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Thriving in a Tough Economic Environment:

Corporate Structure, Tax Reduction, and Benefit Planning for Hand Surgeons in 2011

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ABOUT THE AUTHOR: David Mandell is a principal of the nationally-known financial consulting firm, OJM Group (www.ojmgroup.com). Mr. Mandell is an author of a number of books in his areas of specialty, including his fifth book for doctors entitled *For Doctors Only: A Guide to Working Less and Building More*. Mr. Mandell holds a bachelor's degree from Harvard University, from which he graduated with honors. His law degree is from the UCLA School of Law, where he was awarded the American Jurisprudence Award for achievement in legal ethics. Mr. Mandell also earned an MBA from UCLA'S Anderson School of Management. He is a member of the California and New York bars. He can be reached at [877-656-4362](tel:877-656-4362) and mandell@ojmgroup.com.

CORPORATE STRUCTURE

FINDINGS: Most medical practices are setup with only one legal entity. This might be a sole proprietorship, general partnership, LLC taxed as disregarded entity, corporation (or professional corporation/PA in some states) or PLLC. Corporations, PAs and PLLCs can be taxed as "S" corporations or "C" corporations. This type of structure is NOT a best practice -- as it is not optimized for lawsuit protection or tax reduction.

RECOMMENDATION: Typically, a 2- or 3-entity structure will provide superior lawsuit protection for the practice and allow the physician-owners to reduce taxes by taking advantage of the Medicare tax savings that an entity taxed as "S" corporation can leverage along with the fringe benefit plans that an entity taxed as a "C" corporation can offer.

TAX REDUCTION

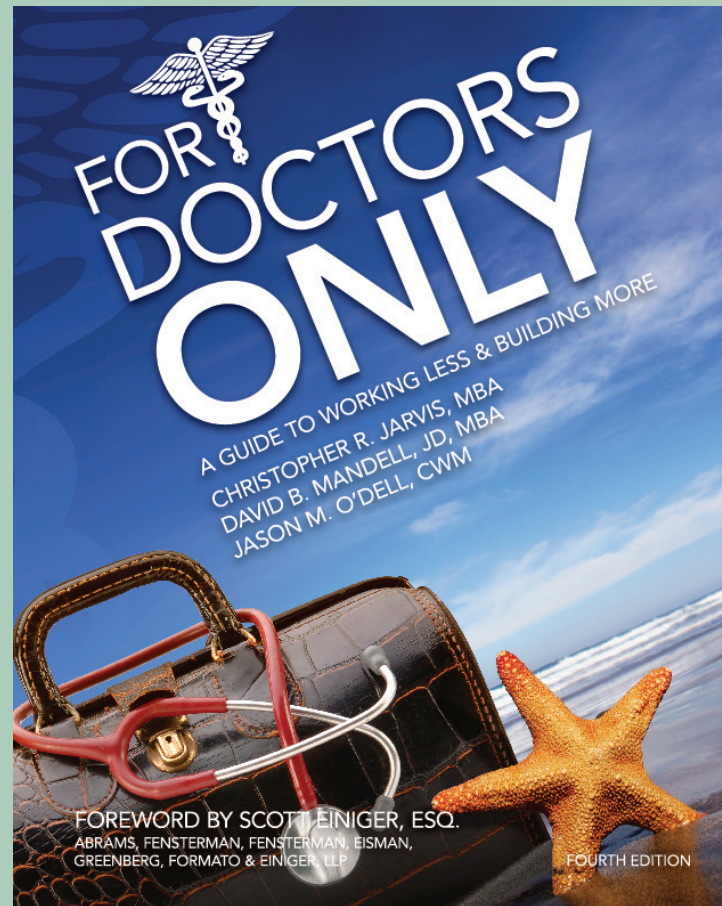
FINDINGS: In the author's estimation, over 70% of medical practices are taxed as "S" corporations. This means that most do not take advantage of the fringe benefit plans that an entity taxed as a "C" corporation can offer. Also, many "S"-type practices are not even optimized as "S" entities.

RECOMMENDATION: Typically, a multi-entity structure will provide superior tax reduction options. Captive insurance companies, an asset protection and risk management tool, may also provide profitable medical practices with tax reduction options as well. Finally, benefit plans must be maximized as well.

BENEFIT PLANNING

FINDINGS: In the author's estimation, over 95% of medical practices do not take advantage of anything other than qualified retirement plans (QRPs), such as 401ks, profit-sharing plans, and pension plans - even though these plans lose value as future income tax rates increase.

RECOMMENDATION: Many physician-practice owners would do well to add to their QRPs other types of plans, especially "hybrid" type plans or fringe benefit plans. These can also have current and long term tax benefits, superior asset protection, often much less cost for employee participation and choice among physician partners.



The findings and recommendations in this poster come from the experience Mr. Mandell has gained in working with 100s of medical practices throughout the U.S. in writing his latest book for physicians.