

It's Just "One More Crown"

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Have you ever felt like you have more month than money? Have you ever found yourself in a situation like this Ohio dentist that no matter how hard he worked, it felt like there just wasn't enough cash to do all the things he wanted. Just about that time he had covered all his major expenses the air conditioner in his family van quit and to have it repaired was \$738. As he sat looking at the estimate for the van repair he found himself thinking of the old phrase; "money just doesn't grow on trees." He found himself asking where he was going to come up with the cash on his already strained cash flow? Immediately, it came to him, "I'll do one more crown and I'll have the air conditioning repair covered."

Sound familiar? It may not be the van repair. It could be the kid's parochial tuition coming due, payment on the credit card from last month's vacation or a 19" flat screen for your home/office computer. It's those subtle expenses that come in amounts around the cost of a crown that seem to eat away at your cash flow.

This was the case with one of my clients in northeastern Ohio. He was explaining to me during a coaching session that he wanted to send his daughter to a local summer camp. The fee was \$850 and yet in the same breath he described that he didn't have the cash. Like clockwork he blurted out, "hey coach Ron, I have the answer, I'll just do one more crown this month and that will cover my daughter's camp experience."

Before he enrolled his little cherub into camp I coached him through an exercise I call, "*And The Real Income Is.*" We calculated how much he *really* needed to produce and collect in order to make the \$850 summer camp payment.

Let's use as an example my client's treatment plan for one of his patient's at \$1000. The practice income must pass two bottlenecks: practice overhead and taxes.

Example:

Collection (100 percent)	=	\$1000
Overhead (65 percent)	=	\$650
Balance ➡➡➡➡	=	\$350
IRS (30 percent)	=	\$105
FICA (15 percent)	=	\$52.50
Sales Tax (6 percent)	=	\$21
Balance ➡➡➡➡	=	\$171.50
True Profit	=	=\$171.50

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So, how much did my client have to produce and collect to make the \$850 summer camp payment? Answer: $\$1000 / .1715 = \5830 . Therefore, if his crown fee is \$850, it requires not one crown but **6.85 crowns** to generate that same \$850 after tax.

What a sobering experience for this doctor as he discovered that to pay for his daughters summer camp was considerably more work than “just doing one more crown.” He learned that doing a cost analysis is crucial before making any practice decisions.

The following **Top 5 Tips on Analyzing Your Dental Practice Costs** will help you have a better control over your practice costs.

1. **Closely monitor labor costs:** Compare your labor costs to industry averages (25-30 percent) and work to keep them in line relative to your practice productivity.
2. **Analyze your individual Income Statement line items:** Look for line items that are out of control, those that have large swings from past financial statements and compare to industry benchmarks.
3. **Focus on the bottom line:** The better control you have over your total expenses, the more money you take home. The objective is to take home as much as possible.
4. **Analyze your fee schedule:** If it has been more than a year since your last fee adjustment consider contacting Dr. Charles Blair to talk with him about his Revenue Enhancement Program. He can provide a specific rebalancing of your fees at a consistent percentile for your specific zip code.
5. **Spend less than you make:** Resist the temptation to spend money that you don't have. Ask this question prior to every purchase: “will this purchase grow my income or deplete my income?” If it doesn't grow it, don't spend it!

These steps will encourage you not to fall into the trap that “it's just one more crown” as the solution to your personal purchases. Next time you need that \$850 for summer camp, take the time to do the calculations and consider following the tips listed above. You'll then know how much you *really* need to make and you'll have some tools to generate the income.

Dr. Arndt is a Dental Coach. He works with dentists and dental teams to be highly profitable and completely fulfilled in their personal and professional life. What that means for them is less stress, more time, more money and a healthier business. As a businessman and entrepreneur, he blends 20 years of clinical dental practice, five years of executive corporate experience in the financial planning and investment management industry with his graduate business training and hands-on experience. He delivers his highly personalized Coaching to doctors throughout the United States utilizing scheduled telephone calls, e-mail and fax. To learn more about his telephone Coaching techniques, his group TeleClasses or to subscribe to his newsletter, contact Coach Ron at

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