



Dental Business Destruction

Twice recently, we have heard of established well booked dental practices opting to become health fund preferred providers. In both cases, dentists employed in the practice on a commission basis refused to sign the documents as being detrimental to themselves. Taking an established busy practice down this road has the following results:

1. It places fee scales under the control of external decision makers. Multiple fee scales become unsustainable.
2. It makes it more difficult to employ high quality dentists.
3. It may be detrimental to practice goodwill value.
4. It may lead to an emphasis on "quick" rather than "quality" dentistry".

Impact on Goodwill Value

The difficulty of turning a practice back from an established preferred provider to a straight fee for service basis is such that we would advise dentists to think carefully before buying practices which are preferred providers.

Government Dental Scheme

If a Commonwealth Government dental health scheme is reintroduced, it will be critical that dentists refuse to become bulk billing providers, but instead insist on payment upfront, with the patient recovering any government or health fund rebate. To do otherwise is to have the same impact as becoming a preferred provider, only worse.

Dentists can ask experienced medical general practitioners what Medicare did to practitioners who elected to become bulk billers.

Nationally it is claimed that we have a shortage of dentists. If we do, then there is no necessity for practitioners to become bulk billers.

Due to distortions in our welfare system, many persons with valuable homes and substantial amounts in complying superannuation income products have access to part pensions and are eligible for health benefits. These persons are able to afford normal dental care.

Beware of Olives, Almonds, Eucalypts, Vineyards and Tropical Timber

Dentists are being approached to invest in timber plantations, olive groves, almond orchards and vineyards. Some are being persuaded to consider joint venturing such an investment with their superannuation funds. We advise caution.

Management companies are partitioning off the capital intensive high risk long term investment to individual investors such as dentists; and with good reason. Professional investors shun these types of investments, but may consider buying the management company!

It's the same reason that flour millers or bread baking companies see no reason to own wheat farms. Wheat farming is a low profit business involving ownership of expensive land and machinery. The flour millers reckon that somebody else can put the money into the capital intensive high risk part of the supply chain.

Predicted returns touted on these types of investments frequently fail to materialise.

The fact that the Australian Taxation Office has given a "product ruling" does not mean that these are good investments. It says nothing about the

investment. History suggests that they may not turn out to be profitable investments. We have never met a dentist who brought into a pine plantation 20 or 30 years ago who had a satisfactory outcome!

We are yet to meet a dentist who doesn't have a better financial option available than investing in timber, almonds, olive lots or a syndicated vineyard.

Our Tip

Avoid – we invite dentists who were seriously considering one of these to consult us about their financial affairs. We are confident that you will be better off. Speak to Graham Middleton or Roger Armitage.

What's wrong with Olive Groves?

The companies producing the end product don't want to tie up money long term in a capital intensive tree growing part of the operation. That represents an inefficient investment for them.

A further concern would arise if the investment is recommended by an accountant or financial adviser who has a close relationship to the company growing the olive trees. They may not be giving you best financial advice, but simply flogging a product.

Accounting and Financial Services for Dentists

If you are not satisfied with your existing accountant and financial adviser, Synstrat has many years of experience in providing these services to dentists on an Australia wide basis. We have collected years of data on dental practice performance and on dentists. Call Graham Middleton or Lorraine Arousi to discuss.

What's wrong with Unlisted Property Trusts?

In the recent mania for property, it is easy to lose sight of the fact that the great commercial property bust of the early 1990's revealed that unlisted property trusts were unsound investment vehicles. The larger ones quickly became listed, thereby giving their investors a source of liquidity. Unlisted property trusts end up owning poorer quality property that is not attractive to the large listed property trusts. The returns from this class of property do not compensate for the

additional risk involved. The capital growth in the large listed property trusts which own the best commercial properties will be better than in the unlisted.

Companies running unlisted property trusts are often closely allied with companies providing accounting and financial advice services who have a conflict of interest when persuading clients to invest.

The Best Way to Fund Children's Education

Reduce your home mortgage as quickly as possible. When the school fees arise, then hopefully you will have no mortgage and spare income to pay the fees, or alternatively, the mortgage will be at such a low level that the bank will happily reschedule payments to a lower amount. Education funding products are best avoided.

50 Rules for Success as a Dentist

If you have missed out on this publication, please contact Synstrat for a complimentary copy, or alternatively, download it from our website at www.synstrat.com.au

Too Much Life Insurance?

Many financial advisers are trained to use emotional techniques to sell life insurance, often resulting in over insurance. It is necessary, but the quantity purchased and cost needs to be weighed up against other needs. As net financial wealth increases, the quantity of life cover can be reduced.

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

For further information on this subject, please call:-

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