



Business Affairs Ltd.

since 1985

BUSINESS MANAGEMENT
QUARTERLY

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Business Planning



Do you know where you are headed? Have you ever considered putting together a Business Plan?

Business Plans are both internal and external tools. Externally, they help secure financing should the need ever arise (depending on the source of funding needed, most times Dentists can secure financing with detailed financial projections and cash flows).

Internally, the Business Plan is a game plan.

A good plan covers the following areas:

1. Business (Practice) Background Information
2. S.W.O.T. Analysis;
3. Competitive Analysis;
4. Description of Current Market Served;
5. Description of Product or Services;
6. Operations Overview
 - a. Human Resources
 - b. Information Systems
7. Objectives
 - a. Service Quality (Healthcare Quality) Goals
 - b. Financial Goals
 - c. Marketing Goals
 - d. Operations Goals
 - i. Space
 - ii. Information Systems
 - iii. Human Resources
8. Strategies
 - a. Service Quality
 - b. Financial
 - c. Marketing
 - d. Operations
9. Executive Summary (to be used as a reference guide).

The "Background" outlines why, when, where and how the business started. It offers insight into the business's current culture and how it has evolved. This section helps to rekindle the passion that motivated the original start-up or acquisition.

My favourite part of the business plan is the S.W.O.T. (strengths, weaknesses, opportunities and threat) analysis. Once you are able to describe these four characteristics of your business (practice), the other parts of the plan begin to fall into place.

The Competitive Analysis outlines the competitive forces in your area. It helps to categorize the forces into direct and indirect threats. This exercise helps you understand how your business is currently positioned in the market place.

The Market Description provides an outline of the geographic area served as well as vital statistics (population, population trends, households, etc.).

The Product/Service Description specifies what services are delivered directly to the client and what services are referred externally. The Service Mix may change once the Plan is complete.

An overview of the Operations describes the space in which business is conducted, the Management Team and Support Staff currently in place, as well as the Information Systems (software and hardware) and Equipment used to deliver the business's products and services.

Objectives are derived so that they play to strengths and help differentiate your business (practice) from the competition. Generally, one would outline objectives in the areas of **Service Quality** (What kind of

healthcare do I want to provide?), **Financial Goals** (How much money to I want to make, When do I want to transition out, How much cash will I need?) **Marketing** (What kind of image do I want to portray, What kind of services and products do I want to deliver, Who will I deliver them to, How will I communicate said services to them?) and **Operations** (What Management Team do I want in place to implement the strategies, Who will make up their respective teams, What space do we need and What technology and equipment will be needed to provide the products and services?).

Once the objectives have been clearly outlined, then strategies can be developed for each objective. For example, the **Service Quality Strategy** will outline how and to what extent the products and services will be delivered to the client. The **Financial Strategies** will detail how cash will be used to achieve Financial goals (budgeting, collections processes, payables processes, etc.). The **Marketing Strategies** will detail whether the market place will be surveyed and what media and/or promotions will be used to communicate with the market place. And finally, the **Operations Strategies** outline the plans for expansion, renovations, hiring, reorganizing and acquiring or disposing of equipment.

Once complete, the game plan has been formalized. The Plan is only as good as its implementation. In fact it's been said that it's better to have a great implementation of a poor plan than a poor implementation of a great plan. Regardless, the Plan will only be as good as the information that was used to prepare it. That means in order to stay current, the plan must be updated annually.

The first plan is always the toughest. It takes the most "leg work". But once it's

complete, the annual maintenance is much more manageable.

Please contact me (Frank) for more information regarding the preparation and implementation of a Business Plan.



DID YOU KNOW...

1. Minimum Wage has changed. The table below outlines the changes and the dates associated with them-

| Min Wage Rate | Implementation Date |
|---------------|---------------------|
| \$6.85 | Jan 1995 |
| \$7.15 | Feb 1, 2004 |
| \$7.45 | Feb 1, 2005 |
| \$7.75 | Feb 1, 2006 |
| \$8.00 | Feb 1, 2007 |

2. There is a new Privacy Act in effect in Canada called the **Personal Information Protection and Electronic Documents Act** (as I'm sure you're all aware). The Act's purpose is to protect personal information. In essence all businesses need to have a Privacy Policy in place. Though there are a number of elements that need to be described in the policy, the main point of the act is to respect and secure everyone's personal information.
3. Numerous brochures and information pamphlets are directed to Healthcare Professionals regarding innovative financial planning strategies. One in particular refers to Individual Pension Plans. The brochure does a great job of outlining the benefits of an IPP. However, it does forget one vital

piece of information. As an owner, you must be incorporated to make use of the strategy. If you have any questions regarding financial strategies or products, please contact me (Frank), Carolina or Norma Jean for additional information.

LET'S PUT THIS TO REST ONCE AND FOR ALL



If you have been told, or you have read, you should not incorporate if you "pull" all of the profits out of your practice because this "nullifies" the cash advantage of incorporating, **this is wrong**.

If we look at a sole proprietor who has net income of \$200,000, if that individual was to incorporate and pull all of the profits out of the business (practice), after the first year, that business owner will take home an extra \$5,000 per year. The reason for this is the tax system is not perfectly aligned. Further, this only works if the corporation keeps its net profits within \$225,000.

Here's how it works...

- A sole proprietor earns net income of \$200,000 per year pays taxes of \$79,450
- If that same sole proprietor would incorporate, we would advise he receive a blend of salary and dividends
 - If he received salary of \$86,500 the corporation would end up with net income of \$113,500
 - The corporation pays tax of \$21,565 (19% tax rate)
 - That leaves \$91,935 to pay to the owner in dividends
 - The owner will pay taxes of \$52,822 on salary of \$86,500 and dividends of \$91,935

- This means he/she gets to take home \$125,613 (**\$5,000 more than when he/she was a sole proprietor**)

Just in case your wondering, we've also run this test at different net income levels and as long as the corporate net income is \$225,000 or below, there is an advantage to incorporating even if all the profits are pulled out. Please don't hesitate to call if you want more details.

UNIVERSAL LIFE INSURANCE SEMINARS

Staying with the topic of incorporation, for those of you who are interested, we will be holding seminars in June and October regarding



Incorporation and the use of Universal Life Insurance within the corporation as a means of retirement planning. This is extremely effective.

The seminars will be presented by Business Affairs in conjunction with StrategicEdge Chartered Financial Consulting. They will be held in the Greater Toronto area and will be of no charge to Business Affairs clients. Further, if you were to bring an industry colleague, the no charge invitation would extend to him/her as well.

Please contact me if you would be interested in attending one of the seminars. If you find the GTA is inconvenient, please contact me anyway. Depending on the demand from your area, we may schedule a special seminar for your district.