

# It's a Whole New Ballgame

by STEVE WOLFF, DDS

With the start of the baseball season upon us, and dental school graduations not too far behind, it seems fitting to use the sports idiom to set the stage for the topic I'll present. In the modern era of dentistry, it

would be difficult to find a time when the demographics and circumstances surrounding those nearing the end of their career was so different from those just starting. Commonly referred to as Baby Boomers (born 1946 to 1964) and Millennials (born 1992 to 2003ish), these generations' attitudes about lifestyle, economics and practice models couldn't be more different. This article will provide some background for our current circumstances and will discuss some of the generational differences and what affects they may have on career paths and practice transitions.

Up until now, the '70s were the high point of dental school enrollment, with the class of 1978 starting with more than 6,300 students. The Federal Government's determination a decade earlier that the U.S. population was going to suffer a severe shortage of dentists precipitated a move towards expansion of both facilities and class size in order to meet that demand. That decision was further facilitated by the capitation of dental school tuition and training, making the cost of a DDS or DMD diploma unbelievably affordable.

Classes of the '70s were much larger than before as exemplified by my class at the University of Missouri at Kansas City (UMKC). We started off with 162 students and eventually graduated 160. Nearby University of Nebraska (UNMC) had 65 students in their class and with Saint Louis University (SLU) throwing in a couple of dozen more for good measure, the total number of graduates was around 250, of whom

only a handful were women. Times have changed as somewhere about halfway through the decade, the Feds decided that they might have slightly overestimated the need for new dentists and that maybe their generous support would need to be tapered back. Thus began the shift that has brought us to the circumstances of the current graduation classes.



With SLU no longer in the picture, UMKC and UNMC (both schools I have good and ongoing relationships with, and therefore have access to the most data about) combined will graduate about 145 in the Spring of 2016 or about 40 percent fewer than in 1977. The national ratio of men and women graduates has remained steady for the last few years at almost 50/50. However, even as the new ATSU campus in Kirksville comes on

line and other Midwestern schools share a few of their graduates, we still will have fewer new doctors than the number who are ready to leave their practices.

Another game-changer is the aforementioned increase in the cost of a dental school education. While I am almost ashamed to admit what my student loan debt was upon graduation, I will tell you that my monthly payment was \$27.10, paid out at 3 percent interest for nine years and 11 months. Current discussions with recent or soon-to-graduate students suggest that their average loan debt will be in the \$250,000-\$275,000 range with some approaching \$300,000. While we occasionally find students outside of that range, their debt obligations—which come due and payable six months after graduation—will now drive the where, when and how new graduates enter private practice.

Some of the generational financial and cultural differences that now come to the surface include:

- Cruising the dental school is not likely to produce a buyer for your practice. Unlike the classes of the '70s in which anecdotal evidence would suggest that 60-75 percent of the class went quickly into private ownership of a practice, less than 5 percent of the current grads will own a practice in the first year of their career.
- Similar to the demise of the classified ad section of a newspaper, traditional methods of marketing a practice for a new owner have proven to no longer be very effective.
- Very few new docs can afford to “hang out their shingle” and hope to meet their cash flow needs. The slow development of revenue in either a start-up or associate role is not feasible. In a practice with 60 percent overhead, more than \$100,000 in annual collections will be needed to service just the after-tax costs of their student loan debts.
- Most of you do not have practices large enough to share for very long with a recent graduate who needs steady and substantial income. The plan to “bring somebody in” hoping that they will one day take over your practice in an anachronism from the '70s.
- The more balanced ratio of men and women in dental school classes is a good thing and our sales data reflects a nearly equal number of men and women buyers.
- Due to the huge class sizes each year for over a decade, graduates of the '70s spread out all over the Midwest (large towns and small) in order to find an opportunity to practice and raise their families. We notice now that as a general rule the Millennial spouses are less “portable” than spouses of the '70s and less willing to relocate to more rural areas, further skewing the distribution of available services in our market.
- New graduates are being driven into what are collectively referred to as Corporate Dental Practices, not because they necessarily choose that style of practice but because they offer immediate production and revenue.

- In spite of the fact that there is currently a bit of a “Sellers’ Market” for quality practices in metro areas, simple math would suggest that nearly 40 percent of the Baby Boomer docs will not find a successor to their practice and should make their financial and retirement plans accordingly.

Our experience suggests that the profession is in good hands. We find the current digital generation of practitioners to be no less professional or entrepreneurial than their analog predecessors. Times have changed though, and the old ways of prolonging practice legacies need to be reconsidered. *f*



**DR. STEVE WOLFF** (UMKC 1977) is a partner in ADS MidAmerica Dental Practice Sales (ADS Dental Transitions), which is an endorsed company of the MDA. ADS provides practice transition services for dentists looking to buy or sell a practice in the state of Missouri.

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## MDA “STUDENT DEBT” AD HOC COMMITTEE COMMENCES WORK

According to a recent ADEA (American Dental Education Association) snapshot for 2015-2016, average 2015 educational debt for dental student grads is \$255,567 (educational debt equals sum of undergraduate college and dental school debt). Of those, 12% have no debt, 27% have less than \$200,000, 27% have \$200,000 to \$300,000 and 34% have more than \$300,000.

These staggering numbers are why the MDA has created a Student Debt/Loan Forgiveness ad hoc consisting of students, new dentists, dental school deans and interested dental practitioners with multiple years of practice, to address all ideas, concepts and programs available related to debt and loan forgiveness.

The ADA and MDA see this debt as a major hurdle for new dentists making practice and life decisions. The ad hoc recently met and the concentrated focus has been set toward the creation, expansion and promotion of loan forgiveness programs. The ad hoc is continuing to research various state and federal programs and discuss possibilities for change. Under the direction of Dr. Cheryl Haley, committee chair, a report with recommendations for further support and action will be brought to the MDA Board at its April 2016 meeting.

## DID YOU KNOW



### Congress cut Social Security benefits by \$11.41 billion in 2015.

The Bipartisan Budget Act passed December 2015 eliminated the Social Security (SS) filing strategies called “File and Suspend” and “Restricted Filing”. However if you were 62 or older by the end of 2015, you still may be able to collect spousal benefits if you act before April 29, 2016.

*Contact MDIS for a SS Optimization Report that tells you when and how to file to maximize your lifetime SS benefits.*

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