



One single assumption that can fatally impact your financial life: income is wealth

For more on this topic, go to www.dentaleconomics.com and search using the following key words: *income statement, net worth statement, net worth, creating wealth, Dr. Michael Schuster.*

There are **THREE FUNDAMENTAL MINDSETS** and approaches to money that reflect the segment of society in which you were brought up. **Your upbringing has a powerful influence on your relationship with money.** In my 30-plus years of lecturing to dentists and professionals, only one dentist said he was born with a “silver spoon” in his mouth. In other words, only one was born into a family of great wealth.

Children in families of great wealth are raised with the principal idea of preserving the wealth they inherit. Parents and grandparents know it takes a certain mindset or culture to preserve the wealth their children will inherit.

The mindset of children raised in middle class families (like the majority of dentists) is vastly different than that of those raised in wealthy families. The mindset of the middle class culture is income is wealth, and the more money I make, gross or even net, the wealthier I am.

This is a fair explanation as to why ADA and our own statistics, together with other leading financial experts, suggest that in spite of earning \$25 to \$50 million or more in a lifetime of practicing dentistry, fewer than 5% can retire on the same income they made in their lifetime. This middle class mentality of measuring wealth on income is why the vast majority of dentists are still tied to the chair when they are 50, 55, 60, 65, and even 70!

The lower class has an even different mindset regarding money. Since they have little hope of creating much income, they don't even try to create wealth. (They do, however, buy lottery tickets and eat at McDonald's. America is the only place on earth where our poorest people are overweight.)

Everyone I've met who has created wealth understands that there are two fundamental mindsets in relationship to money: income and net worth. The most important financial statement you get from your accountant or financial advisor is your net worth statement. Believe me when I say that you can take in \$500,000, \$1 million, and even \$2 million from your practice and not create wealth. Your in-

come statement tells you how much you are making. Your net worth statement tells you how much you are keeping. Most people don't realize that they are self-employed even if they work for someone else or punch a clock.

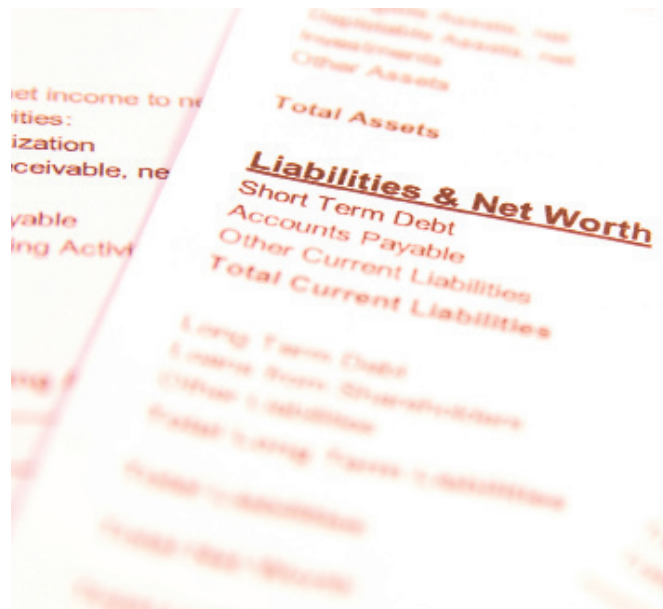
Let's look at a dentist who grosses \$950,000 a year, nets \$300,000, and spends it all on lifestyle and taxes. Let's look at another dentist who grosses \$650,000 a year and saves \$75,000 annually. Although the first is making \$300,000 more a year in income, only the second dentist is actually creating wealth. With \$75,000 more accumulated per year, the second dentist is able to take advantage of opportunities that the first dentist is not.

The lack of a wealth mindset and the discipline to go with it nails a high percentage of dentists, other professionals, and small business owners. Now let's take a closer look at how the income and net worth statements fit into a goal-setting activity that can help you create wealth and freedom:

1 INCOME STATEMENT: Your income statement shows exactly what you've earned, what you've spent, and what you've brought down to the bottom line. Don't look for higher production; look for higher net profits. Net after all costs of doing business, after all personal expenditures, after taxes — the dollars that are left are the only ones available to make your long-term goals real. Plan your future by preparing an income statement in advance that lists all your expenses and income. Then, as the year goes by, you can easily check how you're doing.

Unless you actually see in advance where your money is going, all you can do is react to it. Your accounting statement will not help you create wealth. It will help you react to the money you have but it will not help you to create wealth and freedom. As you check your income statements during the year, if you find your net profit below your forecast, take action to raise your earnings or cut your expenses.

2 NET WORTH STATEMENT: We have all seen a lot of changes in our world and society. Our culture is changing. I believe the following statement to be pivotal to one's long-term success: “I am totally and completely responsible for my own life and success.” For years we've been sold on the concept that from the day we start working, we should plan for retirement. To me, retirement is another word for “early death.” This has been true for



many people I've met. The records prove that when people become inactive in retirement, their lives are drastically shortened.

You don't work to retire. You work to be fulfilled. You work to create meaning and significance in your life and the lives of the people you serve.

On the other hand, it is our obligation to be ready when it comes time to enjoy our golden years. For those of you who can and will make a fundamental choice to create wealth in your life, it is far, far more important to track your net worth statement than income statement. You have to state how much by when. Then you have to understand in far greater depth and detail than this article has the space for. You must understand and know what you are going to "give" toward what you intend to get.

I'd like to share a few core ideas with you. First, when it comes to setting goals, the only things you really, really want are those for which you are willing to pay a price. There may be a lot of other things that you hope for, but since you're not willing to pay the price for them, you're really not going to get them.

Sit down with your spouse and discuss this entire concept being presented here. If you're willing to work and sacrifice for your goals but your spouse hasn't shared the same thinking, you can be sure he or she will not initially be with you. Give your spouse time to digest your ideas, learn about them, adjust to them, and contribute to your new interest in "goal setting to create wealth."

To go from saving and investing nothing to saving and investing 20% of your income will bring some real shocks to your family system. If you do this, you are nearly guaranteed to meet your goals and create arguments. You can begin by:

1 Penciling out your net worth statement that balances what you own today, with debts included, and net worth. Put a fair market value on everything you own and add up all the selling prices. The total will be your total assets, not your net worth. Don't ever let yourself think otherwise.

2 Next, list how much you owe. Include every debt that you have. Add up all your debts and write down the total. Now subtract what you owe from what you own. The figure that's left is your net worth and the number that really counts.

3 For planning and goal setting, you want to create two net worth statements. The first is your current reality, or today's reality. Your first net worth statement shows what you own, owe, and are worth today. It is imperative for you to know where you are right now.

4 Your second net worth statement makes up your 10-15-20-year net worth goal statement. In other words, you must develop a statement of exactly how much you will need and how your net worth in the future will be realized.

5 Begin with a list of how much cash, stocks, bonds, real estate, gold, silver, notes, deeds receivable, and other property you want to have.

6 List what you want to own and how much you are willing to borrow against these assets and what you want your net worth to be when what you owe is subtracted from what you want to own in 10-15-20 years.

7 Write these figures down on an annual, monthly, or weekly planner and refer to them often.

8 I would feel really great if I thought that each of you would sit down with your spouse and create your family net figure, the cash out figure you want to have in 20 years, or whenever your wealth and freedom date™ is in your future.

9 Start working back to that today. The work back from your wealth and freedom date™ is the whole purpose of this exercise because it leads to the strategies and actions that you'll take in the coming months and years to make your goals come true.

This exercise could create some questions as well as answers for you. It will help you break through the barrier of the most fatal assumption that most professionals make, which is that income equals net worth. **DE**

A practicing dentist, Dr. Michael Schuster founded the Schuster Center in 1978. Guiding over 3,500 graduates to achieve wealth and freedom, the Schuster Center is the first business school created exclusively for dentists. It celebrated 30 years in 2008. Dr. Schuster is a cadre and former director at the Pankey Institute, adjunct faculty at the Dawson Center, OBI, and LSU Cosmetic Continuum. Michael Schuster can be reached at www.schustercenter.com or drmikeschuster@msn.com.