



2019 Personal Financial Plan

By James E. Clark, CPA, CFP®

Your PRIDE/SPEAR Annual Plan is complete and you shared it with your team members and are ready to kick things in gear; but, have you taken the time to set your personal financial plan?

Hopefully the answer is YES! If you haven't, it isn't too late. Take time now to set your targets and review your numbers in the following areas:



Taxes – Let's get this one out of the way, early. The IRS recommends setting your minimum taxes at 110% of your prior year tax. But wait... what if your practice annual plan has a 10% increase targeted? Should you be setting aside more? What if 2019 is the year of technology advances and you are spending or borrowing extra dollars to outfit your practice? Shouldn't those actually reduce your projected 2019 taxes? Share your PRIDE/SPEAR annual plan with your CPA and tax plan accordingly. Whether your taxes go up, go down, or breakeven they should not come as a surprise. Your financial advisor should provide insight.



Retirement Plan – Have you had your plan design reviewed? Your personal minimum combined contribution percentage for doctor and spouse should be as follows



Under 40 = 65% of total



40 to 50 = 75% of total



Mid 50's plus = 85% of total

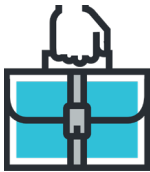
Are you over 50 and saving personally (above and beyond your profit sharing)? If so, you should consider adding a cash balance plan. \$50k of post-tax savings equates to approximately \$77k in pre-tax savings (using a 35% tax bracket).



Investments – Investments are an important part of the overall retirement strategy; however, you could have a poorly designed retirement plan that is masked by a great investment performance. Or vice versa. Your annual plan should set targets for savings and for investment returns. While there are no guarantees when it comes to investment performance, you should at least have a target destination in mind. You may not always hit the target, but you won't know if your miss was off by a little or a lot without one.



Personal Spending – Don't look at this as a budget. Instead, consider this tracking as a check and balance to confirm that the practice income is providing adequate cash flow to meet all of your goals (including personal spending). Look at this part of your plan as your investment in family.



Insurance – How much are you spending on insurance? Is it for the right amount of benefit? The proper type of coverage? Typically, most dentists set it and forget it. Waiting too long to evaluate may end up costing thousands of premium dollars going toward the wrong type of insurance. Confirm coverages and related premiums and set time frames for when to revisit.



Other savings – Education? Cash reserve/margin? Future property? Look forward at least five years and, if that vision has a big event, then part of setting your annual plan targets should include dollars for such an event. Be intentional about your savings in terms of where and why.

The following is a sample of an Annual Financial Plan Cash Management Targets worksheet:

The Smith Family			
2019 Annual Plan/Cash Management Targets			
(Note: Both Dr. and Spouse are over age 50)			
	From Personal	From Company	Notes:
	Funds	Funds	
Savings:			
401(k) - Deferral - Doctor	\$ 25,000		Withheld from paycheck
401(k) - Deferral - Spouse	\$ 25,000		Withheld from paycheck
Profit Sharing - Doctor		\$ 8,400	Paid by the practice
Profit Sharing - Spouse		\$ 1,500	Paid by the practice
Cash Balance - Doctor		\$ 62,000	Paid by the practice
Cash Balance - Spouse		\$ 1,500	Paid by the practice
Special Purchase Savings	\$ 50,000		Set aside from personal funds
College Education Savings	\$ 24,000		Set aside from personal funds
Additional Personal Savings	\$ 37,000		Set aside from personal funds
Total Savings	\$ 161,000	\$ 73,400	
Taxes:			
Federal Tax		\$ 131,000	Assumed withheld - Estimated Payment May Be Required
FICA/SE Tax		\$ 14,000	
State Tax		\$ 22,000	
Other Taxes		\$ 12,000	
Projected Total Taxes		\$ 179,000	Confirm with CPA
Practice:			
Production		\$ 1,875,000	
Collections		\$ 1,700,000	
Practice Operating Expenses		\$ 1,200,000	Includes Dr. and Spouse Profit Sharing and Cash Balance
Doctor Salary		\$ 280,000	Projected W-2
Spouse Salary		\$ 30,000	Projected W-2
S-Corp Distributions		\$ 190,000	Projected distribution of profits
Cash Flow:			
Combined Salaries	\$ 310,000		
S-Corp Distributions	\$ 190,000		
Projected Taxes	\$ (179,000)		
Personal Savings	\$ (161,000)		
Personal Spending	\$ 160,000		

If you haven't worked with a financial planning team that takes a comprehensive look at all of your needs then maybe 2019 is the year to take your planning to the next level. It is never too early or too late to start this process.



Jim is the President and a founder of CBG & Company, Inc., a national financial planning, investment advisory, and accounting and tax service provider for dentists. Jim has over twenty years of experience working exclusively in the dental industry and has had the honor of presenting to dental groups nationally on a multitude of topics that impact their financial well-being. Throughout his career, Jim and his team have had the pleasure of working closely

with the PRIDE Institute to help mutual clients succeed at both the practice and personal levels. CBG & Company is comprised of four partners and a team of dedicated employees that assist dentists in the development and implementation of financial strategies.

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