

So now you're a principal...

Just bought yourself a new practice and wondering what to do next? Heidi Marshall walks you through some of the things to consider

Phew! The purchase has finally gone through and you're the proud owner of a sparkly new dental practice. What happens now?

I'm a chartered accountant so I'll leave you to the clinical stuff but here are a few things to be aware of when you take over the running of your own practice.

Protection

Moving from an associate to a principal is a big change and all of your current policies are likely to need updating. Think professional indemnity, permanent health insurance, sickness cover, etc. If you have a will that may also need looking at. If you don't have a will – why not?

If you've purchased a fully private practice and have previously been part of the NHS then you will have stepped out of the protection 'umbrella' that working within the NHS provides you. As a deferred member you will no longer qualify for death in service benefits, tier two pensions or maternity and paternity pay.

If you have an independent financial adviser (IFA) then pick up the phone as soon as possible and if you don't have an IFA it really is time you appointed one.

Cash flow versus profit

We've all heard the age old saying 'turnover is vanity, profit is sanity' but many business owners forget that cash is king. You can make as much profit as you like, but if you don't have the cashflow to pay your tax bill and loan repayments then your business just simply won't succeed. I meet so many clients who don't like having debt, so they try to



pay it off as quickly as possible and then get themselves in trouble along the way.

The most important bit of advice I can give here is that as a business owner you need to think of debt as being part and parcel of the package, it is not a bad thing to have debt as long as you can comfortably afford to make the repayments.

Pension annual allowance charges

The annual allowance (AA) is the maximum amount you can contribute to a pension and obtain tax relief. The AA limit is currently £40,000.

For those in a defined contribution scheme (eg Standard Life) the position is fairly straightforward. It is contributions paid, which are compared to the AA limit.

For those in a defined benefit scheme, the position is much more complicated. A calculation must be done to establish the increase in value of your pension pot during the tax year. It is this increase in value that is compared to the AA limit.

In very broad terms, if the increase in the value of your NHS pension during the

year is more than £2,100, you will probably exceed the current £40,000 limit and may be subject to an AA charge.

Many clients who move from an associate to a principal of an NHS practice will see a spike in their net pensionable earnings, which could cause an unexpected charge.

Bookkeeping

Keeping up to date accounting records will help you to plan your finances better. Many of our dental clients are switching over to 'cloud' accounting.

The main benefits of a cloud package are:

- Real time information can enable accountants to prepare accounts shortly after your year end
- Cloud accounting software is deemed easy to use
- You can process your payroll within cloud accounting therefore saving time by not running two systems
- It can help accountants provide on-going business advice and tax planning.

Compliance

Having already worked as a dentist you should be fully aware of the rules and regulations surrounding your industry, however, as a principal the buck now stops with you.

Staffing matters

I guarantee that the staff will be one of your biggest headaches. Until you're the boss you never really know what is involved. It is important to keep yourself (or your practice manager) up to date with the ever-changing employment legislation and appoint a good employment lawyer. ■



Heidi Marshall heads up the dental team at Dodd & Co Chartered Accountants. She is secretary of NASDAL (The National Association of Specialist Dental Accountants and Lawyers) and acts for clients up and down the country and regularly contributes to the dental press and presents at seminars. Heidi works closely with dental practices to assist with all areas of its financial management and is experienced in advising new practices on set up. She has over 250 dental professional clients and therefore immense experience in this specialist area.

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