



Financial Medicine

After the Crash of 2008, What to Do Now

By Jake Jacklich, CFP

As a Certified Financial Planner professional, I am constantly asked what I expect the stock market to do next. I am an optimist, and I expect it to change every day. What the market will do next is the wrong question to be asking. A better question is, given the reality that your net worth may be significantly less than it was a year ago, what should you do now? Said another way, is your current written financial plan likely to be successful?

The majority of Hampton Roads dentists fall into one of three groups: young associates, mid-career professionals and transitioning master dentists.

YOUNG ASSOCIATES

As a new dentist, it is important to check your expectations. Like other professions in our economy, there is a business cycle for dentistry. You will not always be able to increase your income from one year to the next. Assume that you'll earn less in 2009 and monitor your personal cash flow. Ask yourself if you are really living within your means, or are you borrowing from your assumed future? Focus on reducing your debt this year either by refinancing or paying it down as quickly as possible. The next step may be to take advantage of opportunities. From a strategic personal finance point of view, buying a long-term investment at a low cost per share can be a real opportunity. This investment strategy, dollar cost averaging, does not ensure a profit or protect against a loss. Additionally, everyone should consider their financial ability to continue purchases through periods of low price levels. Historically, bear markets don't last forever. If you can, put more money in your practice's retirement plan now, or if you've wanted to purchase or

start up your own dental practice, now may be the time. According to Leon Garber, a Norfolk-based certified business intermediary with Gaither, Garber & Associates, the current value of an existing dental practice is a function of its most recent cash flow. Therefore, if the practice is strong but profit is down, you should be able to buy in for less than you could have last year.

MID-CAREER PROFESSIONALS

Clinically you are on top of your game. Ask yourself if your current financial strategy is likely to be successful. If not, you may need to produce more or spend less. Another alternative is changing the dream — retiring later or doing without. Focus on profitability. To improve cash flow, identify your practice's low-hanging fruit. Linda Miles of Miles & Associates says the best way to lower your overhead percentage is to improve your production. Look at your scheduling efficiency, accounts receivable and internal marketing. Another way to improve cash flow may be to focus on tax planning. The more you make, the more you are likely pay in taxes. You may need to invest in a more tax-efficient manner. Funding an IRS tax-qualified retirement plan like a 401(k) plan may reduce your personal income tax bill substantially. Lastly, don't fail. Simply put, you've spent a large part of your life to get yourself to where you are today — double-check the basics. Check to see if your asset protection strategy is adequate to protect you from potential creditors. Is your personal emergency fund enough to cover 90 days of fixed expenses? If you initially got long-term disability insurance when you were just starting out, have you increased your coverage to account for your current income?

TRANSITIONING MASTER DENTISTS

You have been through tough times before and you know the drill (pun intended). Hunker down, try to avoid big losses, and position yourself for recovery. Between the real estate, commodity and stock market crashes, your net worth may have taken a significant hit. If you haven't done so yet, recheck your portfolio's diversification. Human nature is to go into one of two directions, either "get-evenitis" or "do nothing." Avoid the temptation to double down into the next big thing. If it sounds too good to be true, it usually is. Not looking at your investment statements objectively can be a significant risk also. If your financial situation has fundamentally changed, you may need to adjust your expectations. The belief that you have no control over your financial future may create a feeling of panic and dread. If you have not yet done so, now may be the time to develop a written exit strategy.

Regardless of where you are in your career, it is vital that you remain optimistic. You still have control over the majority of your options.

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