



## DENTAL NEWSLETTER

October 2018

### Dental Associateships – good and bad structures

The contemporary best structure for practices owned by multiple dentists is that each principal dentist banks the fees generated in their own operatory. All common expenses are paid through a jointly operated Non-Profit Partnership (NPP) which can be structured as a company or a trust. Commonly employed clinical staff are engaged via the NPP and their fees contribute to the overheads. The net expenses are then contributed on a monthly shared basis by the respective associated principal dentist. The NPP is kept in a non-profit status by rebating any surplus of contributions back to the principals and by adjusting the amount of float held within the NPP. All principal dentists individual tax planning is done through their own business entity.

### Archaic structures

We note the existence of an occasional archaic structure which either operates as a simple partnership with the dental owners pooling their income and costs which often results in a slower dentist or a less capable dentist being subsidised by a more capable and faster dentist or structures whereby the partners keep 40% of their own production minus lab costs and pay the rest to the centre which again means that the strong subsidise the weak.

Neither of these variations are good for the practice in the long term as they tend to lead to acrimony and partnership break up.

### If only

If only the ADA President and CEO many years ago had not lobbied the Commonwealth Government to open the dental immigration floodgates and to create additional dental schools, then the current parlous state of dentistry with a huge surplus of under-employed dentists and spare dental chair capacity spread across the profession would not have reached this poor state. Unfortunately they relied on inaccurate projections done from only one side of an accounting equation. In any assessment of the need for dentists and dental numbers it is necessary to look at the supply of dentists and of the demand for dentists. This means analysing the spare capacity of the existing dentists and existing dental practices. Basically it doesn't require a lot of effort to sit at a desk and punch out projections of dental numbers from the output of the dental schools and the Australian Dental Council examinations – that's far from

rocket science. However to accurately survey dentists to find out the proportion of the dental population which are unemployed or underemployed as dentists, as well as practices which have a spare surgery or a surgery which is only half booked on a regular basis takes a lot more effort. The reality was that the ADA Inc leadership at the time did not get their homework right and this set dentistry on a pathway to disaster. If there had not been a significant surplus of dentists, the health funds would not have intruded into the dental profession in anything like the current extent. Nor would the dental corporates.

### Food for thought

The more health fund members discontinue their hospital cover the more desperate are the large health funds to push overpriced extras cover on Joe and Jo public. Since the proportion of extras cover is approximately 52% the funds are desperate to control dentistry. If they control dentistry the remaining 48% made up of optometry, physiotherapy, chiropractic, podiatry and others are relatively powerless. In the long term those dentists who have effectively explained to their patients why extras health insurance is a rip-off, and have patients cancel their extras policies, protect themselves from having patients diverted to often inferior dentists conducting preferred provider practices.

It is critical to the future of quality dentistry in Australia that the health funds be weaned off. We, Synstrat are aware of many profitable dentists who are not preferred providers and who have insulated their practices against predatory behaviour.

For assistance with this, contact Independent Dental Network. IDN operates independently of Synstrat - Neither Synstrat Group nor Synstrat's directors have any financial interest in Independent Dental Network other than the interests of our dental clients.

Contact: Merv Saultry - [merv@independentdentist.com.au](mailto:merv@independentdentist.com.au)

### Necessary life insurance and good financial planning

Synstrat is not licenced to a bank or to an insurance company. It has its own licence. Many dentists have more life cover, income protection cover and trauma cover than they need. As a dental family's financial position improves with reducing debt and growing assets you can and should have your insurance needs

reassessed and reduce cover to that necessary. Many dentists have passed the need where they should be paying for insurance cover; particularly if their parents and grandparents lived to good ages because the medical profession tells us that longevity is heavily related to our genes. Contact Cameron Darnley for a realistic assessment of your insurance needs. Cameron is also an experienced Financial Planner.

### **Practice valuations**

David Collins and Graham Middleton have valued a multitude of dental practices. For a valuation quote contact David or Graham, or if unavailable, speak to Jenny O'Brien who will make an appointment for us to contact you. We will discuss the features of your practice, advise you what information you need to provide us with and provide a quotation for valuation.

### **Dentistry is a profession not an industry**

Bankers and marketing consultants sometimes incorrectly refer to the dental industry when they mean dentists. Dentists are appropriately qualified and registered and are required to abide by strict rules. These are characteristics of a profession. Dentist supply reps, equipment suppliers, dental fitout specialists, operatives etc are part of a dental industry.

### **Practice problems?**

If you have strategic business issues such as partnership and associateship problems or need to get advice on the contents of a dental associateship agreement, or wish to review practice business strategy and are sick of not getting appropriate advice from your accountant, then we invite you to call Graham Middleton or David Collins. We can analyse your position, advise you and where necessary invite you to meet one of our experienced accounting partners to provide an improved service to you. Graham also provides strategic business and financial planning advice.

### **Imputation Credit Confiscation**

The Labor party policy of confiscating surplus imputation credits is an attack on the foundations of the imputation system. It does not impact the wealthy as our modelling indicates that they can easily avoid it. However there are many people who own a small number of shares and are of modest means who will have imputation credits confiscated whereas presently they receive tax refunds. In the main these are people who were customers of Woolworths and bought a parcel of Woolworths shares when it was refloated into the stockmarket following the Adsteam disaster, or those who took up the offer of Telstra shares in the T1, T2 or T3 offers to the public, or those who took up shares in the Medibank privatisation and those who had policies in AMP or other mutual organisations at the time that they were demutualised and received a parcel of shares. The impact was that a huge number of Australians became shareholders for the first time. Many of them are on modest incomes or have modest assets. They have had their imputation credits refunded either fully or partially when they submit their annual tax returns. The Shorten Labor party policy is to

confiscate those imputation credits. It is unfair. By way of example a person in this category who has franked dividends of \$700 carrying an imputation credit of \$300 would have that \$300 imputation credit confiscated but a person of identical net wealth who had investments in listed property trusts paying \$1000 a year of income has the same grossed up income as the person who received the franked dividends but having no imputation credits will only be subject to whatever tax is paid on their marginal income. If for example the grossed up dividend of one and the imputation credit of the other both fell below the tax threshold for a senior couple the couple with the \$1,000 worth of property trust income would pay no tax and would retain their \$1,000 but the couple with the grossed up dividend of \$1,000 being \$700 of dividend and \$300 of imputation credit would forfeit their imputation credit and would only end up with \$700 of income. It is an unfair policy on that ground alone.

**Synstrat Dental Stories** is a 335 page book which is a must read for dentists. It details a series of good and bad practice experiences but names and some details have been changed to preserve identities. It contains valuable insights for practice owners and intending buyers as to what works best and what doesn't. To obtain a copy of this publication, make a tax deductible donation of at least \$30 to the **Delany Foundation**, a charity which brings hope and opportunity into the lives of young people deprived of education in Australia, Papua New Guinea, Kenya and Ghana. Once you have made your donation, please email confirmation of your donation along with your postal address to [cheryl@synstrat.com.au](mailto:cheryl@synstrat.com.au) and a copy will be sent to you. Donations can be made by mail to:

**Delany Foundation**  
**PO Box 429**  
**CASULA MALL NSW 2170**

Or via direct debit to the Delany Foundation Ancillary Trust, BSB 062 784 CBA account number 4050 5402. Should you have any difficulties, contact Matthew Mahoney on 0419 202 787 or 02 9600 8184.

**THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED DENTAL PRACTICE BUSINESS ADVISERS, FINANCIAL ADVISERS, ACCOUNTANTS AND VALUERS**  
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