

How Dentists Can Retire 5-15+ Years Earlier

by Dr. Harold Wong for February, 2019 newsletter,

AZ Academy of General Dentistry

“Dentists are retiring much later than previously, if at all.” This is a finding from the 2018 Dental Economics-Levin Group Annual Practice Survey. It found that 70 was the most anticipated retirement age and more than two-thirds of dentists planning on retiring after age 66. Only 4% anticipate being able to retire before age 55.

The Health Policy Institute of the American Dental Association stated that average net income in 2017 was \$197,190 for a general practitioner and \$320,990 for a specialist. “Do you want to be able to spend the same in retirement or cut back significantly?” There are 3 stages in retirement: the Go-Go years; the Slow-Go years; and the No-Go years. During the first stage, you may be spending more money than when you were working. You might now spend 12 months to supervise the building of your summer cabin in Alaska, where the fish you catch are gigantic.

There are only 4 ways to have the same spendable income as when you worked: save much more than most; earn a higher return on invested funds (ROI) than most; don't lose 25-50% of your life savings each time the stock market crashes; and drastically cut the taxes you pay (whether during working or retirement years).

Case Study 1: A female dentist, divorced with no kids, is age 40. She has paid off her student loans and is finally able to save. Assume her 2019 federal taxable income is \$188,000 (\$200,000 less \$12,000 standard deduction). Her 2019 federal tax is \$41,477 and her 2019 AZ tax will be about \$7,672. This is a total \$48,849 of tax, not counting the federal SE tax. If she can cut her taxes by 2/3, she will save an extra \$32,566 each year. If she does this for the next 20 years and can average an 8% return, this will be an extra \$1,609,507 of retirement savings.

Case Study 2: same facts as Case Study 1, but she inherited \$300,000 when her parents died.

She has two choices: invest it in the stock market (as most do); OR, invest in alternative investments such as real estate or equipment leasing. The average ROI of the S&P 500 index from 1/1/2000 to 12/31/2018 has been 4.83%, including average dividends of 1.98%. When one subtracts the typical 3% fees of a full-service brokerage firm, her net return is 1.83% for this century. If this continues, her \$300,000 invested today would become \$431,157 when she turns 60. In contrast, if she could average a 10% ROI net of fees in alternative investments, her \$300,000 would become \$2,018,250 by age 60.

Conclusion: During 10-11:50 am, at the Saturday 3/2/2019 AZ Academy of General Dentistry all-day event, I will cover how tax savings and alternative investments can help

dentists retire 5 to 15+ years earlier. An overflow audience at the 4/7/2017 Western Regional Dental Conference loved this material.

Author: Dr. Harold Wong earned his Ph.D. in economics (UC Berkeley) in 1974 and passed the national CPA exam in 1979. For 7 years, he wrote the only column on money for the AZ Republic Community Section. He has educated thousands of attorneys, CPA's, realtors, and other professionals. His can be contacted at (480) 706-0177, harold_wong@hotmail.com, or www.drharoldwong.com.