



## **Drilled Down & Drowning:**

### **The Top 7 Financial Mistakes Dental Professionals Make (And How to Fix Them)**

#### **Are You Flossing Your Finances?**

Running a dental practice isn't just about crowns and cavities—it's about cash flow, compliance, and that ever-elusive work-life balance. Between managing staff, juggling patients, and staying on top of continuing education, who has time to comb through their P&L? (Spoiler: You should.)

We get it—most dental professionals didn't go to school for accounting, and QuickBooks wasn't on the DAT. But financial neglect can bite harder than a misaligned molar. This month's brief breaks down the top 7 financial faux pas we see in dental practices and, more importantly, how to fix them without drilling into your sanity.

Let's numb the pain and fill those gaps—with financial know-how.

#### **1. Mixing Business and Personal Like Plaque and Enamel**

##### **The Mistake:**

Far too often, dental professionals swipe their business card for groceries, weekend trips, or Starbucks runs—sometimes without even realizing it. Or worse, they dip into personal funds to cover practice expenses without tracking the transaction. The result? A financial picture that's as clear as a panoramic x-ray with peanut butter on the lens. When business and personal finances are tangled up, it's nearly impossible to understand how your practice is actually performing.

##### **Why It Matters:**

Blurring the lines between personal and business spending isn't just inconvenient—it's dangerous. It makes bookkeeping a nightmare, frustrates your accountant, and could trigger unwanted attention from the IRS. More importantly, it means you're likely missing out on legitimate deductions that could lower your tax bill. In audits, these transactions can be

disallowed or flagged, leading to penalties or back taxes. Plus, poor financial hygiene like this can make your practice look less professional to lenders or potential buyers down the road.

**Actionable Tip:**

Treat your practice like a separate legal entity—because it *is*. Open a dedicated business checking account and credit card strictly for practice-related income and expenses. Set up an automated monthly or bi-weekly transfer to your personal account as your “salary” or draw, depending on your business structure. If you absolutely must use personal funds to cover a business expense, reimburse yourself properly and document it. Clear financial boundaries help you make better business decisions, simplify tax time, and protect your hard-earned success. Think of it as good financial hygiene—just like brushing and flossing.

## **2. Ignoring Cash Flow Like It’s a Flossing Reminder**

**The Mistake:**

It’s easy to glance at your top-line revenue and assume everything’s fine—after all, the collections look healthy, and patients are coming through the door. But when payday hits and you're scrambling to cover payroll, rent, lab fees, and vendor bills, that confidence disappears fast. You may be turning a profit on paper but still feel cash-poor in real life. It’s the classic “rich in revenue, broke in the bank” dilemma, and it trips up more dentists than you’d think.

**Why It Matters:**

Dental practices carry significant overhead—think staff salaries, dental supplies, equipment financing, and software subscriptions. If you're not tracking when cash actually enters and exits your bank account, you’re at the mercy of timing. Insurance reimbursements might lag behind service dates, while vendor invoices and payroll wait for no one. Without a grip on your cash flow, even a thriving practice can find itself racking up credit card debt or missing payments. It creates stress, damages your credit, and limits your ability to reinvest in the practice when opportunities arise.

**Actionable Tip:**

Start thinking like a CFO. Use a simple spreadsheet or a practice management software with cash flow forecasting to map out your expected income and expenses at least 90 days ahead. Look closely at when your biggest expenses hit—like quarterly tax payments, annual malpractice insurance, or bulk supply orders—and set aside funds in advance. Understanding your “burn rate” (how much money you need to operate monthly) helps you stay ahead of any shortfalls. And if this sounds overwhelming, don’t go it alone—work with your accountant or financial advisor to build a system that works. Predictable cash flow is like clean teeth—it may not be glamorous, but it prevents a whole lot of pain later on.

### **3. Forgetting Uncle Sam Until He's in the Waiting Room**

#### **The Mistake:**

Many dental professionals focus so heavily on running their practice that taxes become an afterthought—something to “deal with in April.” But by the time tax season rolls around, there's often a rude awakening in the form of a surprise five-figure tax bill. That's when Uncle Sam shows up uninvited, metaphorically sitting in your waiting room with a clipboard and a calculator, demanding his cut.

#### **Why It Matters:**

Dentists typically have complex financial profiles: multiple income sources (clinical work, consulting, maybe even rental income), high-ticket equipment purchases, and unique write-offs like CE courses or lab fees. Add staff payroll and benefit plans to the mix, and you've got a tax return with lots of moving parts. Waiting until the last minute means you're likely missing key deductions, misclassifying expenses, and forfeiting opportunities to minimize your liability. Worse, without proper planning, you may fall short on estimated tax payments and rack up penalties and interest.

#### **Actionable Tip:**

Treat tax planning like preventive care—don't wait until something hurts. Schedule quarterly tax strategy check-ins with your CPA or tax advisor. Use these sessions to review income trends, projected profits, and upcoming expenses. Pay your quarterly estimated taxes on time based on those projections. If you're investing in new equipment, consider taking advantage of Section 179 or bonus depreciation to write off large purchases in the current year. Planning ahead allows you to control your tax outcome instead of reacting to it. Think of it this way: you wouldn't let a patient wait a year with a cracked filling—why wait to address cracks in your tax strategy?

### **4. DIY Accounting: A Root Canal Without Anesthesia**

#### **The Mistake:**

As a dentist, you're used to precision, but that doesn't mean you should be balancing your own books at midnight or trusting your cousin Jimmy who “took a QuickBooks class back in college.” Many dental professionals try to save money by doing the accounting themselves—or worse, hand it off to someone with little real experience. What starts as a cost-saving measure often turns into a costly mistake.

#### **Why It Matters:**

Bookkeeping and tax preparation are far more than data entry—they're about interpreting the story your numbers are telling. If your books are off by even a little, it can throw off your tax return, cause you to miss major deductions, or even land you in hot water with the IRS. Dentists have industry-

specific nuances—like how to track lab fees separately, how to properly categorize staff bonuses tied to production, or how to handle insurance write-offs and receivables. A generalist accountant may miss all of that, and DIY software won't tell you what you *should* be doing.

**Actionable Tip:**

Outsource your bookkeeping and tax work to someone who specializes in dental practices. Look for a CPA or financial professional who knows the dental lingo and understands how your practice operates from front desk to operator. They'll help you stay compliant, save money, and free up your time so you can focus on patients instead of profit-and-loss statements. Think of it like referring out a complicated procedure—you *could* attempt it, but you know it's smarter (and safer) in the hands of an expert.

## **5. Neglecting Retirement Like a Wisdom Tooth**

**The Mistake:**

You spend your days helping patients avoid long-term dental issues, but when it comes to your own long-term financial health, retirement planning often gets pushed to the back burner. Many dental professionals assume they'll "figure it out later"—after they pay off student loans, upgrade equipment, or finally hire that second hygienist. But just like a neglected wisdom tooth, your retirement plan can become painful (and expensive) if left unattended too long.

**Why It Matters:**

The truth is, "later" arrives sooner than you think. Without a structured retirement plan in place, you risk waking up one day wondering how you'll exit your practice without working until your hand gives out. Selling your practice can—and should—be a key part of your retirement strategy, but it shouldn't be your only one. Practice valuations fluctuate, markets shift, and timelines don't always cooperate—especially if you're forced to sell quickly due to health, burnout, or family needs. A strong retirement plan ensures that the sale of your practice becomes a bonus, not a lifeline. Without additional savings or diversified assets, your golden years might look more like a budget crown than a polished implant.

**Actionable Tip:**

Start now, even if it's small. Based on your income and whether you have employees, consider retirement vehicles like a SEP IRA, Solo 401(k), or a defined benefit plan if your earnings are high and consistent. Each option has its own tax advantages and contribution limits. Automate your contributions monthly—treat it like another necessary expense, not an optional one. And if selling your practice is part of your exit strategy, start preparing early: get your books in order, increase profitability, and document systems so your business is attractive to future buyers. Compounding interest is the most powerful assistant you'll ever hire—and it doesn't need continuing education

credits. A good financial advisor can help you tailor a plan that grows with your practice and supports a graceful—and well-funded—exit.

## **6. Overpaying for Staff Without Performance Metrics**

### **The Mistake:**

In an effort to attract and retain good team members, many dental practice owners offer generous salaries—especially to front desk staff, assistants, and hygienists. But too often, those paychecks aren't tied to actual performance. You're paying top dollar, but is your team producing top-tier results? Without clear expectations and measurable goals, you might be unintentionally rewarding underperformance—or creating a culture where “showing up” gets paid the same as “showing out.”

### **Why It Matters:**

Payroll is one of the largest line items on your profit and loss statement, and for good reason—your people matter. But when pay isn't aligned with productivity, your practice can quickly become bloated and inefficient. Hygienists who fall behind on re-care reminders, front desk staff who fumble insurance verifications, or assistants who turn 60-minute procedures into 90-minute marathons all chip away at profitability. And over time, you may find you've built a team that's expensive to maintain but hard to hold accountable.

### **Actionable Tip:**

Start by identifying the most critical Key Performance Indicators (KPIs) for each role—such as collections per provider, re-care retention rate, new patient conversions, and case acceptance rates. Share these metrics with your team and explain how their individual performance impacts the overall health of the practice. Use these numbers to guide regular performance reviews, and where possible, tie bonuses or raises to specific, measurable outcomes. Not only does this incentivize excellence, but it also builds a culture of ownership and accountability. Your team wants to do well—just make sure they know what “well” looks like.

## **7. Not Knowing Your Numbers (a.k.a. “Profit? What Profit?”)**

### **The Mistake:**

Many dental professionals spend their days focused on clinical care and patient experience—and that's a good thing. But when it comes to the financial health of the practice, some rely on “gut instinct” or whether there's money left in the bank at the end of the month. They may not look at their financial reports until tax season—or not at all. That's like waiting until your patient is in pain before checking for cavities.

**Why It Matters:**

If you don't consistently review your financials, you're missing out on valuable insights that could make or break your practice. Do you know your monthly break-even point? Your profit margins by procedure? How much you're losing to accounts receivable aging or insurance write-offs? Without this information, it's nearly impossible to make smart decisions—whether it's hiring another hygienist, expanding the practice, or investing in new technology. You're essentially flying blind, and that makes growth risky and sustainability questionable.

**Actionable Tip:**

Create (or request) a simple monthly dashboard that highlights key metrics:

- Production vs. Collections (Are you actually getting paid for what you produce?)
- AR Aging (How long are you waiting to get paid by insurance or patients?)
- Profit Margins (How much are you keeping after overhead and payroll?)
- New Patient Flow and Case Acceptance (Are you growing and are patients saying yes?)

Review these numbers monthly, not just once a year. If you're not sure what they mean or how to use them, that's where your CPA or accountant comes in—they should be helping you interpret trends, identify issues, and spot opportunities. Think of your numbers as your diagnostic X-rays—they might not always be exciting, but they reveal what's happening beneath the surface. And catching small problems early? That's what you do best.

**Ready to Stop Grinding Over Your Finances?**

Let's create a treatment plan for your money. Schedule a free strategy session and let's talk shop (and savings). We'll help you streamline your finances, maximize profits, and future-proof your practice.

**Your financial health matters—just like your patients' oral health.**