



## WRITE AN RX FOR YOUR SUCCESS

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Financial security for your practice and your family takes planning and paying attention. Where do you begin? Take these steps today to ensure a strong, stable future.

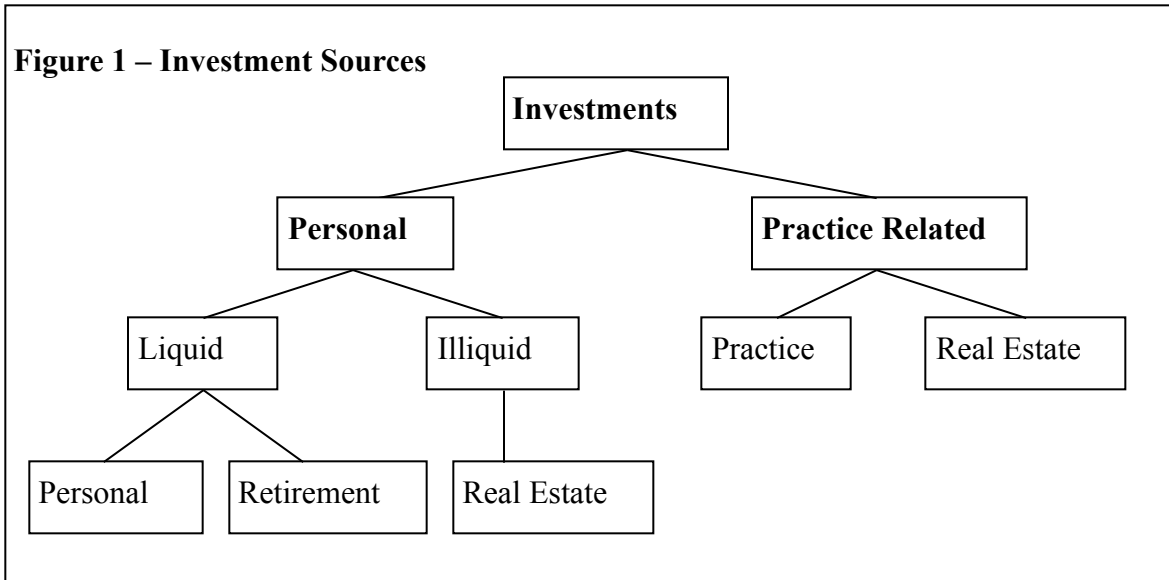
1. **Establish effective documentation systems.** Use veterinary and accounting software and a Management Statement™ to manage your patient and financial records. Execute partnership/shareholder contracts, a buy/sell agreement, lease agreements for equipment and the facility, employment agreements, etc.
2. **Create a foundation for effective practice leadership.** Identify the leaders, doctors, and advisors required for practice success. Establish and define responsibility for areas of management for the owners. Create an internal communication structure. Establish and define the management positions at the staff level. See Collaborative Teamwork Charts.
3. **Envision the ideal healthcare team.** Determine the key positions and the number of support staff needed to meet patient care and client service goals. Define the parameters for selecting the right people for each position. Establish the pay scale by position and for each level of competency within each position. Identify the training and education required for continued growth. Define the evaluation and promotion protocols for your practice.
4. **Determine if the facility configuration and size continues to meet your clients' and patients' needs.** Do you have a well-designed site and floor plan with ample parking, a sufficient number of exam rooms, and ample treatment and surgery areas? Does your location continue to be desirable? Is it visible, accessible, and have room to grow? Pay attention to your physical appearance – the grounds, building, and staff must present a professional, clean, well-maintained image. Stay in tune with your environment to ensure it's stress-free, warm and welcoming.
5. **Develop a practice budget.** Start with the information you already know – your current year-to-date revenue and expenses. Also consider any additional goals you want to achieve. Lastly, look at benchmarks set by other practices to get an idea of spending levels (see Benchmarks 2015 A Study of Well-Managed Practices® at [www.wellmp.com/Benchmarks](http://www.wellmp.com/Benchmarks), or Financial Productivity Pulsepoints by AAHA). Keep this data handy as you plan your revenue and expense changes for the coming year.
  - **Revenue.** How much will revenue grow next year? Consider planned fee changes, compliance initiatives that will result in providing more of existing services, and new services you're adding to the practice such as laser therapy, ultrasound, behavior consulting, rehabilitative therapy, or acupuncture.
  - **Expenses.** How will your operating expenses change next year? Have you targeted a reduction in some line items like inventory costs? Are you planning increases in other items like staff compensation or equipment purchases? Determine where your spending will remain the same, drop or rise.

6. **Develop a personal budget.** Tracking your personal household income and expenses and developing a budget provides an organized, systematic approach to efficiently measure and analyze your personal financial position. Begin with the information you already know – your current year-to-date income and expenses. Then consider any changes or new goals for the coming year.
  - **Income** - Is your share of income from the practice or any other businesses you own likely to increase or decrease? Is your spouse/partner expecting any increases or decreases in income? Project how your household income will change for the coming year.
  - **Expenses** – How will your required expenditures change in the coming year? Consider loan/lease repayments on credit cards, autos, your home, or any other debts. Plan for any expected increases in property taxes, insurance, utilities, medical expenses, and auto expenses. Do you have any home repairs on tap? What about alimony or child support? Consider any changes to discretionary expenditures like clothing, travel and vacations, entertainment, club dues, gifts and charitable contributions, etc. And, don't forget about contributions to savings and retirement accounts or your children's educational funds.
7. **Manage your debt.** Maintain a Debt Worksheet that tracks all outstanding loans and leases and includes the original debt amount, payoff date, interest rate, monthly payment, and current outstanding balance. When you've got extra cash, make additional payments on loans with no pre-payment penalties to reduce the interest paid over the life of the loan. Apply the extra payments towards the highest interest-rate loans first.
8. **Have appropriate insurance coverage.** Talk with your insurance representative to determine your personal and practice needs, including:
  - **Auto:** consider bodily injury, property damage liability, personal injury, uninsured or underinsured motorist, and collision and comprehensive coverage
  - **Home property insurance:** protection for your dwelling, other structures, and personal property, reimbursed living expenses, flood, earthquake, water backup, identity theft restoration, and a personal umbrella policy.
  - **Practice property insurance:** two types of policies - **named-perils policy**, which only covers losses resulting from particular events named in the policy, and an **all-risk policy** (also known as special form coverage) which covers all events except those specifically named. The type of business and your location and region of the country are all considered when determining which risks are more likely to affect your business. Property insurance covers loss from fire, theft or vandalism, provides financial assistance to help cover the cost to rebuild or repair business property so that operations can continue with as little disruption as possible, and includes compensation to repair damaged business property or replace what you've lost. Other available coverage includes undamaged stock, data or records, computer virus, intangible coverage, off-premises property, and terrorism.
  - **Employment Practices Liability Insurance:** protects against claims filed by disgruntled employees.
  - **Health Insurance:** provides coverage for medical costs.
  - **Liability/Malpractice Insurance:** protects professional advice- and service-providing individuals and companies from bearing the full cost of defending against a negligence claim made by a client, and damages awarded in such a civil lawsuit.

- **Workers' compensation:** offers payments to employees who are (usually) temporarily, unable to work because of a job-related injury; compensates for economic loss (past and future), reimbursement or payment of medical and like expenses, general damages for pain and suffering, and benefits payable to the dependents of workers killed during employment.
  - **Disability Insurance:** designed to replace anywhere from 45-60% of your gross income on a tax-free basis should a sickness or illness prevent you from earning an income in your occupation.
  - **Business overhead expense:** reimburses a business for overhead expenses should the owner experience a disability. Eligible benefits include: rent or mortgage payments, utilities, leasing costs, laundry/maintenance, accounting/billing and collection service fees, business insurance premiums, employee salaries, employee benefits, property tax, and other regular monthly expenses.
  - **Life Insurance:** provides cash to your beneficiary(s) in the event of death. Life insurance proceeds are often used to fund the purchase/buy-back of a deceased partner's share of the practice.
9. **Review contracts and agreements regularly.** Review Employment Agreements annually, practice Operating Agreements every 3 to 5 years and whenever you're planning a partial or full practice sale, and Buy Sell Agreements every 3 to 5 years and whenever you're planning a partial or full practice sale.
  10. **Clean up your financial records.** Eliminate the mixing and mingling of personal and practice expenses. Be sure that the practice financial statement reflects only the operating expenses of the practice. Prepare and review the practice's financial statements on a monthly basis. Prepare separate, cost-center financials if you're a mixed animal or multiple-location practice.
  11. **Conduct annual Strategic Planning meetings.** Strategic planning is a must for businesses to excel and move forward. To determine where the practice is going, you need to know exactly where it stands, then determine where you want to go and how to get there.
  12. **Complete a financial security plan.** Financial planning entails identifying your desired standard of living/income needs, your existing sources of income and the value of your investments, and the value of your practice and any other businesses you own. See **figures 1 and 2** and see [www.wellmp.com/managementtools/itemS2](http://www.wellmp.com/managementtools/itemS2).
  13. **Identify who will buy your practice.** Will you sell to an existing partner, a current or future associate, an outside independent practitioner, or a corporate consolidator?
  14. **Prepare your buyer.** If you're planning to sell to a current or future associate, develop a plan to mentor him or her about the business of veterinary medicine, involve the associate in management decision-making, explain the sale process, illustrate affordability and discuss financing.

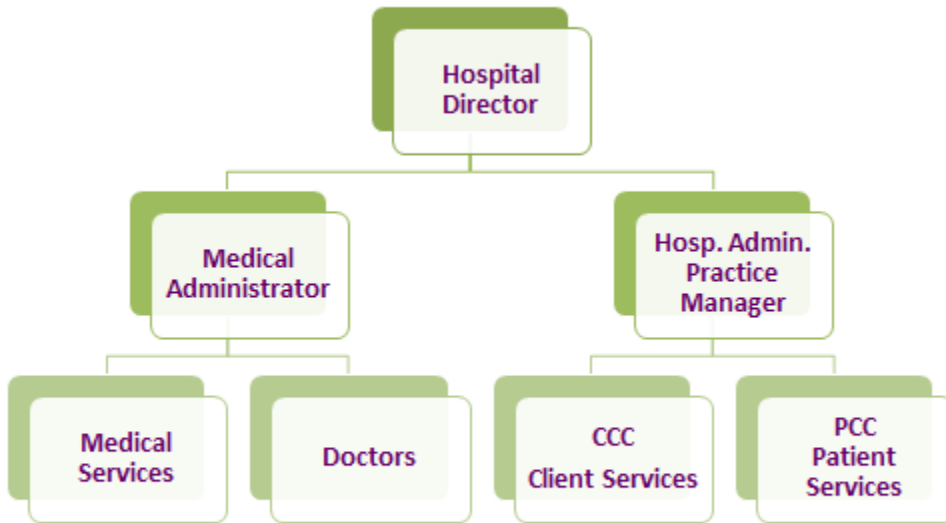
You can't plan for every eventuality, but using last year as your baseline, learning from your mistakes, setting quantitative goals that can be measured, and creating a plan to ensure you achieve your goals will put you well on your way to accomplishing financial security.

**Figure 1 – Investment Sources**



**Figure 2 – Planning for Financial Security**

<u>Expenses</u>		<u>Income</u>	
Living Expenses	\$ 110,000	Personal Investments	\$ 700,000
Tax Liability	<u>40,000</u>	Practice Real Estate	700,000
Annual Cost of Living	\$ 150,000	Practice	<u>          ?</u>
Annual Cost of Living	\$ 150,000	<i>Future Value of Investments without Practice</i>	<i>\$1,400,000</i>
Return on Investment	<u>÷ 6%</u>		
<i>Investment Base Required</i>	<i>\$2,500,000</i>		
Target Value	\$2,500,000		
Value without Practice	<u>1,400,000</u>		
<b>Shortfall</b>	<b>\$1,100,000</b>		



### **Collaborative Teamwork Organizational Charts**

