



Creating An Emergency Plan For Your Practice: Following These Steps To Protect Your Practice Value If Emergency Strikes

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What would your practice be worth if you weren't there? For a week? For three months? Forever?

The value of every dental practice is ultimately based on the consistent flow through of patients and cash. Great and growing flow equals great value. In turn, a disruption in that flow caused by an emergency can lead to decreasing value. But mitigating this risk is relatively simple, and well worth your investment and time.

To illustrate how to make an emergency plan, consider the example of Simon Smith, a practising dentist. His office was buzzing with patients until a cycling accident abruptly took Simon away from work. The lack of an emergency plan created chaos. Patients were frustrated because of abrupt cancellations without explanation, employees were not paid and the bank downgraded his loan, leading to a rate increase. Months later, Simon met with a business valuator and found out that his practice lost 30 percent of its value.

These problems are avoidable. Use Simon as an example and learn about the steps of making an emergency plan.

UNDERSTAND WHAT IS AT RISK

A recent study determined non-financial (including business value) assets account for nearly two thirds of business and practice owners' total assets. Non-financial assets account for only one third of employees' total assets. This means most of business owners' wealth is tied up in their business or practice.

Simon's action: Simon documents and updates his personal net worth statement regularly. As part of this, he works with his accountant to understand what tax would be payable on his estate, and to ensure that he has the right types and amounts of insurance for practice continuity and estate planning.

BE CLEAR ABOUT YOUR INTENTIONS FOR HANDLING UNPLANNED ABSENCES

Determine who is in charge if you are not there and what they should do. Creating

a step-by-step action plan for dealing with patients, suppliers, bankers, professional advisors and family minimizes disruption to patients and cash flow.

Simon's action: Simon designates members of his staff to take certain roles in case of emergency. His receptionist is responsible for connecting with patients and suppliers and one of his dental hygienists communicates with bankers and advisors and family members.

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CREATE A SIGNING AUTHORITY SYSTEM FOR EMERGENCY SITUATIONS

If an emergency happens and you cannot sign documents, you risk missing bill payments or payroll. To avoid this, create a "two out of three" signing authority policy. If only one person can sign off, you could miss bill payments or payroll.

Another option is creating a well-written Power of Attorney to grant authority to someone trusted and allow them to make decisions on your behalf when you are unable.

Simon's action: Simon creates a two out of three-signing authority policy, designating two other staff members as the other signers. He also meets with his lawyer to work through a detailed Power of Attorney plan.

CONSIDER YOUR FAMILY'S PROTECTION AND WHAT THEY NEED TO KNOW

Stress runs high in emergency situations. You can ease the tension by sharing your



plans and wishes with family members ahead of time, providing your family with a simple roadmap to follow.

Simon's action: Simon develops a plan in case of absence and compiles that in a folder with important documents like insurance, powers of attorney and a will. He shares this with his family, his staff and his professional advisors, as appropriate, to ensure these documents are accessible if needed.

Regardless of the life stage of a practice, the simple step of putting a plan in place for ensuring continuity if you were away for a short or long term, protects your practice and your family.

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