Did you know that a private practice dentist, who has never saved a dime of his practice income and never will, could retire with $140,000 income at age 76? I’ll explain later.

First of all, Dr. Will Guess has had it with all the financial freedom crap he’s heard from various “gurus” out there.

In 2000 at age 45, Will had $1 million saved for retirement. He was on course to retire easily by 2010 at age 55. He’d been saving up to 10 percent of his income per year since his early 30s, with a portfolio consisting of a handful of large cap growth stocks, and, in recent years, all the hot “tech” and “dot com” stocks. Will was aware of academic warnings of his high-risk portfolio, but Will’s Lehman Brothers broker was a genius. This time it was different!

We all remember what happened next. In fact, had it not been for Dr. Guess’ ownership of large caps stocks, the situation would have been a total disaster. Nevertheless, in 2002 Will’s portfolio was down to $300,000 and he and his broker retreated entirely from the market. Will stayed on the sidelines from 2003 through 2006, missing one of the best bull markets of all time.

Will did get back in with small cap stocks, the darlings of the mid-2000s, in 2007. Of course, those stocks crashed soon after in 2008. By mid-2009, Dr. Guess’ portfolio was down to $200,000. In 2011, after missing the next market run-up, he purchased $250,000 of gold. As of this article’s writing, Dr. Guess has $300,000 saved, all in a gold bullion exchange traded fund (GLD).

Dr. Guess, now 57, would like to retire in nine years at age 66. Is it possible, and should Guess stay in gold?

For guidance, Wei Hu, the director of financial research at Financial Engines, a provider of asset allocation advice to large corporate and state 401(k) plans, states, “More savings and retiring later have much bigger effects than choosing to take more risk.”1 Hu also posits that the benefit of delayed retirement is magnified even more by delaying Social Security benefits until age 70. “Even a few years can make a huge difference.”2

2. Ibid.
I’ve used Financial Engines (FE), a user-friendly Monte Carlo software platform, to show dentists how different variables affect their savings plans for years. FE works with retirement plan providers such as Vanguard, Fidelity, J.P. Morgan and Mercer. Individuals can access FE services at www.financialengines.com for $150 per year.

For the examples below, Financial Engines online software was used. It is assumed that the dentists below will spend the retirement average of $9,000 per month, with total income need of $140,000 per year before taxes. It is also assumed that no mortgage will exist during retirement. They will sell their practices for $300,000 after all fees and taxes and expect a $200,000 inheritance (selling off parents’ home) at age 72. They and their spouses will delay taking Social Security payments until retirement age and funds will be held in a discount brokerage with passively invested index funds.

**If you are a lousy and late saver, working just a few more years around Social Security retirement age (66-67) and delaying Social Security benefits makes a huge difference in your retirement income!**

Dr. Guess, age 57 and earning $250,000, can save 15 percent ($37,500) per year now that the kids are out of the nest. If he stays in a gold ETF (GLD), with historic growth trends, FE notes in a poor economy, he will need. Also, due to gold’s volatility, FE notes in a poor economy, he might want to “slow down” a bit, realizing that his income will not increase in the future. He doesn’t count on ever saving any of his practice income, yet wants to know if he can ever retire. The assumptions for Dr. Mercedes are the same as our other two doctors.

According to Financial Engines, if he doesn’t touch his and his spouse’s Social Security income while working, and puts his practice sale and inheritance money into bonds, he can retire on an income of $140,000 at age 76. That’s only nine years past Dr. Guess, who saved diligently from age 40.

**Recap:** saving 10 percent per year with a 50/50 mix held with a discount broker starting at age 30, a doctor’s retirement is normally possible by age 63; starting at age 40, retirement might commence at age 67, starting at age 45, retirement delays to 69.

**Bottom line:** If you are a lousy and late saver, working just a few more years around Social Security retirement age (66-67) and delaying Social Security benefits makes a huge difference in your retirement income!

Let’s now look at the worst possible scenario: Dr. Bill Mercedes is age 62 with no savings. His net income is $200,000 per year and he wants to “slow down” a bit, realizing that his income will not increase in the future. He doesn’t count on ever saving any of his practice income, yet wants to know if he can ever retire. The assumptions for Dr. Mercedes are the same as our other two doctors.

**How does this magic work?** If Mercedes delays his and his spouse’s Social Security benefits to age 70 ($40K plus $20K spousal benefit per year) and doesn’t touch it from age 70-76, he will have $360,000 saved, even without any growth. An additional $300,000 from the practice sale and $200,000 inheritance will give him $860,000. At age 76, longevity is muted tremendously compared to one in his mid-60s. With conservative investing, FE indicates near 10 percent withdrawal of the $860,000 is acceptable. Along with Social Security family benefits of $60,000 per year, he can enjoy an

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3. FE assumes 3.5% inflation and longevity to age 95 with all money spent at death. All figures are in 2012 dollars; no inflated dollars will be used. The illustrated 50/50 stock and bond portfolio used is 50% Vanguard Total Stock Market Index (VTSMX) and 50% Vanguard Total Bond Market Index (VBMFX). All calculations were cross-referenced for accuracy with Flexible Retirement Planner (www.flexibleretirementplanner.com).

4. Average dentist retiree income need from interviews is approximately $140K per year. Refer to “The Dentist’s Number, Dentaltown, July 2009.”
income of more than $140,000 per year. The key for the Mercedes couple is to hide Social Security payments in the trunk for six years!

Final Thoughts: It is very difficult for a dentist to retire before age 60, due to high savings requirements and lack of Social Security benefits. It is possible for many dentists, even with poor saving histories, to retire by age 70 due to much higher Social Security payments and decreased longevity. Through numerous scenarios’ calculations, I find that the bell curve of dentists’ probable retirement ages is heavily weighted between ages 63-69. The statistic that says only four percent of dentists are able to retire at age 65 is nonsense! No citations or statistics exist to support the statement. It’s financial-shark scare tactics!

*Note: The above FE calculations rely on investing with a fee-only advisor with funds held with a discount brokerage such as Vanguard or Schwab, using a passive investment strategy (buy and hold). Author Larry Swedroe warns that using active investment strategy (market timing), you will likely net one to two percent less per year over your career. If using a traditional broker or an insurance company, you will lose another one to two percent per year.5 Adding an additional year to your retirement scenario using active management and another year for not using a fee-only advisor might be prudent. ■

Next Month: Obstacles to Savings
Mistakes almost all dentists make with easy solutions provided to increase wealth and hasten retirement.

Author’s Bio
Douglas Carlsen, DDS, owner of Golich Carlsen, retired at age 53 from private practice and clinical lecturing at UCLA School of Dentistry. He writes and lectures nationally on financial topics from the point of view of one that was able to retire early on his own terms. Carlsen consults with dentists, CPAs, and planners on business systems, personal finance and retirement scenarios. Visit his Web site: www.golichcarlsen.com; call 760-535-1621 or e-mail at drcarlsen@gmail.com.