The "I'm All Set" Mentality: A Case Study About the Value of Getting a Second Opinion in the Dental Industry

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No matter the industry, we often hear business owners tell us their retirement plan is "all set." However, once we have a chance to delve into their plan, more often than not we find that they are far from all set. This rings more true for the dental industry because, unlike other companies where the CEO's only task is to run the company, dentists have to both run a business and practice dentistry for their patients. We know this first hand; my wife is a dental assistant and another member of our team has a father who is a dentist.

The fact that dentists have to run a business on top of practicing dentistry means they have little time to look over anything else, especially their practice's retirement plan. Many dentists do not realize they have the opportunity to contribute as much as $200,000 in a tax-deferred retirement plan or do not know about the personal liability that they might be exposed to with their current plan. The following describes a dentist we met with who thought he was "all set" at first, but once we took a look at his plan, discovered *there was room for a lot of improvement.*

Our dentist, let's call him Rick, was currently running a SIMPLE IRA because he thought 401(k)s and other retirement plans were too expensive. While traditional 401(k)s and more advanced retirement plans tend to cost a little more, the savings in taxes far outweigh the costs.

After running an analysis on his plan, we discovered that he had the ability to save a tremendous amount. The analysis we ran was to show the power of what plan design can do for retirement savings. In the SIMPLE IRA Rick was able to save only $15,500 plus a match of $13,800 for a total of $29,300 and his wife could save a total of $16,790. Between the two of them they were saving a total of $46,090.

By looking at plan design, we showed Rick three other options where he would be able to save much more.

Option 1: We showed him a Basic Safe Harbor 401(k) plan. **With this plan, the two of them would be able to save a total of $60,320**. Rick thought that this option would cost a lot more than what they were currently doing, but the tax savings alone more than covered it. The contributions to the staff increased by $462 and the cost to implement this plan would be $1,500. So for $1,962 more, they were able to save $14,230 more a year. Being in the 40% tax bracket, this saves them over $5,000 a year in taxes as well not to mention the additional value of tax-deferred growth on their money.

Option 2: We looked at the Cross-tested Safe Harbor Plan. **With this plan, the two of them can save a total of $84,896 a year.** The contributions to the staff increase by $652 and the cost to implement the plan would be $4,000. For $4,652 more than the SIMPLE they can save $38,806 more a year. *That represents a tax savings of more than $12,000.*

Option 3: The last option we looked at was a Cash Balance Plan with Profit Sharing. **With this plan the two of them could save a whopping $162,240 a year.** That is a tremendous amount that can be saved in a tax-deferred retirement plan, but it was too big a change in disposable income for them right away. They ended up going with the Cross-tested Safe Harbor Plan and are planning to review the Cash Balance plan for a possible implementation in 2017.

These plans are great for saving the needed amount in order to retire, but many dentists are not aware of the liability aspect of running a retirement plan. Unless they are working with a 3(38) fiduciary, the dentist running the plan is personally liable for the investment decisions of the plan. Only 5% of advisors are 3(38) fiduciaries so many business owners aren't aware that they can offload this personal liability, often for the same as or even less than they are paying their advisor now. We are proud to be in that 5% of advisors who works in the best interest of our clients and mitigates their personal liability for investment decisions.

Schedule a complimentary consultation to make sure you are not personally liable and that you are maximizing your retirement contributions. But don't take it from us, if you want a real life example of the issues with retirement plans from a celebrity, check out **this video** from John Oliver's television show that aired on June 12, 2016.

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