

Key Financial Priorities for Dental Entrepreneurs

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The MD & DDS Specialists
A Division of North Star Resource Group



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2022

Independent Comprehensive Financial Services

Specializing in Physicians and Dentists



The MD & DDS Specialists
A Division of North Star Resource Group



About Us

RESPONSIBILITY / GRATITUDE / INTEGRITY / GROWTH / SERVICE / FAITH



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Our Vision



Changing Lives, Forever.®

Our Background

Origins traced to 1908 when first office opened in Minnesota.

Minneapolis/St. Paul Business Journal ranks North Star Resource Group as one of the 2020 Twin Cities Largest Wealth Management Firms.

Member of the MN/ND Better Business Bureau and winner of the 2019 – 2020 Torch Awards for Ethics.



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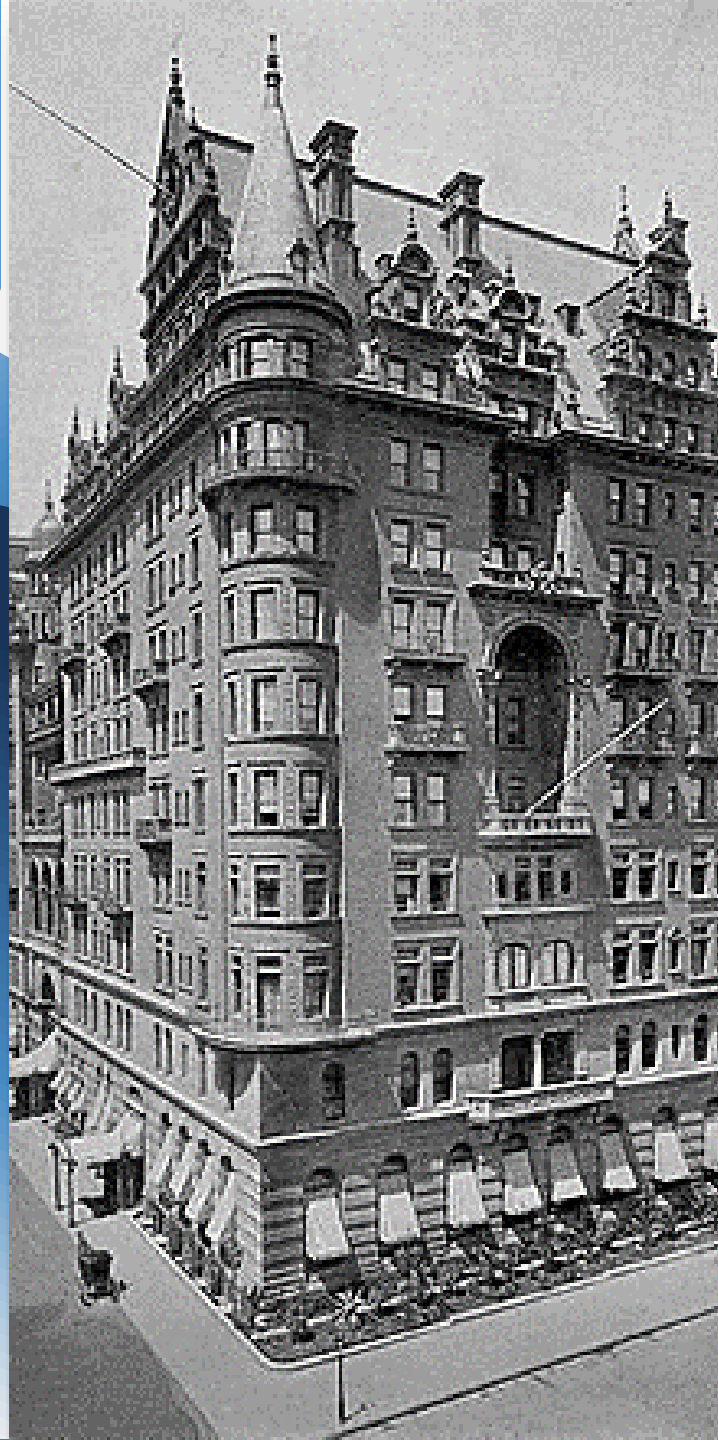
Observations:

- Successful businesses are busy with their own operations.
- Successful people understand the importance of establishing strategies.

We are experts, not just in developing comprehensive financial strategies, but helping our clients implement them.

As of December 2019, over 160 full time advisors and over 200 employees in a network of 40+ offices; located in 23 states, have helped over 90,000 successful people achieve their financial goals.

THE ORIGINAL WALDORF HOTEL





DEMOLITION OF THE HOTEL



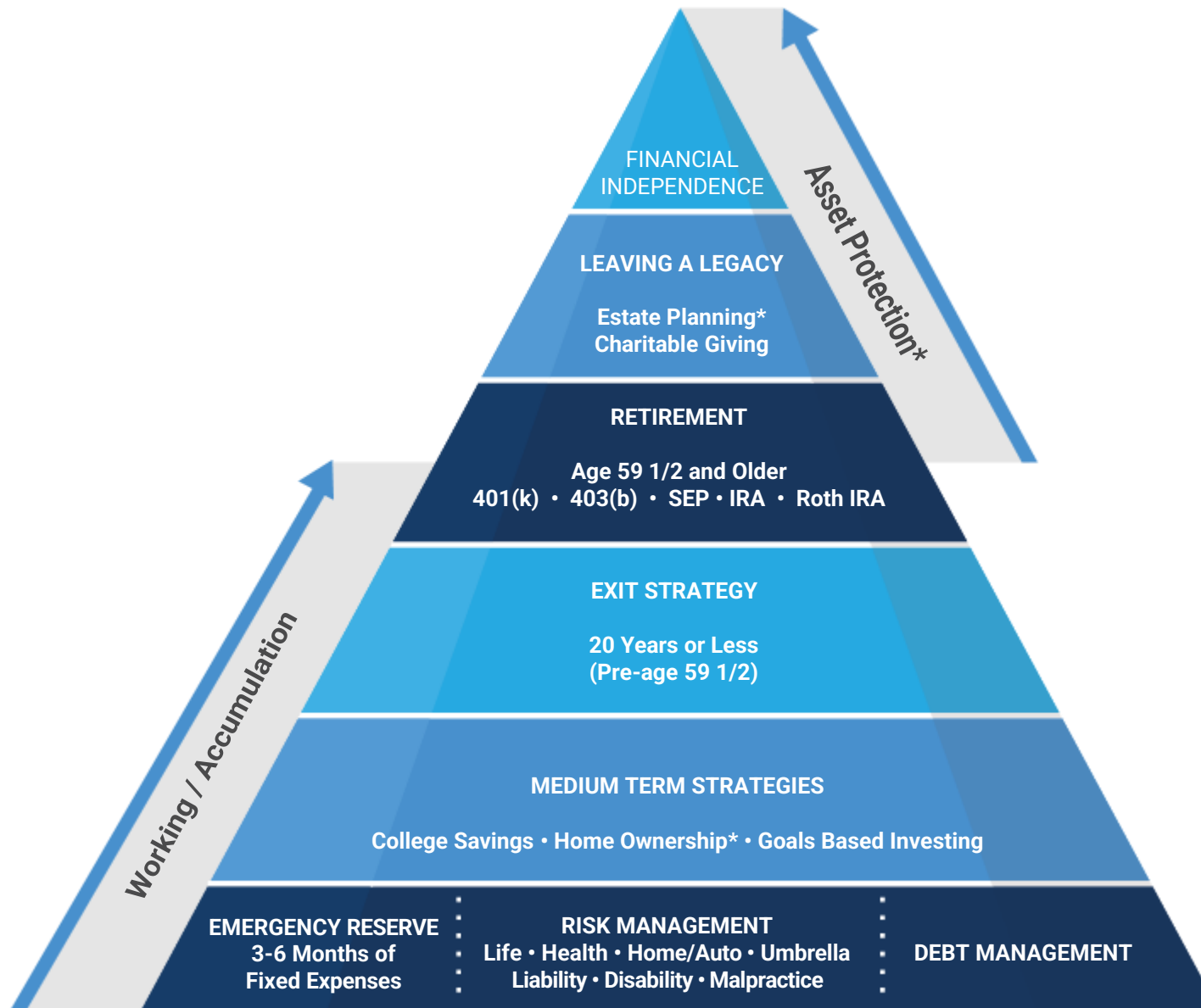
16 STORIES





EMPIRE STATE

**The tallest building in the world
for over 40 years.**



*This should not be considered as tax or legal advice. Always consult a tax or legal professional for advice regarding your specific tax and/or legal situation.

Building Net Worth while in Debt...

**...is like trying to fill a
glass full of holes**



Prioritize which holes to plug



Building Net Worth

Without Debt



Simple Math on Buying a Practice

Hypothetical Illustration

Net Production
after write-offs =
\$1,000,000

Overhead= 60%
\$600,000

Net Available to Dr.
= **\$400,000***

\$650,000 Loan
Payment at
5% interest for
10 years =

\$6,859 Monthly
\$82,308 Annually

Income =
\$317,692*

*This is a hypothetical example for illustrative purposes only.

Debt Elimination Calendar

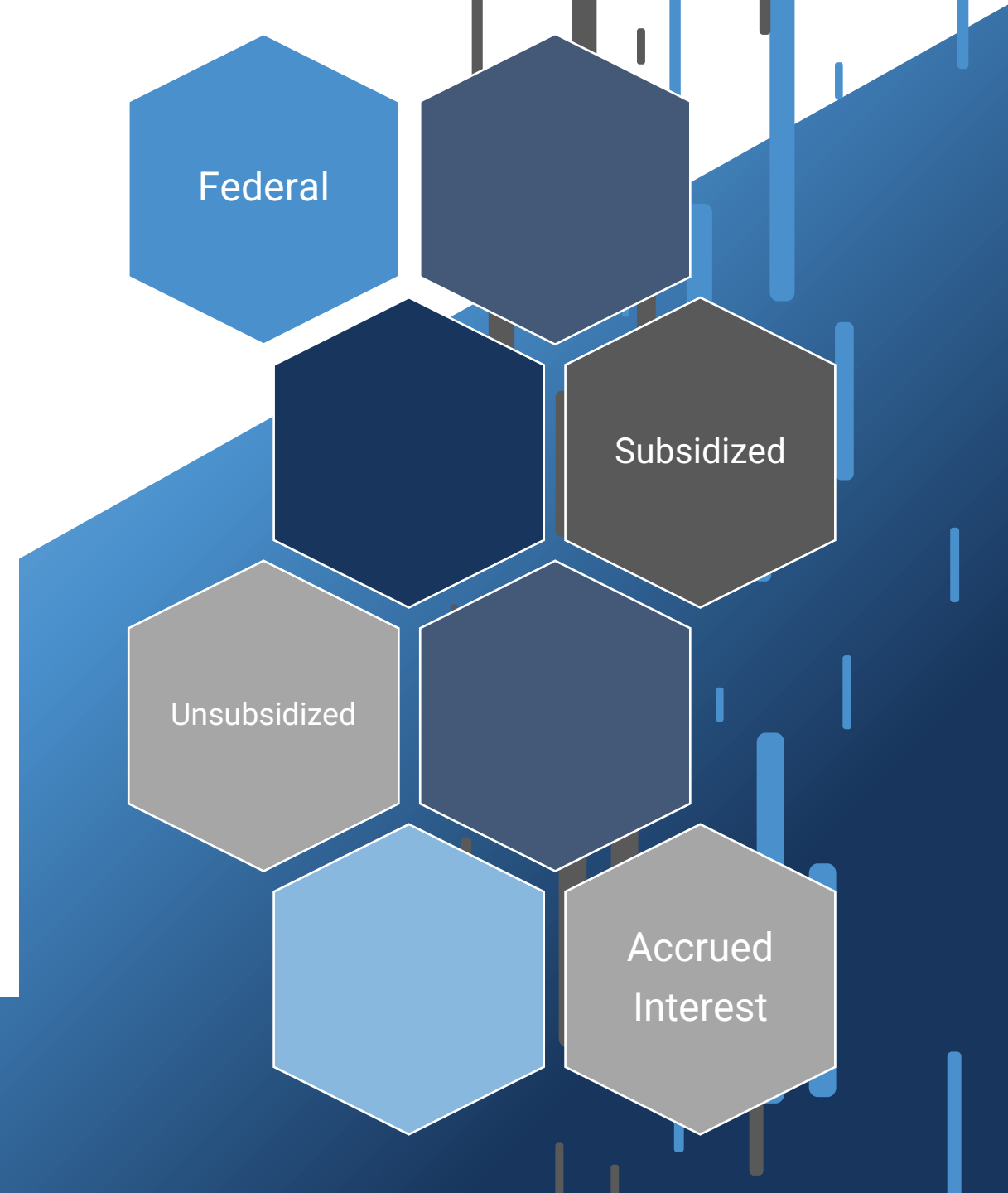
Hypothetical Illustration

	Credit Card 1	Credit Card 2	Grad+	Stafford	HPL
March	110	70	700	2600	100
April	110	70	700	2600	100
May	110	70	700	2600	100
June	110	70	700	2600	100
July		<u>180</u>	700	2600	100
August		<u>180</u>	700	2600	100
September		<u>180</u>	700	2600	100
October			<u>880</u>	2600	100
November			<u>880</u>	2600	100
December				<u>3480</u>	100
January				<u>3480</u>	100
February					<u>3580</u>
March					

This is a hypothetical example for illustrative purposes only.

Navigating the Current Student Loan Environment

- Understand what you have
 - Have a payment plan
 - Understand the marketplace and what is available to you
-



Student Loan Refinance

Hypothetical Illustration

Loan Amount	Length of Loan	Interest Rate	Monthly Payment	Total Amount Paid
\$300,000	10 years	4%	\$3038	\$364,560
300,000	10 years	6%	3309	397,080
300,000	10 years	8%	3594	431,280
300,000	20 years	4%	1817	436,080
300,000	20 years	6%	2121	509,040
300,000	20 years	8%	2457	589,680
300,000	30 years	4%	1432	515,520
300,000	30 years	6%	1767	636,120
300,000	30 years	8%	2143	771,480

This is a hypothetical example for illustrative purposes only.

Key Financial Considerations for Dentists

Goal: Financial Independence

Understand the windows of opportunity

Save/Pay off debt before you get used to your new income.

*As practice debts get paid off, use that increased cash flow to **automatically** increase other debt payments or savings. Do this immediately anytime a debt is paid.*

20% savings

Understand the balance of power

The balance of power is the variable in your strategy that has the most influence on the overall direction of your financial future.

Balance of Power

Hypothetical Illustration

Save \$25,000 per year for **10** years at 8% growth

Your Balance =
\$381,137

Save \$25,000 per year for **20** years at 8% growth

Your Balance =
\$1,227,125*

In the last 10 years your money made you
\$595,988*

Save \$25,000 per year for **30** years at 8% growth

Your Balance =
\$3,125,614**

In the last 10 years your money made you
\$1,648,489**

* $\$381,137 + \$250,000 (\$25k \times 10) = \$631,137$
 $\$1,227,125 - \$631,137 = \$595,988$

** $\$1,227,125 + \$250,000 (\$25k \times 10) = \$1,477,125$
 $\$3,125,614 - \$1,477,125 = \$1,648,489$

This is a hypothetical example for illustrative purposes only. It is not indicative of any particular investment or guarantee of future performance. This example does not factor investment expenses, which would reduce returns. Investments will fluctuate and when redeemed may be worth more or less than originally invested.



Strategies to Build Wealth

- Automate Savings
 - Fund Tax Advantaged Investments
 - Be Tax Aware in your Decisions
 - Don't Let Emotions Drive Your Investments
-

If you had invested \$1,000
in US stocks in 1970, **how much**
would it be worth today?

Risk is Anything that Threatens Purchasing Power

Hypothetical Illustration



This is a hypothetical example for illustrative purposes only.

Risk is Anything that Threatens Purchasing Power

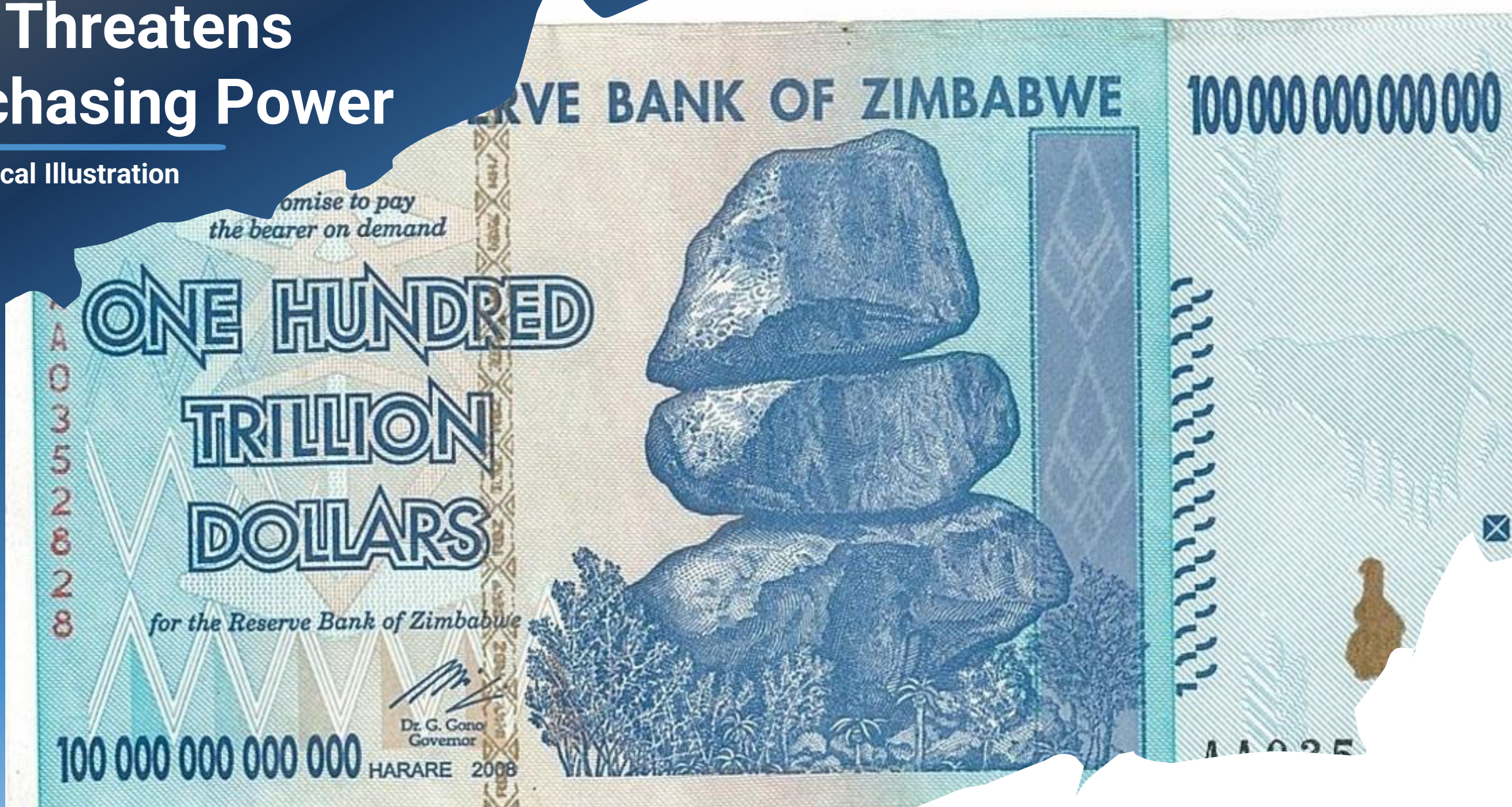
Hypothetical Illustration



This is a hypothetical example for illustrative purposes only.

Risk is Anything that Threatens Purchasing Power

Hypothetical Illustration



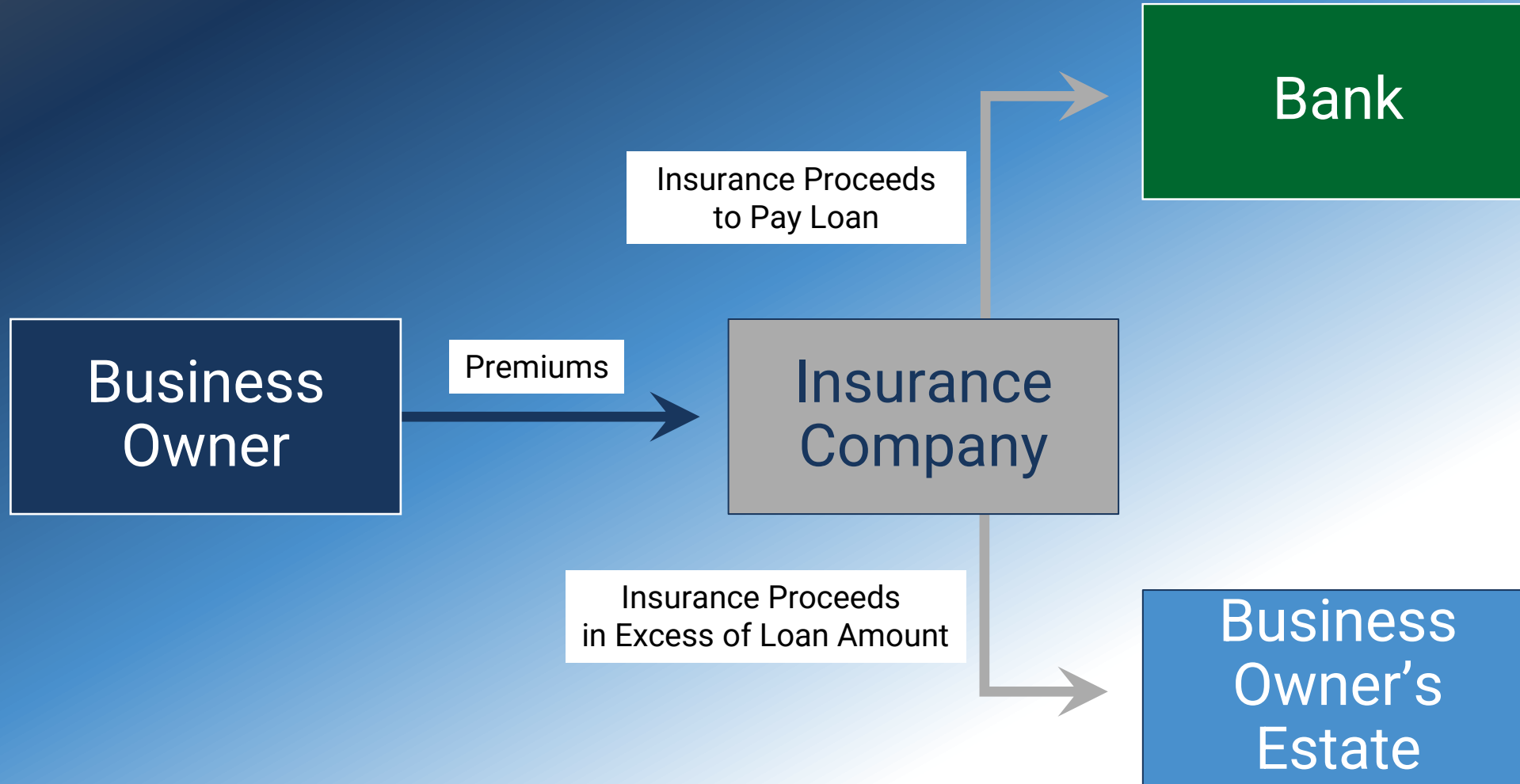
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What would happen if something happened to you?



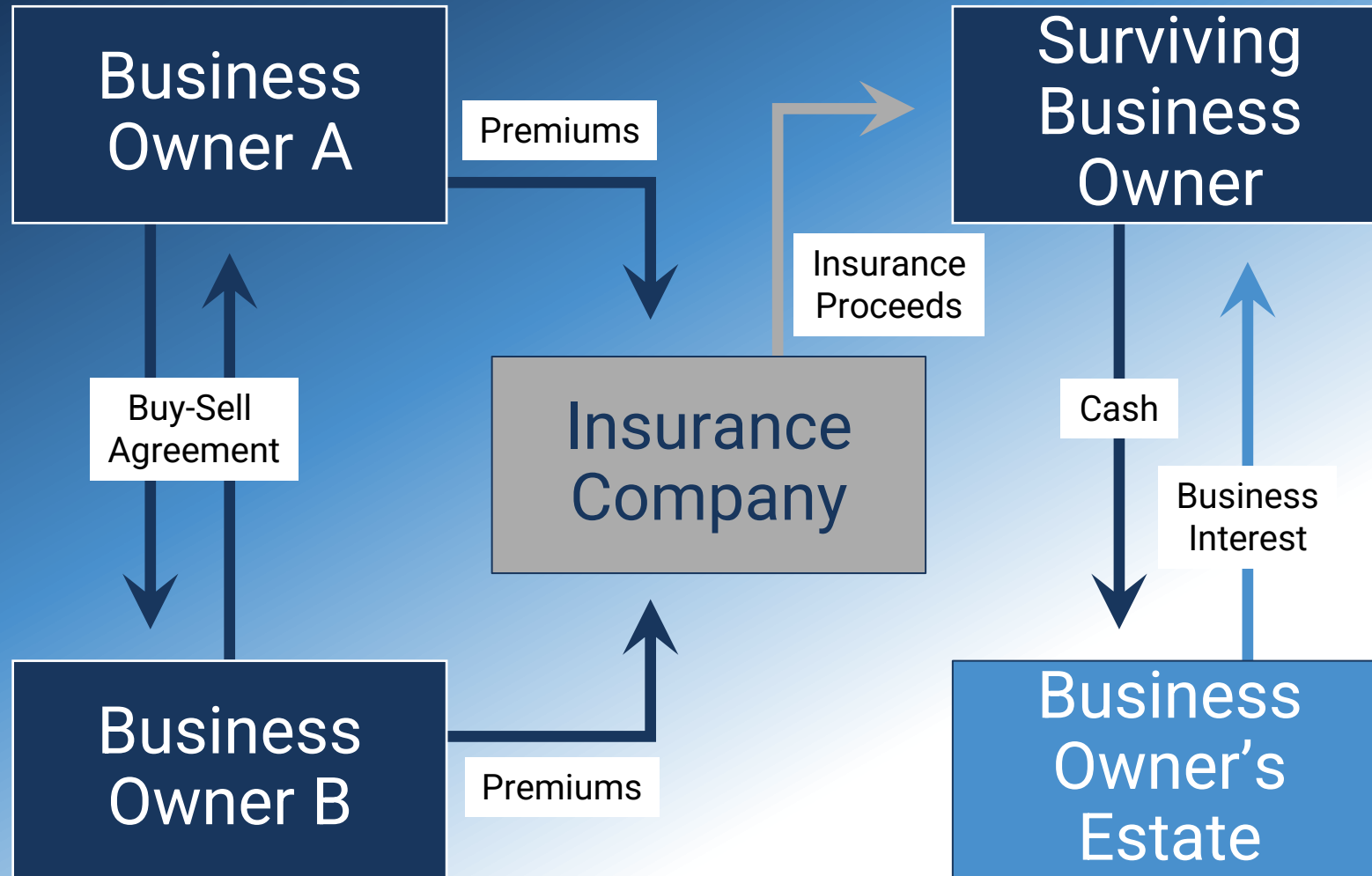
Collateral Assignment

1 Owner



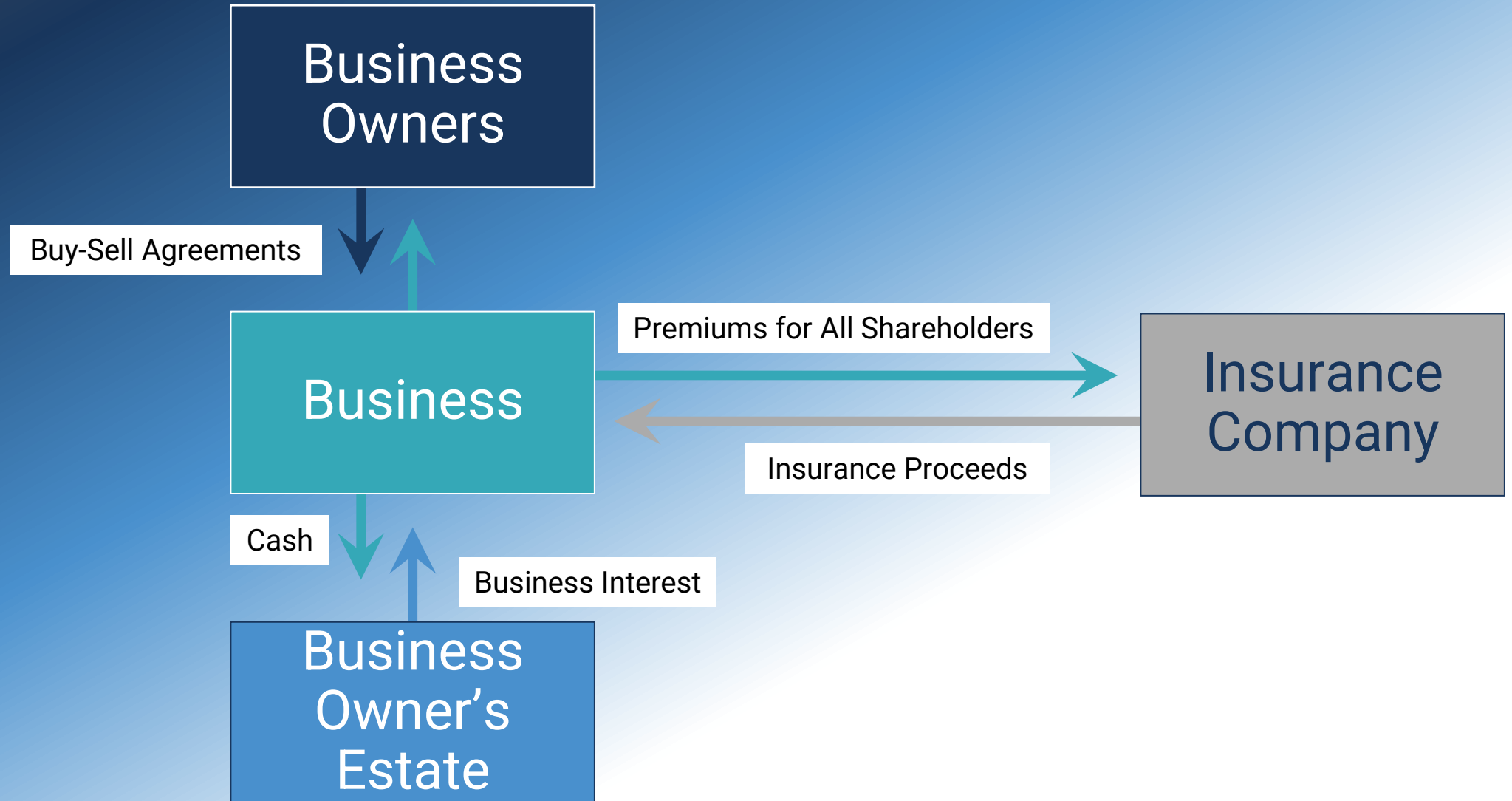
Cross Purchase Buy/Sell

2 Owners

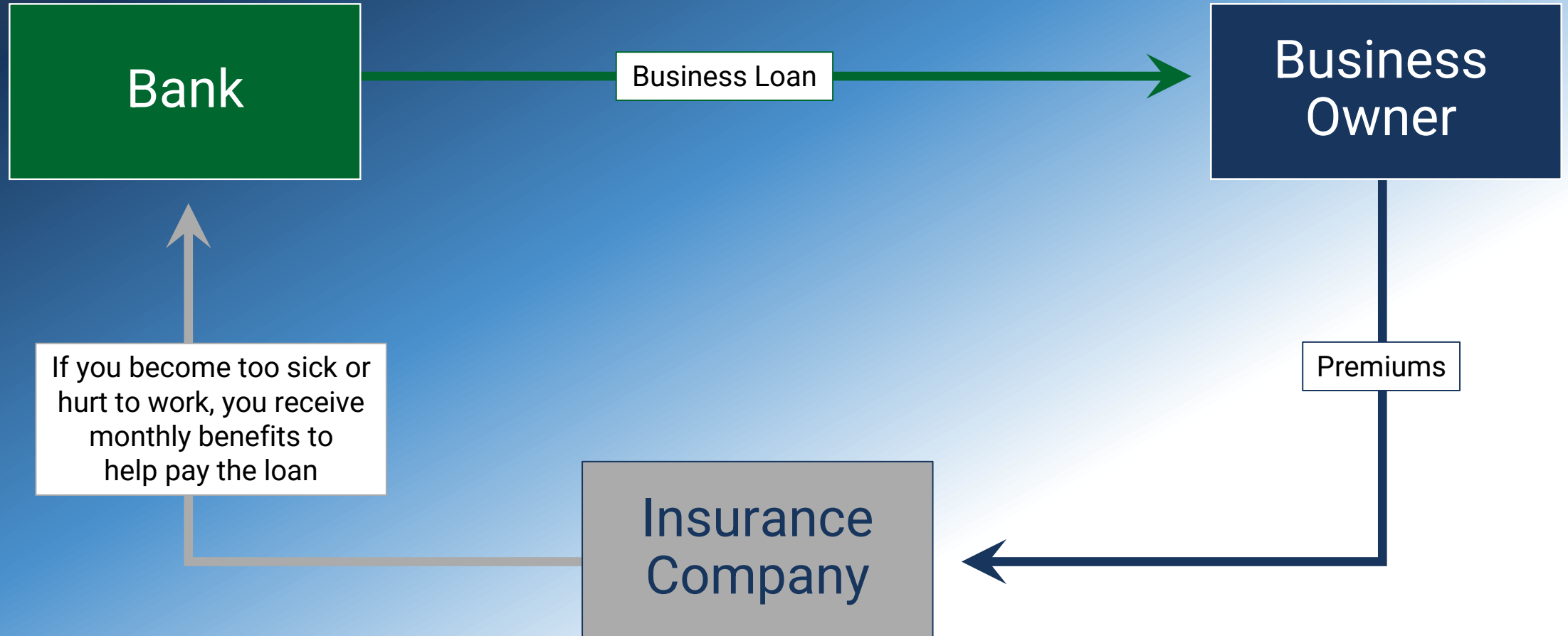


Stock Redemption Buy/Sell

3+ Owners



Business Loan Protection



Risk Management

Comprehensive Disability Planning

Four Planning Areas

Personal Income Protection

Individual Disability Insurance
Group Long-Term Disability

Personal Retirement Protection

Disability Income
Retirement Security

Business Protection

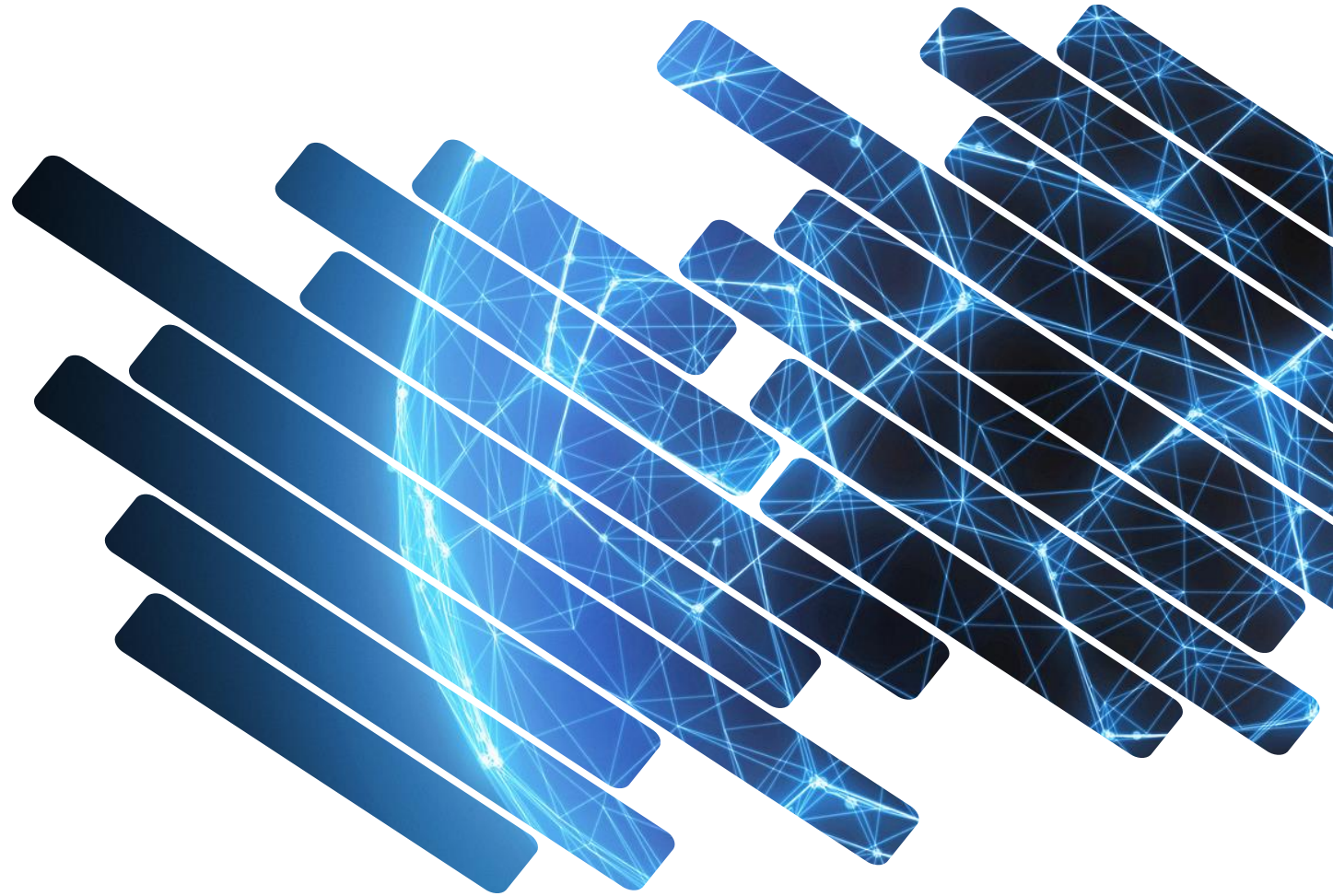
Overhead Expense
Business Loan Protection

Business Exit Planning

Disability Buyout

Is your insurance designed to protect you when you really need it?

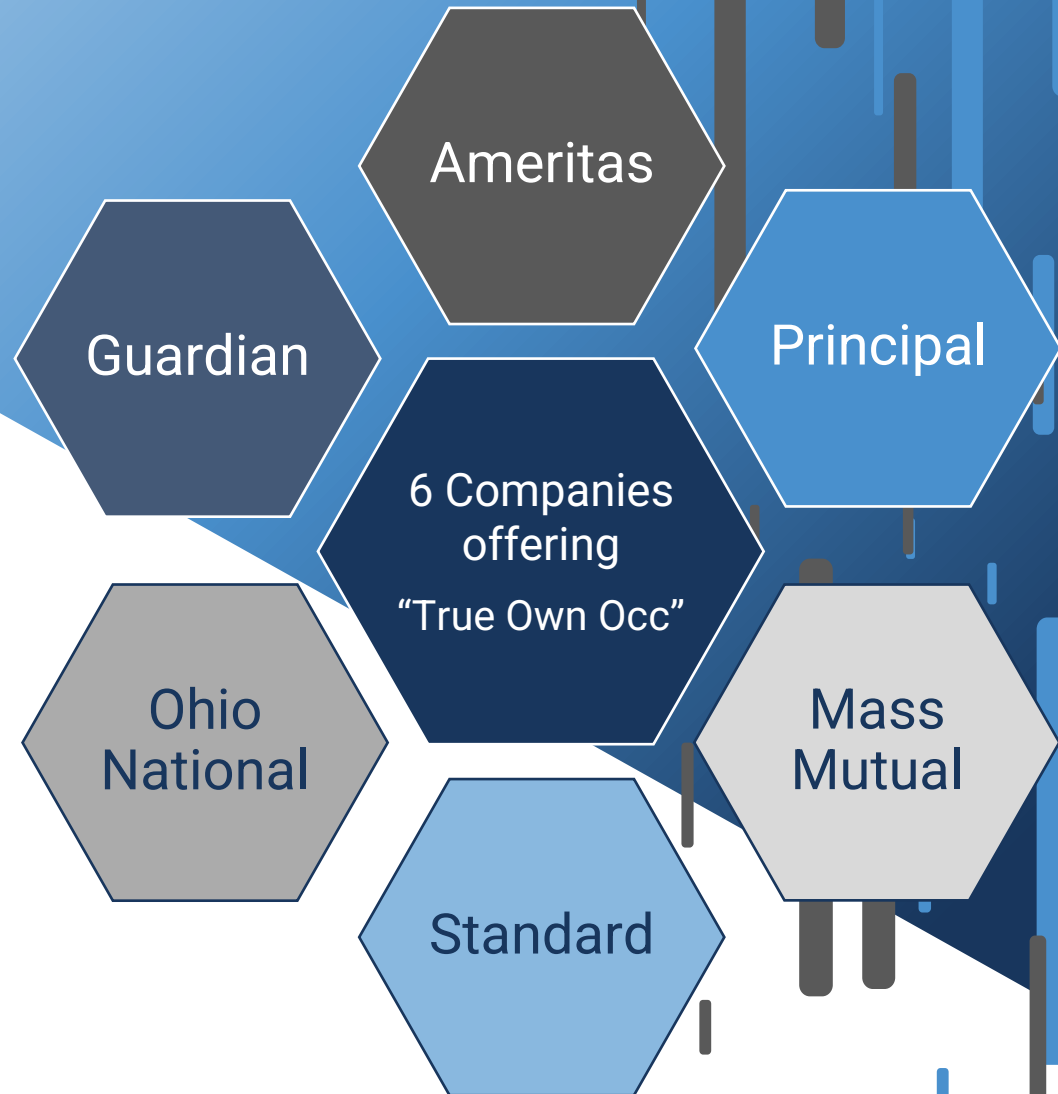
- Understand the language of your Disability Insurance
 - Disability Insurance Retirement Supplement
 - Business Disability Insurance
-



**Do not be “Sold” your
Disability Insurance.**

**Be educated on the
different companies by
shopping the open market.**

**Not all Disability Insurance
is created Equal:
“True Own Occ”
Definition of Disability Insurance**



Risk Management

Life Insurance

Four Planning Areas

Family Protection

Pay Off Debts and Replace Income
\$1M of Insurance = Approx.
\$50,000 of Income Replacement

Estate Planning

Provide Liquidity to
Pay Taxes or Transfer Wealth

Business Protection

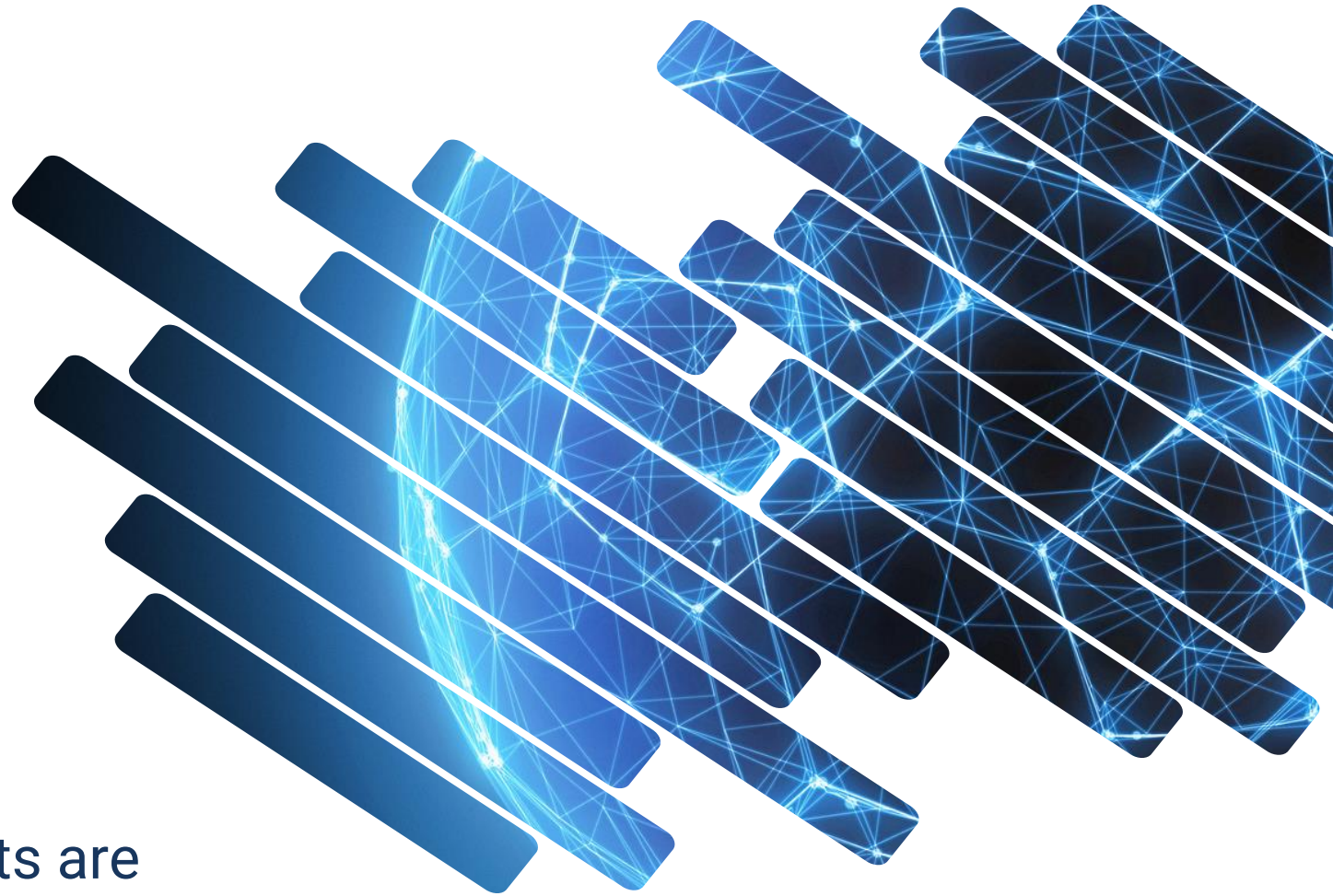
Secure a Loan to Buy a Practice
Fund Your Business Continuation Agreement

Cash Value Accumulation

Permanent Policies Only

Asset Protection/ Risk Management

- Homeowners and auto insurance
- Business liability insurance and personal umbrella liability
- Malpractice coverage
- Life insurance up to 20x income
- Disability insurance
- Health insurance: individual or group plans through your practice
- In Minnesota, large protected assets are qualified plans (401k etc.) and \$450,000 of home equity*



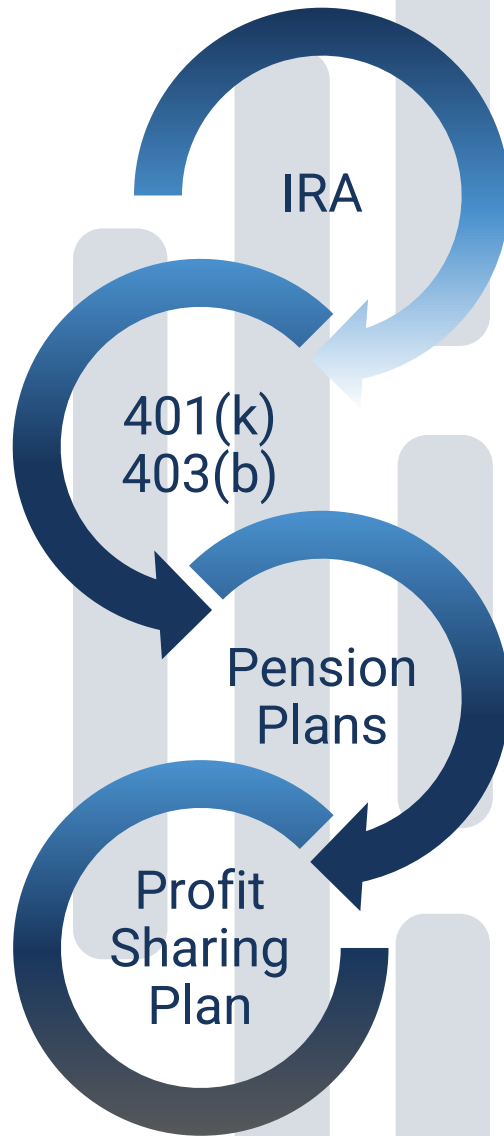
*Restrictions and limitations may apply. Consult an attorney for advice regarding your specific circumstances.



Defer Tax

- **401k**
- **IRA**
- **Roth IRA or Backdoor Roth IRA**
- **Simple IRA**
- **Profit Sharing Plan**

Defer Tax



Example:

Gross Income **\$120,500**

401(k) Contribution **\$20,500**

Taxable Income **\$100,000**

Tax Deferral **\$20,500 x .35**
(.35 is 35% tax bracket)

Tax Deferral = \$7,175

**\$6,500 catch up if over age 50*



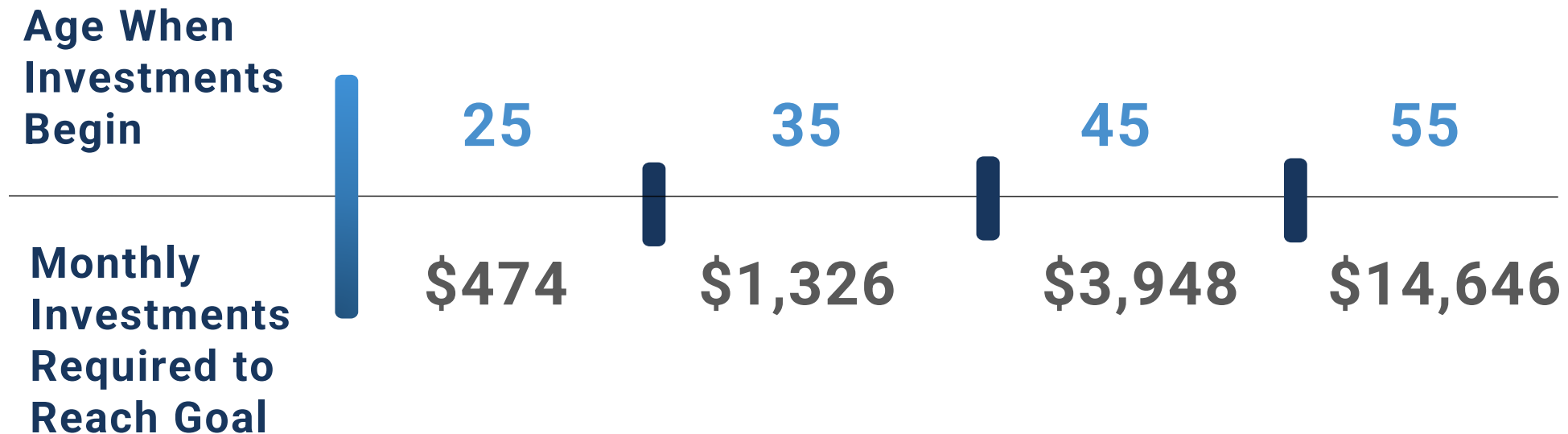
Roth IRA

- **2022 Contributions**
 - Up to \$6,000
(married filing jointly \$12,000)
 - Must be made by April 15, 2023
 - Always Non-Deductible
 - Can continue past Age 70½
- **Earnings Accumulate Tax Deferred**
- **Post-Tax Money**
- **Cannot be Deducted**
- **Income Limitations for 2022**
 - Single: Phase-out starts at \$129,000
Ineligible at \$144,000
 - Married: Phase-out starts at \$204,000
Ineligible at \$214,000

Qualified distributions must meet a five-year holding period and satisfy one of three additional requirements: reaching age 59 1/2, disability or death. Five years is measured from January 1 of the year of your first Roth(k) contribution. Plan provision may impact withdrawal availability.

The Cost of Waiting to Invest

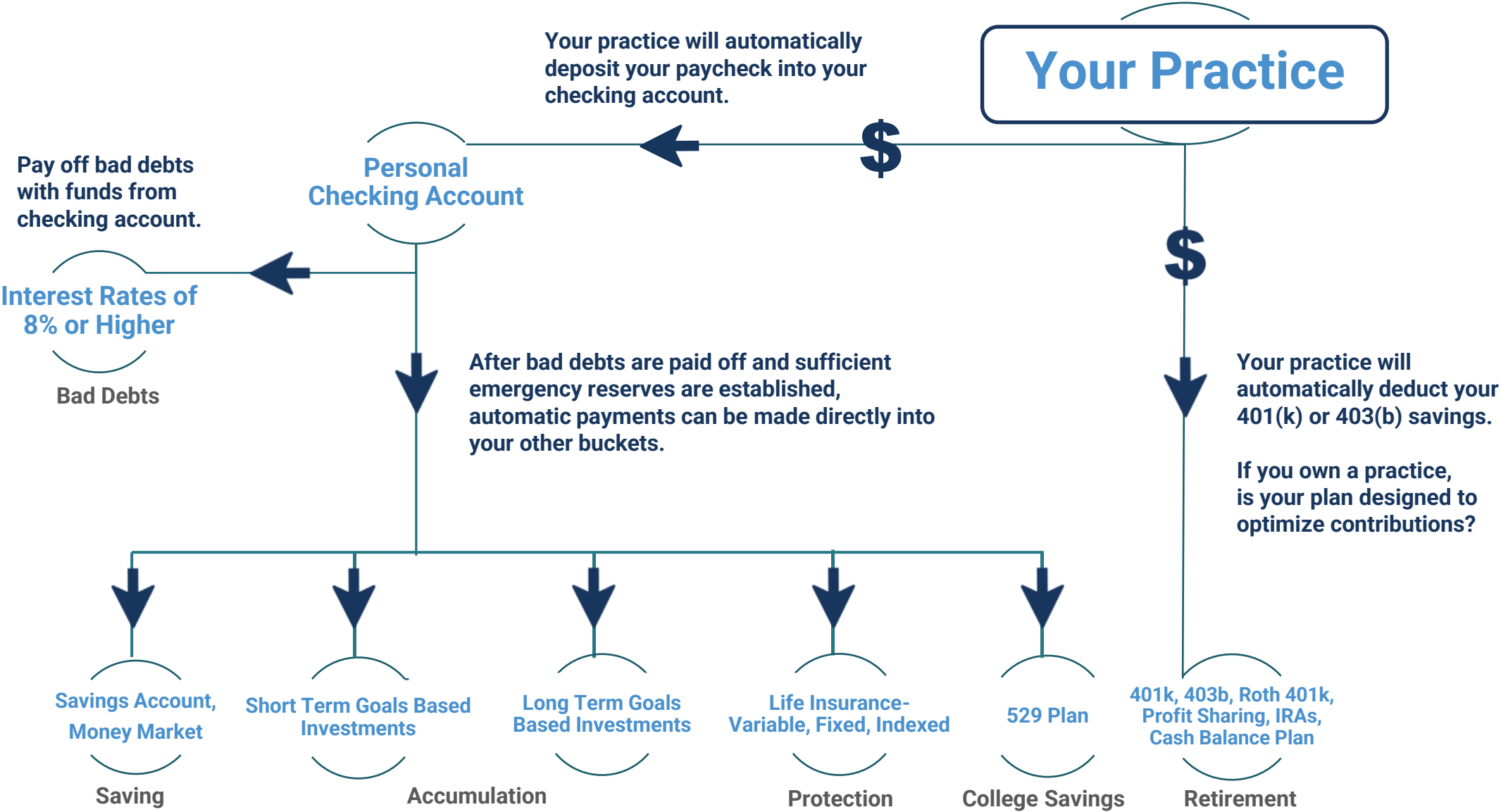
The monthly investments required at different ages to
accumulate \$3,000,000 by age 65,
assuming a 10%* compounded rate of return:



*Hypothetical rate of return for illustrative purposes only. Performance is not indicative of any investment and does not factor investment costs. If it did, results would be less.

Flow of Income & Savings Considerations

Investments will fluctuate and when redeemed may be worth more or less than originally invested.





WHY BE OPTIMISTIC?

“On what principle is it, that when we see nothing but improvement behind us, we are to expect nothing but deterioration before us.”

Thomas Babington Macaulay,
from the review of Sutheys Colloquies Upon Society - 1830

“The only thing new in the world is
the history you do not know.”

Harry Truman

We consistently fail to grasp how many
ideas there remain to yet be discovered.

In 1992 four gigs of flash memory cost
\$500,000 to make and would retail for \$3M,
so a 32 gig smart phone would have retailed
for almost \$24M or 128 gig for \$96M.





Is The Sky Really Falling?

World GDP

1993	25 Trillion
2019	87.26 Trillion

US GDP

1993	6.5 Trillion
2019	21.41 Trillion

Shanghai Skyline

1990



2020



What to look for in a Financial Advisor

Do they understand you?

How are they paid?

Commission?

Fees?

Both?

Who do they work for?



Q & A

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What is the Process?

- ☐ **Get the help of a Financial Services Professional**
- ☐ **Complete a summary of your current financial situation**
- ☐ **Discuss and put into writing your short, medium, and long-term financial goals**
- ☐ **Develop a strategy that helps you achieve your most important Goals**
- ☐ **Review and update the program at least annually**

