

Surviving a recession

Peter Dunn shows you what steps to take to ease the pain of potential difficult times ahead, as we prepare for an economic slowdown

It is suggested that we are on the cusp of a recession... and even if it turns out to be a soft economic landing, times are certainly getting tougher with increased fuel, utility and food bills, and higher mortgage costs. The good news is that you can take steps to ease the pain and ensure that any slowdown has the minimum impact on your finances.

Pay expensive loans first

Repay more expensive loans and credit cards before paying off cheaper loans. This may be an obvious statement but many dentists are determined to reduce their mortgage as quickly as possible while paying two, three or even four times as much interest on their monthly credit card statement!

Keep investing

When stock markets are fluctuating, it's a great time to be investing in equities. By investing in a personal pension each month instead of making an annual lump-sum payment, you will be getting more for your money if markets take a tumble.

Diversify your portfolio

How well-balanced are your assets? Investments are often contracyclical which means that if one asset class, such as property, is increasing in value, another asset class such as equities could be falling.

A sensible investor holds a diversified portfolio of property, equities, cash deposits and fixed-interest stocks giving him/her the flexibility to switch to other asset classes as economic factors change.

Cash is king

You will derive a sense of security from knowing that a proportion of your investments are held in cash deposits. We always recommend our clients hold three months' income in cash as emergency money. Another advantage of holding cash is that if stock markets drop heavily you are well poised to re-enter the markets at bargain prices.

Sell property investment

With tax on Capital Gains (CGT) down to 18 per-cent, rents not keeping up with increased mortgage repayments and property prices expected to drop; it may be a good time to reap the rewards of a property investment. If you own a Spanish or French holiday home, you will also currently reap the benefits of a strong euro.

Get properly insured

If you are ill or disabled could you and your family afford to get



by? It is all too easy to cut back on income protection insurance or critical illness cover when cash flow gets tight but should the worst happen, you will be oh-so glad that you are properly protected.

Renegotiate business loans!

Amazingly, while almost all lenders are cutting back on residential mortgages and increasing their margins and arrangement fees, the market for commercial lending to dentists has never been so competitive. Dentists buying a practice can secure bank loans of up to £500,000 without security and at amazingly low interest rates.

Be financially organised

We are not suggesting that you budget for every penny but it is a great discipline to identify where all your money is going each month. You will be amazed at what savings can be made from something as simple as checking that all your direct debits and standing orders remain valid!

Save for your tax

Are you aware of next year's tax bill? If not, you should be. If for example your treatments are no longer selling as rapidly and your practice income is reducing, it doesn't necessarily mean that your January 2009 tax bill will be lower. There may still be a balancing payment from the previous financial year to pay.

And if your treatment take up rate is not what you wished, invest in Ashley Latter's Ethical Selling course. Many of our clients have attended Ashley's course and the feedback we receive is terrific.

Spread your assets

The Financial Services Compensation Scheme (FSCS) will protect you up to this limit with every bank where you hold funds but a word of warning; not many people know that if you hold accounts with two differently branded companies who are both regulated through the same group e.g., Halifax and Bank of Scotland, you will only be entitled to one set of compensation in total.


Transfer your savings

If your partner is in a lower tax band you could make worthwhile savings. If you receive six per cent interest on £100,000 savings, by moving the money from the account of a higher rate to a standard rate tax payer, you will save £1,200 per annum, after tax.

Consider incorporation.

This is something that needs to be discussed very carefully with your accountant and other business advisers, and is certainly not right for every dentist, but there could be both short and long-term cash-flow gains in moving from self-employed to employed status.

Don't panic!

If you believe that economic patterns are cyclical then as long as you are not forced to sell your investments at a below market price and you 'keep the faith', then you should continue to benefit over the long-term and can look back at the current time as just another financial 'blip' that periodically occurs... 

About the author



Peter Dunn

is director and senior consultant for Heritage Financial Advisers; a team of independent, fee-based financial planning specialists dedicated to the dental sector. Peter has over 20 years experience of working within the dental industry in financial services companies allied to Dental Business Solutions and Practice Plan. In 2001, he relocated to Newbury with what is now Heritage Financial Advisers and assumed joint control of the company in 2006. Call 01635 48727, email info@hfdvisers.co.uk or visit www.hfdvisers.co.uk