

7 Habits of Financially Successful Young Dentists

(or, \$400K for a DDS? Crap! Let's Bust Out Some Real Fundage)

by Douglas Carlsen, DDS

I've been either blessed or cursed with writing a financial article the last five years for the *Dentaltown Magazine's* annual New Grad Edition. Every year I harp about paying off that student-loan migraine as quickly as possible. How many new grads do it? You'd be surprised. In any case, at least 8,000 of you read my riff and more than 400 either agree or severely dis me. So continue to love me or crush me. It's all good.

Conclusion (I put it first rather than last so you texting geeks can get on to more important stuff): Many old farts continue to whine about the end of the Golden Age of Dentistry, just like they've done since at least the mid-1970s. Don't listen! You are entering a new age of exciting, technologically

amazing systems of equipment, materials, and personnel management.

Track your spending—at least for your weak areas. Think “frugal” for the first few years out of school and don't buy the huge house until you have all your other personal and practice debt paid off. Think about the consequences of large purchases. Always watch for new business opportunities. Set future short- and long-term goals. Talk to other docs frequently and join a study club.

Please read and contribute to the online comments for this article. In past years, young docs have remarked positively about the wealth of information provided by the many doctors' comments related to this article.

This year I'll not rant about student loans other than to tell you that income-based payoff is the norm, yet killing the beast ASAP provides real inner satisfaction and is a fast-track to real wealth by one's early forties.

Between more than \$400,000 in student loan debt (I know of a dentist and spouse who have more than \$800,000), practice purchase prices often between \$500,000 and \$1 million, housing and rental prices exploding in many desirable locations, and the corporate influx into dentistry, new docs may wonder how in the world it could be possible in today's world to live "comfortably."

What is comfortable? For most of us, it is living in a home without ironclad doors and windows in a graffiti-free neighborhood, purchasing autos post-Bush era with heated seats and an interactive console, having farm-to-table eats within Tesla-charging range, and being able to actually order from Amazon Prime. Is that asking too much? Absolutely not! It is very possible to have substantially more than \$1 million in net worth by age 50, and more than \$5 million by age 60, while still driving luxury autos in your upscale neighborhood.

I loosely base the following list on Kali Hawk's excellent article on Clark Howard's financial website.¹

Seven attributes of financially successful young dentists

1. They have a good relationship with money.

Dentists who are able to build real wealth have budgets, track spending, and look at the figures with their partners regularly. Does this entail going over every column or entry? No! It means observing red-flag areas for dentists. These often include clothing, entertainment, dining out (would you believe I know a doctor and spouse in Texas who spend \$4,000 a month?), vacations, and yes, even those mani-pedis.

A true story: Two dentist brothers near the same age went

into practice together in the late '80s. They have had similar incomes for the last 25 years, live in the same neighborhood, each have two children who were sent to private K-12 schools, and have stable marriages. One has more than \$5 million in retirement funds at age 50. The other has little in savings. What is the only difference? The wealthy brother has always budgeted. The other brother has not.

So, where can one go for personal budgeting and investing help?

Mint.com

Mint is a free, Web-based personal-finance tool to plug in bank accounts, credit cards, and investments. It provides great visuals on all categories of spending and your overall financial health. Mint warns you when you are off budget. It's a must for any professional.

LearnVest.com

While Mint offers the ability to track your investments, LearnVest offers insights and advice about what you should do next. LearnVest will enable you to keep up with your investments, and get helpful hints on how to proceed. LearnVest also provides financial-planning services for an extremely low fee.

Both Mint and LearnVest are easy ways to keep up with that rich brother!

2. They live frugally.

Drs. Tom Stanley and William Danko tracked the spending habits of those with net worth over \$1 million (\$1.5 million in 2015) in the book *Millionaire Next Door*,² published in 1996.

An update, *Stop Acting Rich*, was published in 2011. The average net worth of those studied in 2011 was \$4 million.

BONUS SECTION: INSIDE CARLSEN'S BRAIN

Videos

Carlsen videos are at [Youtube.com/user/DrDougCarlsen](https://www.youtube.com/user/DrDougCarlsen). This may seem like a shameless plug, yet the 40 videos have attracted more than 40,000 views and I hope you'll find them worthwhile.

Blogs

The White Coat Investor at Whitecoatinvestor.com. Dr. Jim Dahle has amassed a wealth of pertinent financial information for doctors of all ages. Want to find Carlsen articles on WCI? Search "Doug Carlsen" on the site. And search "Carlsen" on Dentaltown.com.

Books

John Bogle's *The Little Book of Common Sense Investing*. This is my all-time favorite financial book. It's an easy read with all the fundamentals one needs to retire in style.

Financial Advisors

Acquire Advisors: (800) 890-8095. New group with great skill-set.

Bason Asset Management: (720) 446-8555. Retirement plans for docs. This place has stellar reviews.

Vanguard: Owned by employees. (877) 662-7447. They have the lowest overall fees and now provide financial planning.



Findings in 2011 for millionaires:

Average home price: \$350,000

Highest ever paid for a suit: \$400

Highest ever paid for shoes: \$140

Highest ever paid for watch: \$235 (Would they now buy an Apple Watch?)

Mortgage never more than twice their family income.

What? Are the above figures typos? People with \$4 million living in a home worth \$350,000? They are quite real.

Stanley and Danko compared two real surgeons' financial statistics in *Millionaire Next Door*. They called them Dr. North and Dr. South.

	Dr. South	Dr. North
Age	50	50
Family	Married, 2 children	Married, 2 children
Annual Net Income	\$700,000	\$700,000
Net Worth	\$400,000	\$7.5 million
Annual Family Clothing	\$30,000	\$9,000
Annual Auto Costs	\$72,000	\$12,000
Annual Mortgage	\$108,000	\$15,000
Annual Country Club Costs	\$48,000	\$8,000

While this is not the full financial summary, it provides insights as to how much docs can differ on spending. Yes, doctors can easily spend more than \$70,000 annually on cars. Most of the \$72,000 listed above was depreciation. Doctor South upgraded his Porches quite often.

Private schools, high mortgages with frequent upgrades, and frequent dining out can quickly erode a doctor's capacity to save.

Does a dentist need to live a Spartan lifestyle to succeed financially? No. I, and many others, live in custom homes while practicing, dine out frequently, but we all *budget*.

For more information, go to Amazon and order any of the "Millionaire" books. They are easy and fun reads.

3. They understand their values.

The wealthy definitely do spend money, yet Kali Hawlk says, "Every purchase is aligned with what they feel is important in life."

Dr. Howe (name changed for privacy) retired at age 43 from dentistry. I interviewed him years ago for a previous article. He provided this great advice on additional purchasing:

"Any decision to spend capital is a decision to work longer to pay for that decision. Your retirement age will be extended accordingly. Don't get caught in the sizzle of the moment ... People use shopping as a recreational activity. They become addicted to the next big 'thrill' purchase. The ability to discipline, and delay gratification in the short term—in order to enjoy greater rewards in the long term—is the indispensable prerequisite for financial success. Those greater rewards provide less stress with the ability

to purchase items for cash that one only dreamed about in dental school, without worrying about financing or credit."

For example, does spending \$85,000 on a Tesla make sense? For many docs it does. The purchaser is leaving no carbon footprint, depreciation is much less than other luxury cars, and the purchaser may keep that auto for ten years or more. Other docs buy three-year-old German luxury autos, knowing they are still under full warranty, have the same body style as the new version, yet cost 50 percent less than new.

Does it make sense to occasionally spend \$20,000 on an exotic vacation that your family will remember forever? Yes.

Does it make sense to redo the kitchen every five years for \$100,000, or buy a Samsung framed 85-inch 4K Ultra HD TV for \$39,000 just to let others know you have "the latest," knowing it will cost less than \$5,000 within a couple of years? You decide.

4. They create their own opportunities.

Don't just hang out in the corporate clinic break room and wait for opportunity to fall in your lap. Look for opportunity. Young dentists have found "fire sale" practices of Boomer-era dentists who are so burned out that they'll settle for just getting out. There are good purchase deals out there. Be creative in finding them.

Track your spending—at least for your weak areas. Think "frugal" for the first few years out of school and don't buy the huge house until you have all your other personal and practice debt paid off.

If you like the corporate climate of dentistry, let the upper management know. They are always on the lookout for entrepreneurs. This is a time of vigorous rerouting of the business landscape for dentistry, and you young docs are going to call the shots on how tech, management, funding, and profit all work in this wonderful dental field for the next 30 years.

5. They set goals.

- Develop an action plan and write it down. Include your partner. This is a really important exercise. Go through it now!
- Where do you wish to be geographically in 1 year, 5 years, 10 years?
- How much student loan debt will you have in 1 year, 5 years, 10 years?
- How much savings will you have in 1 year, 5 years, 10 years?

- What kind of practice will you be a part of, in 1 year, 5 years, 10 years?
- Where will you travel and when?
Docs who travel a lot—courses don't count—tend to do well financially.

6. They ask questions.

Connect with at least one doctor whom you aspire to be like. Dentists tend to have fairly insecure egos and will go gaga nuts to have anyone try to emulate them. Age doesn't matter. Find a mentor. *Go to his or her office!* Shadow the doc. It's amazing what pearls you'll pick up.

If you work in a multi-doctor practice, it's even easier. Often you'll find a mentor in-house.

7. They join a study club.

For me, the real key to financial and emotional happiness was found in study clubs. It can be a local study club that you and colleagues start yourselves with minimal investment, a local group headed by a specialist (if you are a specialist, start a group immediately), or a national group such as the Seattle Study Club.

Not only do you learn the latest

techniques, equipment, and materials, you establish lifelong connections to people who can be sounding-boards.

Conservatively, study clubs increased my net income by at least \$50,000 per year.

Bottom line?

Back to the first page! ■

1. Kali Hawlk, *7 Habits of Financially Successful People*, downloaded from <http://www.clarkhoward.com/7-habits-financially-successful-people> July 24, 2015.
2. Thomas J. Stanley and William D. Danko, *The Millionaire Next Door*, 1996, Longstreet Press, Inc., Marietta, GA.

Questions for the author? Comment on this article at Dentaltown.com/magazine.aspx.

Author Bio



Dr. Douglas Carlsen has delivered academic-based financial education since retiring from private practice in 2004 at age 53. He has no connection with any company or individual and speaks his mind freely. Carlsen is very interested in speaking to your study club! Contact him at 760-535-1621 or drcarlsen@gmail.com.

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