The Economy and Your "Economic Engine"/ Practice

Circa 2017

As we get ready to enter 2017, in the light of our present *Economic Uncertainty*, what can you do to appropriately realign fees? Let me encourage you to reflect on your options and act on possible strategies. It is an on-going challenge to be *Pro-Active*, even in the present economic climate. Let me encourage you to "not fall asleep", like many in dentistry have done in the economic downturns of the past; often these events are followed by manipulated inflation and CPI numbers. This next year may be part of a precursor path where we find ourselves dealing with similar issues, in the present and/or not-to-distant future. Read on and discover more concerning the "Present Situation"!

When economic times are turbulent, I have noticed dentists, as a whole, tend to "sit" on their fees; numerous times over the past fifty years this has been a pattern and overhead percentages have grown as a result. In effect this impacts all the stakeholders attached to your practice, you most of all, especially when you look at the accumulated impact of years. It is important to tend to your "economic engine." Here is a quote from a past participant in the ***PAR Analysis and Individualized Profitability Coaching***:

"Thanks for your insightful thoughts. I appreciate your concern. I agree with you that I am worth a higher fee and I can tell you, I won't let my fees get out of their appropriate range again! I'm very excited about our practice as I look at the coming year. Appropriate fees will allow us to put money away for our retirement and also, give our team a raise (they haven't had one in a long time). Thanks again; here's to continued growth and shared development in the years to come."

You have a choice: You can, once again, study the uniqueness of your present situation with a strategy, which includes an assessment of the impact of decision point options on future cash flow streams and overhead percentages. ***Inflation*** numbers in 2016 look as if they are going to come in just under 2-2,5% on *Core Inflation*. The contents in the *"Basket of Goods"* considered in the CPI has been changed from time to time, therefore, it is harder for the public to accurately compare and contrast *Core Inflation and/or Total Overall Inflation*. Since the Fed is attempting to manage Core Inflation to 2%, one wonders if just enough is taken out of the "Basket" to allow it to measure 2% as opposed to looking at all the items and reporting what is actually happening. Over time the value of the dollar is being eroded, even in the midst of the dollars latest strengthening against other world currencies. This over time can have a negative impact on the profitability of your business. People who study this process believe a more accurate number for *Total Overall Inflation* this past year is more at the 4-5% level. They also make a comment about what the Total Overall Inflation would be today if the "measuring stick" or "Basket" were the same as it was in the 70's; the estimate is 8-9%. Stay diligent and do some of your own comparing of the cost of goods bought and sold in your micro-economic geographic section; create your own "basket" of items you consume on a yearly basis and take note of the change. I am sure the Fed's numbers will be adjusted a bit as we move into the first and second quarters of 2017.

The Federal Reserve, Federal Open Market Committee: A little bit of recent history; a major contributor to unseen present and future inflation. The Federal Reserve, Federal Open Market Committee, in mid-September 2012 gave us an open-ended quantitative easing policy. Most thought they would only give us QE3, and more than a few observers expressed surprise when the Bernanke-led Fed decided not only to continue

Operation Twist at its current level but also to buy an additional $40+ billion a month of agency mortgage bonds; total monthly infusion of $85B. In 2014 the Federal Reserve announced it was beginning to "taper" the monthly inflow of cash into the banking system, from $85B/month to $75B/month. They *promise* to keep an eye on markets, GDP, the economy, employment numbers, payrolls, and much more, in an attempt to head off future *Core Inflation* above 2-2.5%. As we end 2016 the collective wisdom of the Fed is estimating *Core Inflation* coming in just under 2-2.5% and strongly considering raising its short-term interest rates 25 – 50 basis points (0.25 – 0,50%) this December and three times in 2017.

> ***More History from articles written 2012-2015: What exactly defines the policy? What is an acceptable rate of unemployment?*** This rather prodigious easing will be "tapered" now to $75 billion, with further $10B "tapers" from time to time for the foreseeable future. The balance sheet of the Federal Reserve is now increased at a mind-numbing pace of and additional $1.5 trillion, since September of 2012. Bernanke proposes to 'taper" throughout the year based on the data being measured and if he does do that as he outlined, he may well, by year-end 2014, add close to another ¾ of a trillion dollars. The Fed is continuing upon a course of quantitative easing – or printing money; though less than previously. Therefore the Fed has accepted a dual mandate to maintain price stability while promoting full employment. These goals can clearly conflict with each other. For now, the goal of higher employment is taking precedence over the need to stem inflation, which might arise from overuse of the monetary printing press. Estimates by economist vary greatly and can advocate a policy, which might mean ***QE*** for two or more years. The impact of the overuse of the monetary printing press on the valuation of the dollar can be a ***silent inflation,*** which can become exponential in five to ten years. Be forewarned, therefore fore-armed!

The message for you is clear: If you can control everything else in your overhead so it went up by only the inflation percentage and you did not raise your fees in 2016, depending on your present overhead percentage, the impact on your personal total compensation from the practice would represent an approximate loss in your purchasing power of at least 4-5% in one year. If everything remained constant in future years, due to the compounding effect, it would take less than seven years for your purchasing power to be cut in half! I hope you can see the importance of developing a process and a disciple of sequential and appropriate fee adjustments; ***it is within your choice***.

Check other postings on the website www.evergreenconsultinggroup.com concerning ***Pricing Analysis Offerings (PAR)*** available for your consideration in 2017. There are three ways for you to become informed concerning fees with your area ZIP Code's first three numbers. Talk with me, I am happy to help you with the *"fine tuning"* of your *"economic engine"* and your *financial health!* You can contact me about these services through email or phone communication. Feel free to pass this email on to your friends, mentees, and study clubs. Now is the best time to think and plan your 2017 *Fee Strategy*. ***Act Soon***!

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