

New Taxes on Practice Monetization in 2022 or Earlier?

Proposed New Tax Rate Could be Effective Later in 2021 (not 2022) Your Tax Bill Could Exceed 50%+ with State Taxes. Net Practice Value DROPS by 25% or More Shortly.

The Biden administration's new proposed Long Term Capital Gains tax treatment could be implemented and effective **before** January 1, 2022. Few expect retroactivity to January 1, 2021; however, multiple tax experts are now suggesting that the effective date of the tax increase could be upon its enactment date by Congress, currently presumed to be in the fall of 2021. We have no idea, but for all LPS clients, **this is a multi-million-dollar gamble on timing.**

LPS urges all dentists to fully understand the potential impact on the net value of your practice in 2021 vs. 2022 and beyond. Now may be a time to consider selling a PART of your practice to an Invisible Dental Support Organization. Remain as an owner and continue to lead your practice with your brand, team and strategy for years or decades. Benefit from the resources of a larger partner and have significant potential gains on the value of your retained ownership. This may be the last time to pay only a 20% tax rate on the proceeds.

Monetize in 2021 OR Wait Until 2025 or Later to Get the Same NET Proceeds, After Tax...But Only If You Grow Your Bottom Line 10% Per Year in 2021,2022,2023,2024 and 2025

Many doctors tell us they are too young to need an IDSO partner, or are growing so fast that now is not the time to monetize. But the reality if taxes go up is less money, net, in the next five years. **This is one of the biggest decisions of your life.**

Can you grow your bottom line (EBITDA) by 10% per year, compounded each year, in 2021, 2022, 2023, 2024 and 2025? That is what you must do if you postpone a monetization event in 2021. Otherwise, you will be working for the government for five years. Note: My math for this example assumes you live in a state without taxes; with state taxes, the break-even dates extend to 2026 or later.

Diversification and Risk of Concentration; Your Results in 2020

Smart dentists understand risk and portfolio diversification. However, their financial advisors often forget that your practice is your largest investment. Below compares practice values in 2020, vs. others:

U.S. Dental Practice:	Up/Down: -o- (Thank you COVID!)
Values: S&P 500:	UP 16%
NASDAQ:	UP 43.6%
Gold:	UP 25%
Silver:	UP 48%
Bitcoin:	UP 399%
Residential Real Estate:	UP 12%

Uncertainties on Timing

It takes about six months from becoming an LPS client to closing a transaction. If you are interested in monetizing a part of your practice at today's high values and low tax rates, you need to start NOW. Call or email to set up a call to learn more.