



Module 1

Debt Elimination & Accumulating Reserves

Financial Control Objectives:

1

ELIMINATION OF DEBT:

Complete elimination of debt and achievement of permanent long-term solvency

2

ACCUMULATION OF RESERVES.

Untouchable reserve funds

Actions for execution:

- a) STAND ALONE RESERVES BANK ACCOUNT: Establish a “stand alone” new bank account where all business funds are deposited. If you already have an account for personal reserves, then use the one you have.
- b) NAMING THE NEW RESERVES ACCOUNT: The account is a CFO Accounting and P&L Management Account. This account charges 10% of all deposited funds that go into the office operations account for financial management of the office.
- c) ALLOCATION & BUILDING RESERVES: The office Operations Account is where all income for the office is deposited. It has 2 functions:
 - i. 10% of all weekly deposited funds into the office Operations Account are transferred to the CFO Management Account. This is the FIRST action done every week (or bimonthly depending on you accounting procedures).
 - ii. 90% of all remaining funds are used for all office operating expenses (rent, utilities, payroll, lab and supplies fees, equipment leases, etc.)
- d) DENTAL OFFICE OPERATIONS ACCOUNT: 5% of the dental office operations account is set aside as office reserves. All remaining funds, after the 5% has been set-aside, is used for payment of all office expenses: rent, utilities, payroll, CE and staff training, bonus sums, etc. The USE of the 5% reserves are for purchase of new equipment, office upgrades, additional marketing projects and for other office expansion necessities .
- e) SIGNATORY REQUIREMENTS: The “CFO Management Account” has two signatories on that account. This prevents personal reserves from being used for anything other than the stated uses of this account.

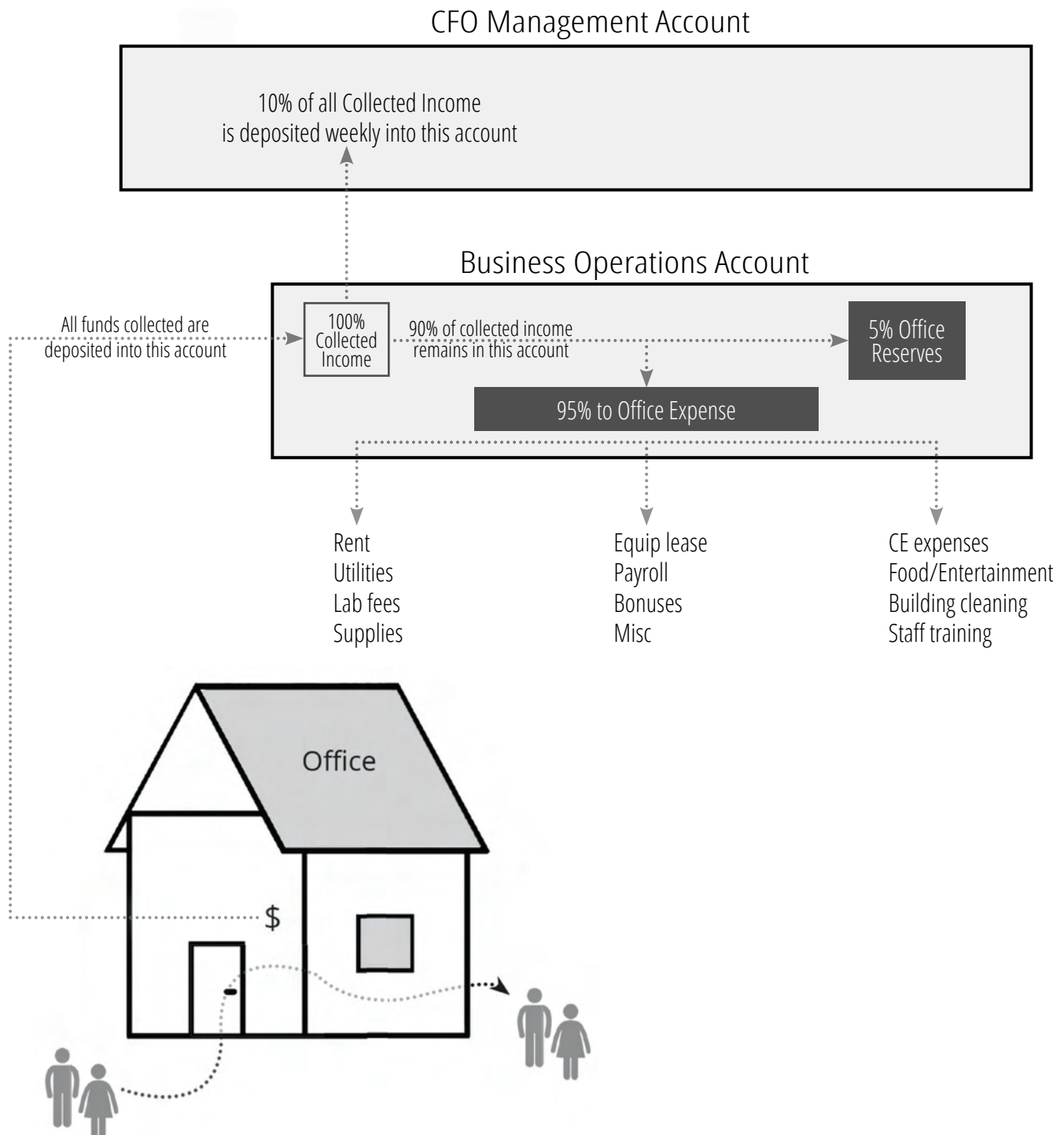
The above requires a Zoom call to establish the 4 factors for long-term finance control and stability.

Goals: Don't focus on what you are up against. Focus on your goals and ignore the rest.



Module 1A

Personal Financial Control—The Structure



NB: Usage of the 5% Office Reserves: These funds are used first to pay any back bills. Once back bills are paid, the funds accumulated are used for equipment purchases, office improvements, expansions projects, i.e., adding operator(ies), update office design, marketing pilots, etc.



Personal Financial Control—Definitions

Why the “Stand Alone Account” is Used & Named

The Stand Alone Account is named “CFO Management Account” to create an entity (“person”) that is paid 5–10% as a management fee for overseeing the finance, accounting, legal and CPA. The 5–10% is a mandatory bill, paid weekly. No different than a mandatory bill for rent or utilities.

Purpose of CFO Management Account:

The CFO Management Account only has two unalterable purposes, which are:

- 1) Accumulate untouchable reserves
- 2) Allocate all remaining funds to the office Main Account for operational expenses.

The “Reason” for Two Signatories on the CFO Management Account

The reason for two signatories not only makes it more difficult to spend funds from this account, but it requires agreement between the two signatories for correct use of the reserves.

Only Use of CFO Management Reserves

The CFO Management Account accumulates reserves each week, month and year. The funds rapidly grow as they are untouchable for any business or office operations. The reserves however have a CORRECT usage, which are as follows:

- Purchase of a building for the office. If the building is not paid for in full from the reserves, then all future mortgage payments are paid by the office main account, as an expense for rent.
- Purchase of a home for personal use. If the home is not paid for in full from the reserves, then all future mortgage payments are paid by personal salary received from the Operations Account.
- Use for personal IRA or 401K.



ACHIEVING PERSONAL RESERVES THE LAWS

There are irrevocable rules to accumulate a personal reserves. They are accumulated only from two factors, which are TIME and DISCIPLINE. Time accumulates reserves but only with a strict discipline of abiding to THE LAWS OF RESERVES..

1

LAW #1: CFO Reserves are never spent. They ONLY accumulate.
They accumulate only in cash, IRA, 401K or business building and/or personal home.

2

LAW #2: Never, never look at CFO Reserves as a “resource” to solve business problems.

3

LAW #3: Use extreme discipline to follow Rule #1 and Rule #2 and personal wealth will grow.

4

LAW #4: Never use your personal home or office mortgage as collateral or to obtain a new "lower interest" mortgage. (NB: if the mortgage on the home or office is less than 5 years and lower interest is obtainable to reduce monthly payment, then move forward to do obtain the lower interest.



Module 1D Targets

Financial Control Targets

The purpose of this module is to accumulate untouchable reserves. Below are the targets to complete for this module. Refer to [Diagram in Module 1A, Personal Financial Control: The Structure](#)

- 1** **Open a “Personal Reserves Account” and name it the CFO Management Account.**

If you already have a reserve account, then us it and just rename it.
- 2** **Require Two Signatories**

Choose a 2nd signatory on the CFO Management Account. A spouse or trusted close family member.
- 3** **Deposit all funds into the Office Operations Account**

All insurance, credit cards, care credit, lending club, checks and cash are deposited daily into this account.
- 4** **Determine the % of the weekly Operations Account to be transferred to the CFO Management Account.**

(minimum of 5%-10%, strong recommendation is 10%)
- 5** **Each week, transfer 10% of the total Operations Account deposits into the CFO Management Account**
- 6** **Office Operations Account**

The Office Operations account pays all office expenses (weekly or biweekly depending on your office payroll period), i.e., rent, utilities, lab costs, supplies, administrative costs, payroll, marketing expense, CE/training, etc.
- 7** **Office Operations Account–5% Office Reserves**

5% of all funds remaining in the Operations Account (after transfer of funds to the CFO Management Account), go to Office Reserves. The 5% is use foremost to retire any back bills. If no back bills exist, these funds accumulate and are used for purchase of office equipment, upgrade of office and expansion projects.



Module 1D Targets Continued

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Analysis of Overhead against Industry Benchmarks

Using Module 1E, office expense standards, do each of the steps below

Industry
Standards

Your
Office

- a) Add the total payroll sum (including taxes) for 4-month time period.
- b) Add the total supplies cost for 4-month time period
- c) Add the total lab costs for 4-month time period
- d) Add all marketing costs for 4-month time period
- e) Add rent/lease costs for 4-month time period
- f) Add the operational, general and administrative costs for 4-month time period.
(I.e., utilities, computer, Internet, lunches, etc.)

25 %

_____ %

4-5 %

_____ %

8 %

_____ %

6-8 %

_____ %

8 %

_____ %

9-10 %

_____ %

Divide the total added for each of the categories (a through f above) by the collected income for the same time period. Enter the % for each category for a comparative to the industry benchmark.

Total Office %
Overhead _____

9

Posting Statistics & Measuring Results

Make graphs for both Accumulation of Reserves & Elimination of Debt—See Module 1F.

10

Any Category with Excessive or Higher % than Industry Standard

If the office % in step 8 above is a higher percentage, then request an analysis to remedy the situation.



Office Expense Benchmarks

The dental industry has metrics, or standards for office expenses and overhead. These benchmarks are easily violated costing not tens of thousands in lost income, but hundreds of thousands and millions over a time period of 10+ years.

The following benchmarks, in terms of average percent overhead, are comparatives against your current expenses:

- 1 Payroll:** Payroll well controlled runs at 22% to 26%
- 2 Supplies:** Dental Supplies well controlled run at 4% to 5%
- 3 LAB Costs:** Lab costs well controlled run close to 8%
- 4 Marketing:** 5–8% depending on new patient volume and size of database.
- 5 Office Rent/Lease:** Rent/lease average should run 8%. It runs between 6% to 11% depending on metropolitan vs Suburb vs Rural areas
- 6 Operating, General & Administrative Expense:** This runs 9% to 10%.

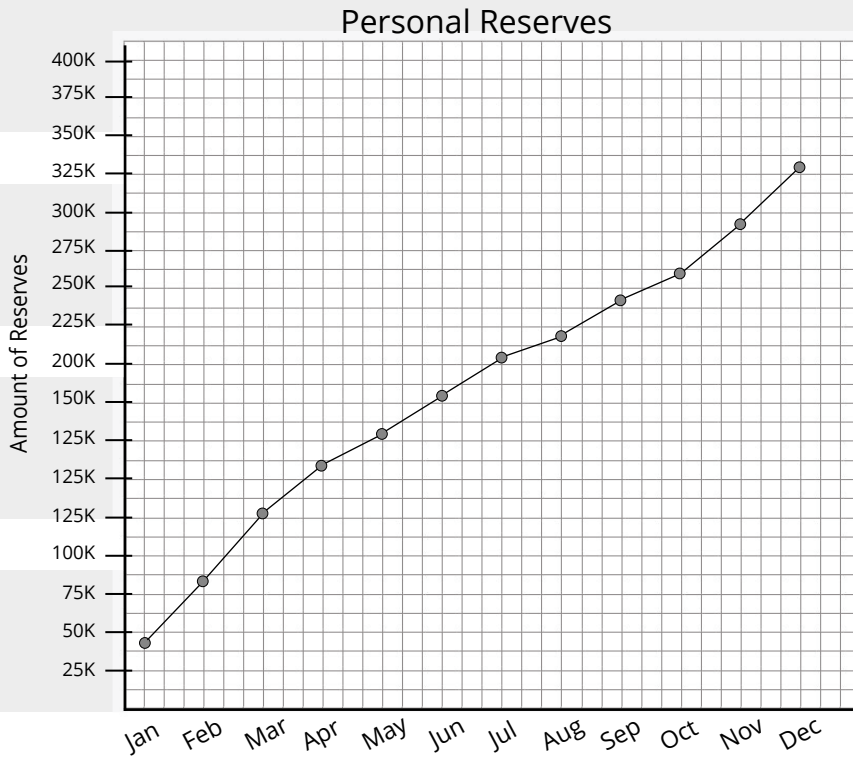
Total Expenses: 60% (give or take 2%)



Module 1F Measuring Results

Statistics, Measuring Results

There are two key statistics to measure results. The two statistics are: 1) Increasing Personal Reserves, and 2) Reduction of Debt until eliminated. The following are the two graphs used for results of this module:



Accumulation of Reserves
(from 5-10% of CFO Management Account)

Debt Elimination
(from 5% of Operations Account)

