

Qualified Retirement Plans FOR THE DENTAL PROFESSIONAL IN ANY ECONOMY

By **Jeffrey Daby**
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Dental practitioners benefit to a much greater extent, in relation to many other business owners, from options available in qualified retirement plans today. “Why?” you may ask... the reasons are many.

Demographics: The typical dental practice consists of a staff group of various ages and salaries and an established dentist making close to or better than the maximum considered compensation for IRS purposes. Potential discrepancies in age and salary allow for flexibility when allocating contributions amongst plan participants. Less time to save for retirement combined with significantly greater income, justifies the “skewing” of contributions toward the dentist; thereby retaining a greater percentage of the business owner’s total plan contributions.

Tax Liability: As high wage earners, professionals are always looking for ways to reduce their tax liability. All employer contributions are deductible to the entity from which they are made. In a Defined Benefit Plan, these contributions are often in the hundreds of thousands of dollars. In a 401(k) Plan, such numbers are limited to a certain extent but rewarded with nearly ultimate flexibility.

Hiring and Retention: It is no mystery that professionals who contribute regularly to their retirement plans retain staff members much longer. Whether it is training a new Office Manager or seeking a reliable assistant, employee longevity is directly correlated with business success.

Plan Investments: Most qualified plans allow for a trust that can be structured in a variety of ways. Trustee and participant directed investments are equally appropriate today and the investment choices

within plans have few restrictions. This results in the ability to use popular low cost mutual fund families, investments in limited partnerships, etc.

Flexibility & Simplicity: Many plan designs allow for ultimate flexibility in which contributions are purely discretionary from year to year. This allows sponsors to maximize their contributions when business is good and reduce them back during difficult times. A qualified plan that is overseen by a reputable, local Third Party Administrator should also be very simple to maintain. Any legislative updates, contribution calculations, tax filings, etc. should be extremely routine for such a service provider.

It is typical to see a progression within a dental practice from the use of a SEP IRA to a SIMPLE IRA and, finally, to a 401(k) or Defined Benefit Plan. Unfortunately, many successful practitioners never take that final step to the 401(k) or Defined Benefit Plan because they not aware of the advantages available to them.

The unparalleled value in qualified retirement plans for the dental profession applies to nearly every modern practitioner. It may be wise to contact your tax counsel for an additional independent opinion regarding these fantastic benefits. ■

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