

Business Survival Guide for Family Practice



Department of Family Medicine—Calgary

www.calgaryfamilymedicine.ca



**Alberta Health
Services**

Introduction to the Business Survival Guide for Family Practice

To encourage those who are considering entering a community practice or support family physicians who are currently in community practice, the Community Section has developed a few key tips and resources to enhance family physician practice management.

The Business Survival Guide for Family Practice has been created from the perspectives of experienced family physicians practicing in the community. With the right tools and resources, practice management can be less challenging, less time consuming, and a successful part of your day to day practice.

The Business Survival Guide for Family Practice is one of various physician support initiatives offered by the Department of Family Medicine. We encourage you to visit our website at www.calgaryfamilymedicine.ca to review the many resources we have to offer.

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Practice Tips

Establish a team of professionals

Multidisciplinary teams should expand beyond clinical work. Capitalizing on the strengths of others will pay off in dividends in the future. Team members should include a banker, a lawyer, an accountant, a financial planner, and an experienced clinic manager.

MD Management provides free advice (paid for by your AMA membership) on investments and financial planning. Visit www.mdm.ca

Set up a separate business chequing account and business credit card

Put 30% of your monthly wages aside into a savings account to pay for quarterly income taxes. Reconcile your bank accounts monthly.

If you are incorporated, tax payments must be submitted monthly.

Know the billing codes and keep an updated billing guide

Utilizing a full range of codes can make a difference over time. The Department of Family Medicine offers an up to date Quick Reference. To request a reference list contact family.medicine@ahs.ca.

Access a billing seminar. The Alberta Medical Association offers public and private billing seminars. For more information, visit <https://www.albertadoctors.org/services/physicians/compensation-billing/billing-help/seminars>.

Get to know a potential practice group

Joining a practice is somewhat like marriage. Spend time getting to know your associates and the clinic before making a significant financial commitment that you may regret later. Consider working as a long term locum for the clinic first.

Develop an 'association agreement' with your associates

If you join a practice group, develop an agreement and have it reviewed by your lawyer.

Have an understanding of the financial situation of your clinic before joining

Ask to see monthly financial statements, lease information and related material.

Consider joining a Primary Care Network (PCN)

There are many advantages to being a member, and unique programs exist in each of the Networks. There are four Primary Care Networks in Calgary.

Calgary Foothills PCN, www.cfpcn.ca

Mosaic PCN, www.mosaicpcn.ca

Calgary West Central PCN, www.makinghealthhappen.com

South Calgary PCN, www.scpcn.ca

Before signing a lease, be certain you understand its implications

Have your lawyer review it. Negotiate with your landlord regarding the terms. If you need assistance, consider hiring a broker.

Consider the 40/30/30 Rule

- a. Payment for Practice Expenses (assume 40% of your gross income)
- b. Payment for Taxes (30%)
- c. Payment to Self (30%)

Accounting Tips

Keep all business related receipts

Mark each receipt in regards to what was purchased and why the expense was a business expense. If it reflects a marketing expense (ie. Taking a colleague out to lunch) mark the receipt with the name of the person and indicate what you talked about.

Review the Business and Professional Income booklet (T4002) from the Canada Revenue Agency

This booklet will help you calculate the business or professional income for your income tax return. To access the 2017 edition, go to <https://www.canada.ca/content/dam/cra-arc/formspubs/pub/t4002/t4002-17e.pdf>.

Develop a filing system in which you categorize and label all files related to your business

Label each file based on categories found in the Business and Professional Income booklet.

Obtain a bookkeeping software program such as Wave Accounting

Ensure that the software program is endorsed by your bookkeeper and/or accountant. To create a free account with Wave, sign up at www.waveapps.com.

Keep a travel log

Kilometres driven traveling to places of business (including conferences, meetings etc) can be “written off” (not including travel to primary place of work). Depending on the advice of your accountant, deductions can either take place as vehicle expenses OR a reimbursement on a per kilometre basis.

Have at least two (2) credit cards

Have a clear method of separating business and personal expenses. Having a separate business credit card will help to keep your books tidy for your accountant where you won't have to separate out business expenses from personal expenses on all of your statements.

Reimburse yourself monthly for business expenses that were paid with personal money.

Incorporate into a professional corporation when able to take advantage of the tax benefits of being incorporated

Incorporating is recommended once income is consistently exceeding expenses. On average this takes about 3-5 years after being in practice. The advantages and timing also greatly depend on the income level of your partner and your debt level. Your accountant should advise you when it is most appropriate to incorporate.

Financial Tips

Establish a clear picture of your financial status.

An accurate picture of your financial status will better guide large expenditures and significantly reduce stress levels.

Pay off credit card debt.

If this is not possible, consider obtaining a line of credit which has lower interest charges.

If you are not incorporated, make monthly RRSP contributions.

Try to make your full RRSP contribution as soon as Canada Revenue Agency indicates what your contribution should be for the upcoming year.

Start investing as early as possible – starting early is more important than the amount!

Talk to your financial advisor regarding your best investment options. Understand your investments and the costs related to investing in various products.

Pay all your bills on time.

Paying your bills on time will ensure that you don't incur extra fees and hurt your credit rating. Where possible, pay bills using pre-authorized payments in order to reduce the chance of late payment or interest fees, and to ease expenses over the year.

Obtain disability and life insurance.

By obtaining disability and life insurance early the premiums are often cheaper when you are young and do not have any pre-existing medical concerns. Group plans are usually less expensive.

Create a Personal Will and Personal Directive.

Obtain professional advice in drafting these documents. Keep them in a safe place and review them regularly.

Incorporation Tips

Incorporation is highly recommended for those in non-salaried positions.

If you are not in a salaried position, and you wish to save for retirement, you will almost certainly want to incorporate at some point in your career.

Monies left in the corporation can be invested.

The investments must be for the purposes of earning income or gains on sale and can include stocks, mutual funds and real estate.

Optimize RRSP contributions before incorporation.

Repay lines of credit or student loans prior to incorporation.

Look at reducing mortgage prior to incorporation.

Consider having shareholders.

The rules regarding shareholders have recently changed in Alberta. Now spouses and children can be non-voting shareholders in your corporation. This provides an opportunity to income split with your family members to reduce tax costs.

Consider incorporating if purchasing a practice and/or incurring leasehold improvements or costs.

Do not incorporate just because your fellow workers have.

Each situation should be reviewed individually as it depends on individual spending, future plans, and risk tolerance.

Meet with an accountant prior to making any decision to incorporate.

An hour spent with the accountant will clarify any questions and will likely make the decision obvious.

Useful Links:

Canadian Medical Association: www.cma.ca

College of Physicians & Surgeons of Alberta: www.cpsa.ca

For Further Information on New Government Tax Rules:

Go To: <https://mdm.ca/our-services/incorporation/tax-planning-changes>