PFM's Wealth Builder Newsletter for Dentists

January 2011

Realise a 66% return on your monthly pension contributions through tax relief and reduce next year's tax bill

The coalition government has announced that tax relief on pension contributions for higher rate tax payers will continue for the foreseeable future. We recommend that dentists take action to maximise tax relief where possible and to reduce their tax liabilities. Higher rate tax relief enables you to make a pension contribution which is added to by Her Majesty's Revenue & Customs and also allows you to reclaim a further amount. This is how it works

Tax relief with a personal pension

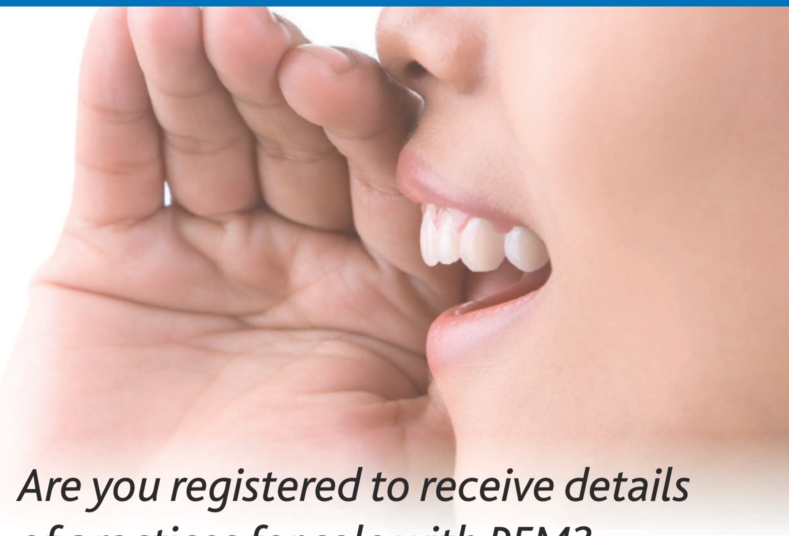
Your monthly contribution:	£500
HMRC adds to your fund:	£125
The gross contribution:	**£625**
You reclaim through self assessment:	£125
Your net contribution:	**£375**

So in summary your total monthly outlay is £375, resulting in a contribution to your pension fund of £625. Without including investment growth this is an effective return of 66.6% every time you make a contribution. Single contributions can also be made.

As you can see the benefits for those making pension contributions are significant. With likely further changes to the NHS pension scheme dentists should ensure that they have a back-up plan for their retirement.

PFM can assess your eligibility to make pension contributions and ensure you make the most of pension tax relief. Importantly this will also encompass a review of your retirement planning and NHS pension. .

Return the enclosed reply card to find out how you can take advantage of tax relief or call 01904 670820 to speak to an adviser.



Are you registered to receive details of practices for sale with PFM?

The demand for dental practices is still very high and profitable practices in good locations are selling very quickly. To ensure that you get a prospectus on practices new to the market as soon as possible, please register on our mailing list (email /post).

Registration is free and we don't insist on paid priority services – everyone on the mailing will be sent details at the same time, although to ensure a fast delivery we suggest you supply your email address. Registered buyers will also receive our regular e-newsletter, with guides on raising finance and invites to our practice purchase seminars.

Contact our practice sales administrator Dawn Smart on 01904 670820 or email dawn.smart@pfmdental.co.uk to register in your chosen locations.

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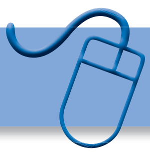
Contact us

tel: 01904 670820 email: info@pfmdental.co.uk
website: www.pfmdental.co.uk



FINANCIAL AND BUSINESS REVIEW APPOINTMENTS AVAILABLE NATIONWIDE
visit www.pfmdental.co.uk

CRITICAL ILLNESS COVER FOR DENTISTS

– going...going...*gone*?

There are very few remaining providers of critical illness cover that offer an 'own occupation' policy for dentists. There is significant risk that if these insurers decide to exit the market it may no longer be possible to get dental specific cover.

These policies can be misunderstood. In summary the policy is intended to pay out if you suffer from one of the defined illnesses covered by the insurer which should include if you permanently can't work as a dentist. Cover is typically used to insure a mortgage or loan liability. Unfortunately dentists are seen as 'poor risk.' This is largely because there are so many health conditions which can lead to an inability to practice, combined with what is acknowledged as a mentally and physically demanding job. Policies sourced through a comparison website or your bank are unlikely to be 'own occupation.'

So what about claims?

One of the insurers in question (Scottish Provident) published claims statistics showing that over £93 million of claims were paid in 2009. The average age of the claimant was 46. A critical illness policy is more expensive than life cover because the likelihood of claiming is far greater. As with most health related insurances the premium is directly related to your age. As some insurers offer guaranteed premium rates it is possible to apply now and ensure your premium is 'locked into' rates at the time of application.

A male dentist applying at age 30 would pay £27.13 per month (£150,000 mortgage cover for 25 years). Leave it 10 years and the premium for exactly the same cover jumps to £65.82 per month. This is a £11,607 difference over the 25 year term!*

So there are 2 reasons to apply now: Firstly there is a risk that the last remaining dental specific insurers leave the market place and secondly the premium will increase for every year you delay your application.

** Decreasing life and critical illness mortgage cover. Non- smoker rates as at 2.12.2010.*

Return the reply card or call 01904 670820 to apply for critical illness cover or review your existing cover.

Investment conditions - AN UPDATE

Investment markets continued to improve during 2010 and the FTSE 100 index (100 largest UK companies by value) currently stands at the highest level since May 2008, some 70% higher than the low of March 2009.

In reality most of our clients will invest for the medium to long term, especially where pensions are concerned. An investment in the FTSE 100 in January 1991, has returned on average 7.4% pa to date (excluding reinvested dividends!), well ahead of the lower risk alternatives. This growth includes several years where share markets were falling in value.

If you would like to take advantage of this through pension or ISA contributions please return the enclosed reply card or call 01904 670820.

Practice Purchase Seminar Yorkshire – 9 March 2011

PFM are pleased to invite associates to a practice purchase seminar in Leeds on 9th March 2011. We have brought together experienced and specialist speakers who will cover the following issues facing dentists intending to buy a practice.

Goodwill and finding the right practice

Experienced practice valuer and practice sales agent, Martyn Bradshaw, of PFM will cover the subject of goodwill, guidance on what financial strengths or weaknesses you should look for in a practice and provide a practice market update. Martyn will cover various purchase options including buying into a partnership and sole ownership.

Legal aspects of buying a practice

Dental solicitor, Graeme Burn, has over 30 years of experience of advising dentists on the legal aspects of purchasing a practice. Graeme will cover issues such as the transfer of NHS contracts, partnership arrangement and PCT requirements.

Finance options and applying to the bank

Graham Scott from Lloyds TSB's *healthcare lending division* will cover the bank's dental lending criteria, lending limits and how to best present your finance application.

The seminar starts at 6 p.m. and finishes at 8 p.m. and a buffet supper is included. The cost of the seminar is £15.00. To book your place now, please email your full name, address and telephone number to mandy.wraige@pfmdental.co.uk or call Mandy at PFM on 01904 670820, early booking is advised.

Buying a practice? – How we saved a dentist over £45,000.

Financing a dental practice purchase has become more difficult since the banking crisis of 2007. For example RBS/ Natwest now require a 10% deposit (or security) and loan interest rates have increased despite the drop in the Bank of England's base rate. Therefore it is important to ensure that you get the lowest interest rate possible.

PFM can undertake a lending report for you to ensure that the most competitive interest rate and terms are achieved. We feel these are best achieved by providing the most comprehensive information to the proposed lender. Furthermore because we are well known to the healthcare lenders we can ensure that you are offered their best rate.

Recently a dentist who approached their bank directly was offered an interest rate 0.85% higher than could have been otherwise achieved. We were able to intervene to reduce this, saving the dentist over £1,800 pa for 25 years (a potential saving of over £45,000!).

Once your lending report has been produced this will be sent to each of the major healthcare banks, who will offer their most competitive interest rates. This ensures that you do not need to apply to each of the banks individually and allows us to undertake the work. As we negotiate a number of finance deals every month we can ensure that you get the most competitive rates and terms.

If you have found a practice (whether through PFM or not) please contact us to negotiate your finance. For finance negotiations we do not make a charge, and receive a procuration fee from the lender although this does not affect the rate or cost to you.

You can make an enquiry online by using the contact us button at www.pfmdental.co.uk or calling 01904 670820

Q&A

MORTGAGES AND INCOME PROTECTION

Q Several high-street banks won't offer me a mortgage because I don't have 2 years self-employed accounts. What can I do to get on the property ladder?

A This is a common problem for dentists within 4/5 years of qualifying, attempting to buy their first home. Most mortgage lenders will expect you to have at least two years accounts to verify your income. This means that your mortgage application is likely to fall at the first hurdle. To add insult to injury, mortgage lenders you approach will pick up previous applications whilst viewing your credit history. This is often called the 'rejection spiral.'

So what can you do to overcome this problem? Approaching a lender who understands your career path and remuneration is vital. There are mortgage lenders who will accept a letter from your practice principal confirming your estimated income as an effective alternative to a comprehensive accounting history.

Keeping your credit history 'clean' is important as lenders now rely heavily on credit scoring. It will enhance your credit score if you are registered on the voters' role and you should keep financial institutions informed if you change address.

Specialist advice is important here. The average mortgage broker is unlikely to advise dentists on a regular basis. A mortgage adviser who only deals exclusively with dentists will be aware of the lenders who offer some flexibility in their lending criteria.

Q I signed up for an income protection policy when I qualified but I'm not sure if this is the right policy for me. Are there any alternatives I should consider now that I am an associate?

A It is common for dentists to take out an income protection policy on graduation as several companies offer discounted premiums for newly qualified dentists. What these companies don't offer is independent advice on which policy is the most suitable. Several things happen that will affect your income protection needs if you become a self-employed associate:

- You lose NHS sickpay benefits
- Your earnings are likely to increase, perhaps leaving the level of cover to be less than adequate
- You may have increased fixed outgoings such as a mortgage or car loan.

You should review the level of cover and consider if this would be enough to sustain the cost of living in the event that you can't work due to ill-health. It may be appropriate to increase the level of cover with your existing insurer, although it is better to seek independent advice on this. Most dentists will have signed up to a 'reviewable premium' contract, which is likely to become more expensive as you get older. You should consider alternative insurers offering 'guaranteed premium' rates.

Many dentists pay for immediate or 'day one' cover but actually could manage absence for a short number of months. By extending this 'deferred period' premiums for an increased level of cover may be more affordable.

Beware of internet comparison sites as they won't filter out non-dental income protection policies, so seek specialist independent advice from an adviser who deals exclusively with dentists. Good quality insurers will offer additional features such as 'career break' options and winter sports cover.

If you need specialist advice on mortgages or income protection then contact PFM for advice by completing our enclosed reply card calling 01904 670820 or by visiting www.pfmdental.co.uk

Your home may be repossessed if you do not keep up payments on a loan secured against it.

PFM's Advisers - please see their individual profiles at www.pfmdental.co.uk


David Leaf


John Fearn


Paul Newsom


Martyn Bradshaw


Jon Drysdale

The information in this newsletter is based on our understanding of law and HMRC practice as at January 2011 and is subject to change

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