

JCO Orthodontic Retirement Survey

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The JCO Orthodontic Retirement Survey questionnaire was mailed to 633 orthodontists who were selected at random from among JCO subscribers. There were 289 responses—a 46% response rate. The average age of the respondents (Table 1), 49, is consistent with the average age reported in the JCO Orthodontic Practice Studies.

Financial Security

In reply to the question, “Do you feel your financial position will afford you a comfortable retirement?”, 92.9% of the respondents said “yes”, and 7.1% said “no”.

The following are typical of the comments of those who said “yes”:

- “Planning and saving. Living within my means.”
- “I planned ahead and found out early about the miracle of compounding interest in a tax-free retirement plan.”
- “I started saving 10% of my income a year from the outset of my practice.”
- “I have diversified my investments.”
- “I have taken care to save as much as possible early on and I pay off my debts in full as soon as possible. I also invested earnings in solid investments providing good returns.”
- “Systematic investments.”



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**TABLE 1
SELECTED VARIABLES
(MEANS)**

Age (years)	49.1
Number of years in practice	19.2
Projected retirement age (years)	61.9
Projected number of years until retirement	13.4
Projected number of years in practice at retirement	31.4

- “Selling my office building will be a big help or continuing income as rent from buyer of my practice.”
- “I have funded my pension and profit-sharing plan fully from the start.”
- “I took assets out of my practice with a service company and am more financially secure for retirement.”

The following are representative comments from those who said they would not be able to afford a comfortable retirement:

- “I haven’t had a good retirement plan. Two divorces and a desire to enjoy life while I can have left me unprepared to retire.”
- “I lost too much money in bad investments.”
- “Poor planning, procrastination, one divorce, five kids.”
- “Started saving too late.”
- “I never began to save.”
- “What we thought would be sufficient for retirement isn’t going to be enough to maintain our current lifestyle.”

Transition Planning

Responding to a question on how they expected to dispose of their practices, 27.4% of the orthodontists planned to sell their practices outright, 66.8% expected to take on associates or partners with buyout agreements, and 5.8%

planned to phase out of practice, completing their current patients.

Attitude Toward MSOs

When asked if they would consider joining a management service organization with the expectation that it would arrange a transition, 80.4% said “no”, but 19.7% said “yes”, including 3.2% who were already affiliated with MSOs.

Typical replies of those who said “no” were:

- “I am philosophically opposed.”
- “For a younger practitioner like myself it doesn’t make any sense.”
- “I want the freedom to call the shots and make the decisions.”
- “At this time, I don’t think there is an advantage to joining an MSO because of loss of control of the practice and being forced to have a higher volume practice than I could adequately care for.”
- “I already have a partner.”
- “This is all about money—putting money ahead of the patient’s best interest.”
- “I don’t want to pay 17% of my gross, which is 34% of my net, for things I know already.”
- “I can handle my own affairs.”
- “I don’t believe the MSO arrangement is in the best interest of the future of orthodontics.”
- “The reason for their existence is to provide a profit for shareholders and not the quality of care.”
- “There is absolutely no reason to add another tier to health care.”
- “I see it as the difference between a job and a profession.”
- “I have worked hard to build a high-quality, low-volume practice. This does not fit in with the financial strategy of MSOs.”
- “I don’t want to complicate my life by having to answer to anyone.”
- “I fear insurance company or other conglomerate buyout of MSOs will ruin the profession.”
- “The premise of receiving a high multiple for your practice and then paying it back over five years is ridiculous.”

- “The stock concept seems risky.”
- “At present, the contracts require too long an employment period and too high a reliance on future stock price.”
- “Why work longer hours at a reduced fee schedule just to make enough dollars to pay my ‘manager’ whom I don’t need anyway?”
- “I don’t think an MSO could improve my practice any more than I have, working with various consultants.”

Typical responses among those who said they would consider joining an MSO were:

- “I will consider anything that could benefit me and my practice.”
- “Because I can’t find a buyer for my practice.”
- “I am a member. This has been a very positive experience. We are starting more patients with an affordable fee plan. We are providing excellent treatment.”
- “I would be able to leave the practice with no financial strings attached. I would not have to act as the bank, hoping that the new orthodontist will be able to pay me back over time.”
- “Only within five years of retirement.”
- “If it helps in the transition of the practice.”
- “As an exit strategy.”
- “If they offered me a good enough deal.”
- “I feel that an MSO has the advantage of manpower to find an associate. Also, if I become ill, the MSO will have a better chance of finding a replacement, since we are one big team.”
- “With the number of orthodontists my age getting ready to retire, any help in finding a buyer would be nice.”
- “To avoid possible loss of asset value of the practice in the event of illness or death.”
- “The support of fellow members has been great.”

As might be expected, the oldest practices showed the greatest interest in MSO transitions, but the nearly 20% affirmative reaction to MSOs across the board is noteworthy.

Selling Price

The mean expected selling price of the practice (as a multiple of one year’s gross

income) was one times one year's gross, with a range of .5 times to 1.5 times.

Transition Time

The average transition time was expected to be two years, with a range of .25 to 5 years. Further, more than 80% of the respondents indicated that they would look forward to a reduced work schedule during the transition.

TABLE 2
PROJECTED RETIREMENT AGE*

Age (years)	No. of Respondents	Cumulative Totals	
50	5		
51	2		
53	1		
55	29	37 (12.8%)	
56	3		
57	7		
58	10		
59	9		
60	59	88 (30.5%)	125 (43.3%)
61	8		
62	27		
63	7		
64	6		
65	58	106 (36.7%)	231 (79.9%)
66	3		
67	7		
68	4		
69	1		
70	11	26 (9.0%)	257 (88.9%)
71	1		
73	3		
75	1		
76	1		
80	1		
85	2		
87	1	10 (3.5%)	267 (92.4%)

*Mean retirement age = 61.9.

Note: 22 respondents (7.6%) did not indicate plans to retire.

Retirement Age

Close to half of the respondents said they planned to retire by age 60, and 80% by age 65 (Table 2). There was a direct relationship between the number of years presently in practice and the number of years in practice at projected retirement, with the youngest practitioners apparently planning the shortest careers (Table 3).

TABLE 3
PROJECTED YEARS IN PRACTICE AT RETIREMENT BY CURRENT YEARS IN PRACTICE

Current Years in Practice	No. of Respondents	Projected Years in Practice at Retirement
1-5	24	26.1
6-10	41	27.8
11-15	52	27.5
16-20	35	31.5
21-25	61	33.1
26-30	41	33.8
31-35	23	39.6
36-40	8	45.3
40+	4	51.3

Geographic Differences

When the responses were broken down by geographic region, it appeared that orthodontists in the Northeast were presently older, had been in practice longer, and planned to practice longer and to retire at an older age than orthodontists in the rest of the country (Table 4). The gaps were especially wide for projected retirement age, with Northeast orthodontists at 66.7 and the rest of the country between 60.8 and 62.1, and for projected years in practice at retirement, with Northeast orthodontists at 37.4 and the rest of the country between 29.3 and 32.0.

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**TABLE 4
SELECTED VARIABLES BY AAO CONSTITUENT SOCIETY (MEANS)**

	Grt Lakes	Mid-Atl	Midwest	Northeast	Pacific	Rocky Mtn	Southern	Swest
Present age (years)	48.4	50.8	48.7	51.6	49.2	50.8	47.2	48.8
Current number of years in practice	18.4	22.0	19.4	23.2	18.6	21.1	16.4	19.6
Projected retirement age (years)	61.4	61.8	60.8	66.7	61.2	61.5	61.3	62.1
Projected number of years in practice at retirement	30.7	32.0	30.8	37.4	29.1	31.2	29.3	31.5

Conclusion

Respondents were invited to add comments at the end of the survey. These included:

- “If my health, referral base, and enthusiasm remain intact, I would continue to practice. I enjoy a nice mix of work and leisure activities now.”
- “A 12-month transition was too long. After six months we were both ready to have it over with. Our transition would have been equally successful in three months.”
- “I cannot in good conscience sell my practice as if it were a business. If I cannot find someone with my standards, I would consider completing as many cases as possible in two years. Then I

would transfer the remainder to local, caring orthodontists. The income during the two years would probably equal the purchase price of a transition.”

- “As long as I am healthy and love what I am doing, I will continue to work as an orthodontist. A great life!”
- “Selling practices isn’t what it used to be. If one is not in a hurry, phasing out would probably net more dollars.”
- “I have already reduced my practice load and find my practice more enjoyable than ever before!”

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