



A 10-STEP MANAGEMENT PROGRAM FOR SURVIVING THE RECESSION

The Recession is Coming! The Recession is Here! Are we in a Recession Yet? I'm sure you've seen or heard these headlines.

Regardless of whether the US economy is in a recession or not, you and your practice may be. *Have your practice revenues stayed the same or declined over the last year? Has your personal income stayed the same or even shrunk over the last year?* Energy, food, housing and taxes are all increasing. This combination means that you and your practice are in a recession.

Recessions have as direct an impact on the economy as do the boom times. Given many of today's practices have not been through a prolonged recession, certainly a recession of this magnitude, some practices may be in jeopardy of going out of business. In fact a few already have. Just like a controlled burn improves the health of a forest, during a prolonged recession, weaker practices will be weeded out and practices that make it through will be stronger for the next boom time.

So what should you do now? Here is our 10-Step Program:

1) REDUCE OR ELIMINATE THE NON- ESSENTIALS

Act as if you are on a desert island. What would you really need? Be brutal and leave no expense dollar unexamined. In the boom times you could afford many perks, toys, and CE trips to exotic places. You could afford lots of electronics and telecommunication services. You need to answer the question - *Can any of these be postponed or eliminated?* If "Yes," take action.

Start by reducing expenditures, rather than completely eliminating them. Go through your budget or P & L, line item by line item. Look at what it cost for the last couple of years. Ask yourself, *Does this directly contribute to the bottom line?* Decide if it's really worth it. If not, either reduce or eliminate.

Separate your needs from your wants. Purchase the needs. Delay the wants.

I recommend you involve your staff in this endeavor or you'll come across as The Enforcer. When offered the opportunity, staff can be very creative. Try to make it a

game rather than making the staff feel like they're in the poor house.

Oh yea, if you're thinking about bringing on an associate at this time, unless you are booming, don't.

2) REVIEW ALL INSURANCE POLICIES

When was the last time you reviewed your insurance? For most, it's been a long time. Get appropriate insurance for the best prices. Life insurance, for example, has come down in price over the last few years so you may be able to get equal or better coverage for lower cost. Increase your deductibles if you are able to pay more out of pocket. Make sure your insurance shows that you have alarms, air bags, or an office security system. And don't forget "Health Savings Accounts."

3) REQUEST RATE REDUCTIONS ON YOUR CREDIT CARDS

Most practices transact their purchases on credit cards. Some credit card companies are lowering rates but they won't unless you ask. If you hear "NO," ask for a supervisor or ask when they would be able to do it for you. You can call in again later if you don't get the answer you are looking for. Explore credit cards that have a much lower APR and interest rate. There are a few credit cards that even pay dividends.

4) REQUEST PRICE REDUCTIONS FROM YOUR VENDORS AND SUPPLIERS

Your lab, your dental suppliers, your office supplies vendors, they all need your business more now than ever. Ask! Every little bit helps.

5) REFINANCE YOUR EQUIPMENT

Many of you have purchased equipment through a bank loan or a direct lease from the vendor. Believe it or not, it is possible to refinance these. One of my clients purchased a new piece of equipment two years ago; the original interest rate was a whopping 10.45%. As soon as she started coaching, I suggested she refinance it. She was able to get it down to 8.45%. Just last week, she refinanced it again to 6.45%. Go through your vendor and supplier list, and then pick up the phone and call.

6) REDUCE STAFFING AS A LAST RESORT

I know some of your staff members don't think they need to protect their jobs. They'd be wrong. As things get tighter, given staff is your biggest overhead expense, if the survival of the practice is threatened, you will need to carefully consider downsizing. But who do you keep and who do you let go?

Those staff that you would not consider laying off will be those individuals who seek additional training on their own. Staff who are ready and willing to take on new responsibilities. Staff who are seeking opportunities to reduce expenses, improve customer service and offer more value to the practice. Staff who take outside courses, read books or learn more online. Staff who ask you "What can I do to help?"

Those are the keepers.

7) CONSIDER CHANGING YOUR INCOME TAX WITHHOLDING

If things get tight with your personal income, call your CPA. Did you get a refund this year? If so, you can increase your monthly take-home pay by reducing withholding deductions. Dentists often overpay and receive refunds at the end of the year. Of course, you have to remember that you won't get a refund next year. You should target paying exactly what you owe. You can change your withholding any time you want.

8) CONTINUE FUNDING YOUR RETIREMENT

This should be one of the last things to go because retirement is inevitable and the longer you have your money in a retirement account, the more it grows. \$10,000 in a retirement account for 10 years at 7% will be approximately \$20,000 but for 20 years, it will be about \$40,000 and 30 years will be \$80,000. And it will be even more if you continue to contribute. If you must stop your contributions, restart as quickly as possible.

9) DON'T YOU DARE RAID YOUR RETIREMENT ACCOUNT

The government heavily discourages you from doing this by taxing any withdrawals to your income (you pay taxes on the amount and it could push you into a higher tax bracket) plus a 10% penalty. One of my clients took \$40,000 out of their 401k last year and it pushed them into a higher bracket. Out of the \$40,000, they paid the IRS \$14,000 in additional income tax plus \$4,000 in penalties and that was before the State got them (another 9% in Oregon or \$3,600). In the end, they netted \$18,400! And since they didn't have enough taxes withheld from it, they're in hock to both the IRS and the State.

10) KEEP THE FOCUS POSITIVE

Have you ever noticed whatever you focus on expands? Don't focus on the negative elements around you, it will just make things worse. Acknowledge what's working. Appreciate your contribution to patients and each other. Appreciate your patients for their participation in coming to your practice. Appreciate good work by staff. What you appreciate, appreciates.

I've added another step. **SEND THIS INFORMATION TO YOUR COLLEAGUES.** Scroll down, hit the Forward button, and send it out. Let's start taking care of each other rather than pretending everything is alright - it isn't.

Dr. Marc Cooper
The Mastery Company

Acknowledgements: My thanks to Phyllis Norris (CPA, Ashland OR), Kelly Palmer

(Mercer Advisors, Santa Barbara CA), Rusty DeVos (CFO, Formerly of Reality Captures Technologies, Inc. San Francisco CA), Mark Silberg, DMD, (Periodontist, Private Practice, Robinson Township PA), Brent Corbridge DDS, (Orthodontics, Private Practice, Reno and Sparks NV), and Ruthie Goetz (Ogishima and Associates, Insurance Brokers, Seattle WA). They provided invaluable insight to my understanding of the current conditions and what to do about it.

The **Running on Empty: How to Operate Your Practice in a Recession Program** is the hottest ticket in town. If you would like this program for your area, e-mail me at mcooper@emisar.com. Next available dates are in April 2009.

Copyright © 2004-2010 Marc B. Cooper & The Mastery Company - All Rights Reserved.

Comments or Questions - metrix@emisar.com

Please feel free to send this Newsletter to your colleagues and your non-dentist acquaintances, staff