

STARTING A PRIVATE PRACTICE

Navigating the fiscal maze

Navigating the financial aspects of your career path effectively will ensure that you are best placed to build a successful private practice and retain as much of your hard-earned wealth as possible. **Ian Tongue** (right) shows how



THERE ARE three main phases to your career engaging in private practice. These are:

1. Commencement of private work;
2. Developing your practice;
3. Planning for retirement.

1. Commencement of private work

This can be daunting enough from a professional point of view before the various accounting and tax implications are factored in. But taking time to plan before you begin will undoubtedly enable you to hit things running.

Discussing matters with an accountant with knowledge of doctors is highly recommended, as they should be able to discuss practical points to setting up your private practice as well as the most appropriate trading structure for your circumstances. Seek advice as early as possible; your accountant should be keen to take you on irrespective of what stage you are at.

Understanding the market and developing your profile with GPs and private hospitals is vital to build a strong foundation for your practice. Make sure that you make yourself available and accessible; seminars and talks are a great opportunity to sell yourself and develop a network.

Depending on your specialty, you may need to invest in a website and advertising material. Take the time to ensure that you are obtaining a quality product, as a poor website can put people off in today's digital age. Look into newer forms of marketing such as Facebook and Twitter, as many established colleagues may not be exploiting all avenues.

It is vital that you understand the accounting and taxation aspects of running your private practice. Frequently, starting out as a self-employed individual is beneficial, as it is the easiest way of trading with a view to chang-



ing the structure to perhaps becoming a limited company later on. There is no generic advice on the best trading structure and your accountant should discuss your options and advise you on the most appropriate course of action. You should also discuss the tax system, your tax payment dates and broadly how much to save for your taxation liability.

Having attended many seminars for new consultants, a common theme is apparent among successful consultants – having a dependable and efficient secretary. It can be tempting to try and take on much of the administration yourself, but the opportunity cost of doing so can make this a false economy. Frequently, the secretary is your NHS secretary on a self-employed basis, but many businesses, including the major private hospitals, offer these services.

Top tips:

- Spend time developing your profile with GPs and private hospitals
- Understand your market, competitors and charging structure
- Seek professional help from

those who understand the medical profession

- Ensure adequate accounting systems are in place and the tax system is understood
- Save for your tax liability from the outset
- Use an effective secretary
- Remember that you are running a business.

2. Developing your practice

Once the foundations are laid, you must build upon your successes and avoid the mistakes made. With the fast pace of changing methods and procedures in which many consultants operate, it is important that you stay ahead of the game.

Often, the highest-earning consultants are those who are able to identify an opportunity and take a risk to exploit it. It may require investment in equipment or developing relationships, but – either way – being proactive and reviewing your position on an ongoing basis is essential.

Ensure that your fees keep pace with the market and if you are able to offer something different, don't be afraid to charge a pre-

mium for it. Consider the mix of work performed and be flexible to vary this, depending on the availability of work.

Depending on your specialty, working in a group with other colleagues in addition to or as part of your private practice can often increase your earnings and profile significantly. It also provides you with a support structure and can enable individuals to focus on subspecialties. With the introduction of clinical commissioning groups, there will no doubt be many opportunities.

As your wealth develops, you will need to consider your strategy to making this work for you. There are many options, each carrying different risk and you should always seek the advice of your accountant to ensure that the tax aspects are considered.

All too often, trusting doctors are caught out by people promising high returns and substantial tax relief. While there are inevitably many successful and well run schemes, you should always discuss things with a professional who is regulated by a financial body to ensure that the risks as well as potential rewards are fully explained and understood.

Top tips:

- Build on successes and learn from mistakes
- Always look out for opportunities to exploit
- Review fees regularly and adapt the mix of work performed
- Consider working in a group
- Make your increased wealth work for you and be prudent when investing it.

3. Planning for retirement

With the proposed changes to public-sector pensions from the Hutton report and changes by HM Revenue and Customs in relation to tax relief and lifetime allowances, it is no wonder this is a hot topic at the moment.

No one has a crystal ball, but it is fair to say that those who are some way off retirement are going to pay significantly more for their pensions and may still end up with less than those in the past. Many are considering their personal pension options and, if you are, it is essential that you take professional advice if you are con-

sidering increasing your pension contributions or suspending/leaving the NHS Pension Scheme.

Many are considering alternative or supplementary retirement plans to ensure they have sufficient income on retirement and are able to pass on a nest egg. Always keep your accountant informed of decision-making in this area, as they can advise on the tax and practical aspects.

As you approach retirement, you should be considering your investments and it would be usual to avoid high-risk ones, as it can be extremely difficult to build your capital up again.

You may want to wind down slowly and the mix of work may change, moving away from clinical work to other fields such as medico-legal.

Discuss your plans well in advance with your accountant, as there is usually an optimum time or method of cessation or sale of

your private practice, depending on trading structure and accounting year-end.

Top tips:

- Obtain a review of your pension from someone who understands the NHS Pension Scheme
- Consider the mix of work being performed leading up to retirement
- Ensure investments held meet your risk profile
- Discuss your plans well in advance of winding down.

Navigating financial aspects of your career is a continual process from commencement. Choosing the right path will ensure that you have maximised your earnings potential, have a secure retirement and have developed wealth along the way. ■

Ian Tongue is a partner at Sandison Easson & Co, specialist medical chartered accountants

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