

People always seem to assume that dentists can never be short of money. This is simply not true, so if you are experiencing financial difficulty, rest assured that you are not alone.

It can feel like you have no way out, but facing the problem will make things much easier, though it is tempting to sweep it under the carpet.

# Money Problems

You may be short of money because of any, or a combination of the following factors:

## 1. Your expenses are higher than your income.

It is important for you to sit down and analyse your expenditure. Sometimes, this can be hard to face – enlist the help of your accountant. You will be amazed how much there may be that you can cut down on. The key rule to managing your money effectively is to live within your means. You do not want to get into the downward spiral of borrowing to maintain your lifestyle on a regular basis. People often fall into this trap when interest rates are low without considering the impact on their finances when interest rates go up again.

## 2. Your income has gone down because of a drop in patients or similar.

If previously, when your income was higher, you found that you were able to live within your means, but now income has dropped you find that you can't, you may not have much in the way of expenditure that you can cut, but analyse your expenditure anyway. If this is likely to be a short term situation (as is usually the case) you may not really want to change the way you live or your life style, but should save a short term loan as a last resort. Explore the following avenues:

- Assess if there is something you can do about your current situation. Why have patient numbers dropped? Again, your accountant should be your first port of call here.
- Assess if you need to make a change to your situation. For example, if you are working as an associate at a practice which is fighting competition from a new practice nearby and you can tell you are on a sinking ship, perhaps now might be a good time to move.
- You have had to take a lot of time off work due to illness.

Unfortunately, if you do not have a good income protection policy or similar – there is not much you can do here. Hopefully, no readers are actually in this position yet and hopefully will never be, but if there is one thing you take away from this article, it should be to ensure you are adequately protected in the event of illness. There are many types of policies around – some of them not even worth the paper the policy is printed on, so make sure you go for the most suitable one. Get a financial planner to help you (and make sure they are qualified and independent, like our senior partner, Mac).

If things get really bad, to the point where you are not able to pay your bills, you could find yourself in a tricky position if one of the people you owe money to (more than £750) applies to have you adjudged bankrupt. If the court agrees, control of your property immediately passes to the official receiver. This is everything you own (including things that may not be so obvious like some pension funds) except any tools for your trade, clothing and other necessities needed by you and your family and property held on trust for someone else. If you own something in joint names with someone else, that will then be owned by the other person and the official receiver.

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A trustee in bankruptcy is then appointed whose role is to collect all of your property and use it to repay your creditors using a set priority order as follows:

1. Expenses of the bankruptcy (fees!)
2. Remuneration owed to employees for up to 4 months.
3. Any other unsecured debts (like tax!)
4. Interest on debts since the bankruptcy order.
5. Debts to your spouse or civil partner (assuming they are still talking to you!)

Usually after a year, you will be discharged, though if it is felt that you behaved irresponsibly or recklessly a bankruptcy restrictions order may be imposed on you for anything between 2 to 15 years after you have been discharged.

Secured creditors have a legal charge over their secured debts and so obviously get priority.

While you are bankrupt, you obviously can't deal with your property because it no longer belongs to you.

There are four alternatives which are more "pleasant" than full on bankruptcy:

### 1. Individual Voluntary Arrangements (IVAs)

- You can make a proposal to your creditors (through the courts) to pay all or part of the debts. This is cheaper than bankruptcy, you are closely involved and the restrictions of bankruptcy are avoided. Useful.

### 2. Debt relief order (DRO)

- If you have a low income (£50 disposable income per month after allowing for tax and normal household income) little or no assets (max allowed is a car with a value of £1,000 and other assets of less than £300) and have qualifying debts of less than £15,000. You basically get a period of a year during which all named creditors cannot take action to recover their debts. At the end of the year, if your circumstances have not changed, you will be freed from all the debts that were listed in the order.

### 3. An informal arrangement also known as "a family arrangement"

- the downside here is that it is not legally binding so creditors could ignore it at any time and go for the full debt.

### 4. Administration orders

- If you are in receipt of a regular monthly or weekly income (usually a salary or wage) and have total debts of less than £5,000, you can make regular payments to the county court which then arranges payments to your creditors.

If you go for an IVA or an administration order, you may well find yourself subject to full on bankruptcy proceedings.

### How to get help:

Your accountant should be able to help you or point you in the right direction, but if you do not have one, try the Citizen's Advice Bureau or any of the following:

1. National debt line – 0800 808 4000
2. Debt advice foundation – 0800 043 4050
3. Consumer Credit Counselling Service (CCCS) – 0800 138 1111

### Last thoughts:

1. However tempting it is, do not succumb to payday loans, or one of those heavily advertised loans on TV promising to consolidate all your loans into one simple loan. You will only dig yourself deeper.
2. Don't pretend everything is ok when you know it is not. We all experience some form of financial difficulty at some point in our lives and no one will think any less of you if you admit there is a problem.
3. Ask your friends and family for non financial help – you will be under pressure trying to resolve your finances so help with things around the house and looking after the children will help you and they will be glad of a way to relieve your stress.
4. Talk to someone you can trust about your personal feelings. You will get through this but the last thing you want is to make yourself ill or depressed. Speak to someone you trust or if there isn't anyone you feel comfortable with, see your GP.



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is a Chartered Accountant, with Mac Kotecha & Company, where she and the senior partner deal exclusively with dentists and have been established for over 28 years. They offer Accountancy, Taxation & Payroll services in addition to invaluable advice on practice management, buying/setting up a practice and other dental issues.

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