



# The debt-free dentist

Living abnormally to gain financial security and freedom for your practice

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We are given owner's manuals for our cars, our televisions, and other significant life purchases. Unfortunately we are not given a step-by-step owner's manual to life. Most of us make it through life doing the best we can with what we know.

When it comes to managing money, most people deal with money as their parents did, which for some isn't always a good thing. Graduating dental students, young dentists, and even some who have been practicing dentistry for a long time too often carry enormous financial debt.

As if undergraduate and dental school debt weren't enough, many of us continue to dig ourselves even further into debt because we have "doc-itis," feeling we have sacrificed so much over the previous eight years that we deserve all the great things a dentist's lifestyle has to offer.

I know how that feels; I felt like that, too.

My husband and I had business and personal debt in excess of \$1.2 million at one point in our married life. Most of our debt accumulated as a result of my undergraduate and dental school loans, our home, the dental building, the dental equipment, the practice, a car, and some land—nothing out of the ordinary. Nothing frivolous. (In fact, my husband drove a 1985 Buick Park Avenue until a year ago—at first because he had to, but after that because he thought it was funny.)

For a few years, we were making minimum payments on everything, refinancing my school loans to lower my interest rates at every opportunity. And as time marched on, so did the debt that hung over our heads.

My husband was always uncomfortable with debt and was never in debt until I came along. He lived simply to keep his head above water financially, because he knew what government cheese tasted like and didn't want to taste it again. He was a factory worker and knew better than to live above his means. He was finally adamant that we get on the same page financially.

So, we did. We started working hard to get out of debt, and we did. It wasn't easy, but boy was it worth it. I want to share with you, as a fellow colleague, how we claimed financial freedom, so you might do the same.

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## The turning point

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I didn't see the big deal. After all, everyone has debt—it's normal! Right?

My husband had heard the Dave Ramsey radio show and knew he had found someone who thought like he did. Dave Ramsey, a nationally known financial expert and media personality, was coming to do his "Live Event" in Louisville, Kentucky, and my husband insisted I go with him. I reluctantly agreed to go. It was on a sunny Saturday spring morning. Great. Just how I wanted to spend the first sunny Saturday after a long winter... As Dave would say, "There were heel marks in the pavement" from being dragged in!

After the conference I saw that living in debt and only making minimum payments on everything was truly dragging us down. With this new realization of how much joy debt was robbing from our lives, I had a fire burning inside.

I sat down in the quiet of my office on a weekend morning and began listing my school loan debts from the smallest amount owed to the largest amount, regardless of the interest rates. I devised a plan of action to pay each one in full. I also calculated a realistic time frame for paying off the debt. This was not going to be a microwave fix, but a crock pot fix. But I knew it was going to taste delicious when it was all done!

I went home and presented my husband with my plan to get rid of my school loans. He almost cried because he knew I had "gotten" it. He saw the fire in me. It was palpable. He knew we were finally a team.

## Small steps, big sacrifices

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The first debt we paid off was the toughest not only because it was hard to change our whole approach to managing money, but also because any extra money we had went toward the debt—not toward new shoes! When the first loan was paid off, we combined the minimum payment we had been making on the second loan with the amount we had been paying on the first. Using this method we paid off the second loan, then the third, then the fourth. Dave Ramsey calls this the "Debt Snowball." It is his second "baby step" in dumping debt.

It took us 10 years of hard work and, yes, more sacrifices, but we are now completely debt-free—even the house is paid-for. We sold a bunch of stuff we didn't want to sell, including our first house, the land, and my car. We agreed to incur no more debt for any reason. Ever. No matter what. In that spirit, it was easy to let go. It was just part of the journey. We rented and lived in a tiny 1920's house for

three-and-a-half years after having lived in a "doctor-size house." I drove an older car instead of a new one. We clawed and scratched our way out of debt and we saved and saved and saved.

In the meantime I had been tearing pages out of home magazines, carefully deciding exactly what I liked and what I wanted when it was time to look for another house. (I had to make sure my husband liked it too.) After all of my research, I even knew what the exercise room and the office would look like.

I taught myself that I had to know what I wanted before allowing myself to get it. I saw that, the clearer I was with myself and the more I wrote down, the more I ended up getting what I wanted.

We found a house in foreclosure that was almost exactly what we wanted, and we paid cash. For all of the interior features that weren't exactly what we wanted, we paid cash to change them to our liking.



*Dr. Durbin's dental practice in Corydon, Indiana*

## Lessons learned

### 1. Debt is “normal,” but “normal” is broke.

I am essentially trying to convince you to be weird. Strangely enough, it's more shocking these days to be debt-free than to be broke. My story proves that there is no reason that people who are in significant debt have to accept debt as a lifestyle. There are straightforward, though sometimes painful, steps to achieving a life free from payments.

### 2. When you are depending on the patients in your chair to help you make your next debt repayment, they know it.

You can't help the vibe you convey to your patients, even with the best intentions. Can you imagine the difference between trying to convince a patient to do something *you* think they should do, as opposed to taking them by the hand, showing them what you see, and asking them if it concerns them? If they say, “yes, it is a concern,” you present them with treatment options and walk together. It is much easier to be their coach and their guide, rather than trying to twist their arm into accepting a treatment they aren't convinced they truly need. Now might not be the best time for them, but for a dentist in debt, *now* is always the best time. Since becoming debt free, I am able to be relaxed, and to thoroughly listen and explain things to patients before I recommend any treatment. Treatment acceptance dramatically increases and everybody feels good about it.

## Baby steps

### **Baby Step 1: Baby Emergency Fund**

Get \$1,000 in the bank as quickly as you can, not to be touched unless there is an emergency that you would have otherwise used a credit card for. If your transmission goes out on your car, for example, use this money to repair your car. Do not use a credit card. In fact, you should not own a credit card if you are serious about getting control of your debt. I have heard every excuse of needing one. You do not need one. I haven't had one in over 10 years.

### **Baby Step 2: Debt Snowball**

Pay off all your debts, smallest to largest, as quickly as you can. Pay no attention to the interest rates unless two of the debt amounts are the same. It is the only way to attain and maintain traction toward your goal. You will need to write a cash flow plan in order to accomplish this, also known as a budget. (Baby step two took us 10 long years once we got serious about it.) Drawing a line through your paid-off debts one by one yields a huge sense of accomplishment and spurs momentum.

### **Baby Step 3: Fully Funded Emergency Fund**

Make sure you have three-to-six months of expenses in the bank in case something financially catastrophic happens.

There are a total of seven baby steps in the Dave Ramsey model for paying off debts. Find all seven at [DaveRamsey.com](http://DaveRamsey.com)

## Case study

Here is an example (one of many) of how doing my homework, being patient, and working from a budget saved me big money on an equipment purchase:

After becoming debt-free, I knew the first major purchase I wanted was digital radiography equipment. I started setting aside 10 percent of collections into a separate bank account to go into the practice emergency fund, and 10 percent to save for future equipment purchases, CE, team travel, etc.

I had researched all the different digital systems, asked colleagues for advice, talked with sales reps and decided on the one I wanted. There was a major problem: The investment I was going to have to pay was nowhere near what my budget allowed. So I decided to keep using film and keep saving. Because I told the sales representative that I had decided on her system, she kept me in mind. On New Year's Eve of that year she called me. She said, “You are not going to believe this, but my company has decided to significantly cut the prices of both the software and the sensors, but you have to buy it today.”

Of course, I jumped at the offer. This was not an impulse decision. Because I had already done all the research, I knew exactly what I was getting. And after thinking about the previous price I had been quoted, I knew I was getting the deal of a lifetime. I was able to give her the routing number of my bank account. It was now within my budget, and I paid with cash.

### **Resources:**

- Dave Ramsey. [www.DaveRamsey.com](http://www.DaveRamsey.com)
- Schuster Center. [www.SchusterCenter.com](http://www.SchusterCenter.com)

## Top 5 reasons dentists get trapped into debt

### ■ **Living a certain lifestyle to appear to be successful**

Most of us have been to Disney World. All of the facades seem so glamorous and magical—until you get close—only to find it's a painted piece of wood or plastic. Don't let the pressures of society and the dental community get to you. Be honest with yourself about your financial capabilities, and create a plan that works for you and your budget. *You* have to be happy, not your neighbors or colleagues whom you would like to impress. Leave the magical facades to Mickey.

■ **Overspending on the latest dental technology**

It's exciting to think about purchasing all of the new dental gizmos constantly pitched by suppliers. You've heard those pitches: "Just think how much time you could save having digital radiography, or digital impressions," or, "You can precisely find the pathologic lesion with CBCT imaging in your office." Although all of those things would be true if you owned these devices, you must ask yourself if now is the right time. Could you send your patient to your colleague's office or a university to have the CBCT? Sometimes a short-term solution will buy you some time while you save for the "must-haves," or even the wants, on your wish list. Who knows, maybe someone will sell just what you want at a reduced price and you will be able to get the deal of a lifetime.

■ **Expensive CE requiring several long-distance trips**

All of us need to keep our CE current so we don't become stagnant. We learn better techniques, more about occlusion, business, leadership, etc. Most of the "high-end" CE courses require a significant investment, including travel and substantial tuition. Borrowing money for CE does not always pay off. Shop for CE just like you shop for equipment: Do your research, decide which courses you really want to take, and buckle down for a time to pay for it with cash. You'll be happy you did.

■ **Replacing an expensive piece of equipment "unexpectedly"**

No dental equipment runs perfectly for the duration of your practice. Making repairs along the way, however, can save big in the long run. For example, when is the last time you changed the oil in your air compressor? Just like having an emergency fund at home, you need one at the office for situations when a piece of equipment dies. At the very least, have a month's worth of all expenses set aside in the bank—not to be touched unless there is a true emergency. (An emergency can be defined as something you would have otherwise had to borrow money to pay for.) Expect emergencies, and be prepared for them. They will happen.

■ **Buying a practice too soon, or a practice that you can't afford**

When I was in dental school, we were taught very little about running a business. This education is still lacking among today's new dentists. I've found it most helpful to seek advice on these matters to make more sound, beneficial business decisions. After doing my research, I decided the Schuster Center for Professional Development, a business school for dentists, best met my practice needs. I also became a student of Dave Ramsey's in his Entleadership Master Series program. With all of today's potential pitfalls in conducting business, we must become savvy business owners, eager students, and avid readers if we are going to succeed. Once you figure it out, it's fun. If you are already caught in this trap, seek help immediately and save your practice (and sanity).

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