in a timely manner. Additionally, an efficient plan, will illustrate the benefits of overpaying the required payments. When designing our debt elimination plans for our clients, we use a proprietary tool named DETool™ that organize all liabilities, required payments and their current interest rates.

For example, we recently worked on a debt elimination plan for a young general dentist from Ohio who was out of school six months. All of his debt was tied to five student loans, totaling close to $265,000. After constructing his debt elimination plan, the dentist’s strategy began with paying the high-interest balance first and overpaying required payments by $1,300 each month.

His focused effort and overpayment will save him $59,254 in interest and the debts will be forgiven.

Implement the plan

When it comes to debt forgiveness or a plan for debt elimination, implementation or taking action is the only way you will have the desired outcome. Planning is like a sports “chalk talk” by the coach. The coach will draw the best possible route and can I live with them?

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Remember, too much debt and not having a good payback plan may greatly reduce your freedom and choices.

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About the author

Robert Graham and RG Advisors have been recognized as wealth management and tax planning specialists for dental care professionals by many industry leaders. Graham has worked with and educated thousands of dental professionals on topics such as wealth accumulation, tax efficiencies, retirement planning, asset protection and practice transitions.