

# Don't wait, act now

Without financial planning, you might not end up with the retirement package you had imagined, says Suzanne Allen who offers some advice

In the current climate many dentists are wondering if they will ever be able to retire from dentistry. Like them, you may have spent your working life building your practice to provide wealth for you and your family,

making good profits, yet they still worry about their finances because they have little or no real understanding of their true personal financial position. Their fears are often not rational and without foundation, but how are

they become your financial sat nav system; they won't drive the car for you, but they will guide you to your destination. A practice valuer will provide an up-to-date valuation of the practice and help make it fit for sale. The accountant will advise on the tax implications of selling and the tax reliefs available. Financial planners will pull together all the assets and develop a cohesive long-term retirement strategy. This latter specialist ultimately puts you back in control of your finances by taking you through a 3-stage process.

make up your income: the NHS pension, state pension, private pensions, ISAs, cash accounts, the practice's sale proceeds, the practice property rental, etc.

vides a comfortable surplus for any contingencies, and those extra little luxuries!

This dentist was delighted that he could restructure his investments so that his income would cover his anticipated ongoing expenditure and in future, he and his wife will only be paying a composite rate of tax of less than 15 per cent of their gross income!

	Husband £	Wife £	Joint Income £
<b>Taxable Income</b>			
NHS Pension	26,500	-	26,500
SIPP - Income Drawdown	18,000	-	18,000
Annuity		2,600	2,600
Bank Interest	1,500	1,500	3,000
State Pension (from age 65)	4,955	4,955	9,906
Practice Rent	8,000	8,000	16,000
	<b>58,595</b>	<b>17,055</b>	<b>75,646</b>
<b>Tax-free Income</b>			
Managed Portfolio (CGT)	9,000	9,000	18,000
ISA Income	4,000	4,000	8,000
	<b>13,000</b>	<b>13,000</b>	<b>26,000</b>
<b>Total Gross Income</b>	<b>71,595</b>	<b>30,055</b>	<b>101,646</b>
<b>Less Tax/NI</b>	<b>13,367</b>	<b>1,513</b>	<b>14,880</b>
<b>Total Net Annual Income</b>	<b>58,226</b>	<b>28,540</b>	<b>86,766</b>
<b>Outgoings</b>			
Housekeeping Expenses			20,150
Personal Expenses (incl. holidays)			26,000
Children / Grandchildren			7,000
Motoring Expenses			10,900
Life Assurance / Insurance			5,250
Investments			6,000
<b>Total Outflows</b>			<b>75,500</b>
<b>Net Annual Income Less Outgoings</b>			<b>11,466</b>

but are you confident that a lifetime's effort will be translated into your desired post-practice lifestyle? There is so much to consider now: has the impact of the global recession decimated your private pensions and ISAs? Is there still the same value in practice goodwill? Are there any potential buyers still around?

they to know? It's rather like being passenger in a fast car, you are almost certainly safe, but there's still this degree of uncertainty and it's only the driver who feels totally in control.

The way to lose that financial fear is to become the driver and take control. When considering your impending retirement, bring in specialists who can make the process easier and take away the worry and pressure –

### 1. Information gathering and analysis

This is a fact-finding mission whereby all your financial information is pulled together and your vision for retirement is identified. A net worth statement of all your assets is drawn up. It is quite surprising how much you could be worth! The following table illustrates the asset chart of a 59-year old dentist who aims to cease work by his sixtieth birthday.

### 2. Assimilating the Information

Dentists have different retirement requirements. Some can't wait to sell up, some are happy to sell their goodwill yet maintain the property to provide an excellent rental stream, while others cannot let go and still want to keep their hand in. There is no prescriptive formula, which is why a financial adviser is vital to show you the level of retirement income you can expect from all sources, and how it matches up with your spending needs during retirement.

The second stage therefore is to pull all these income streams together and illustrate where you would be in retirement. It's surprising how many sources can

### 3. Creating the solution:

Having identified the assets and income sources, the most suitable and tax efficient means of securing the income is determined. The following is illustrative of the planning adopted by our 59-year old dentist.

Having chosen to sell his goodwill but keep the property, a strategy was prepared around his retirement vision that gave him flexibility, fitted in with his tolerance to investment risk, and took advantage of available tax breaks.

With the security of the NHS Pension, he wanted to keep his private pensions more actively managed and not be tied into an annuity, so he set up an Income Withdrawal Plan, took the maximum tax-free cash and a flexible income. Yet for his wife, an annuity was appropriate because of the smaller pension fund. Having sufficient cash put aside for emergencies, he was happy to invest his practice goodwill into a joint discretionary managed portfolio with his wife, geared for growth. From this they take income in the form of capital gains each year, entirely tax-free!

This portfolio may also fund their future ISA payments; moving money from a potentially taxable fund to a more tax-efficient environment. They are also now drawing a tax-free income from their ISAs. By transferring 50 per cent of the practice property into his wife's name, the tax on her share of the rental income is only taxed at the basic rate. The following table shows how their income comfortably covers their regular expenditure and pro-

### Take control

You feel in control of your finances when you are in control of them! Waiting until you retire could be too late. If you are planning to retire in the next five years, do so with confidence that you and your family have a level of regular income commensurate with the retirement lifestyle you desire. [D](#)

#### About the author



**Suzanne Allen** is managing director of Heritage Financial Advisers, a team of independent, fee-based financial planning specialists dedicated to the dental sector. She has over 12 years experience in the financial-planning industry, having spent half this time working with dentist clients. Suzanne holds a diploma in financial planning and possesses specialist knowledge of pensions, taxation and trusts. Visit [www.hfadvisers.co.uk](http://www.hfadvisers.co.uk) for more information.



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