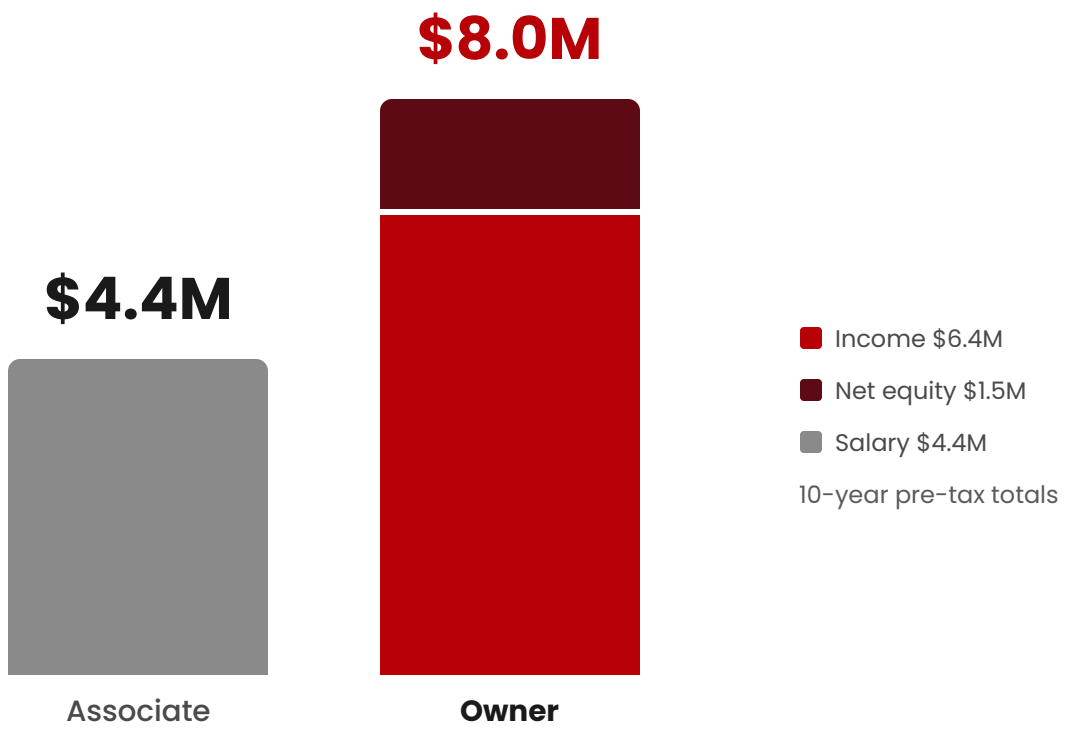
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Associate or owner?

The 10-year math for dental specialists

Income, practice equity, the cost of waiting, and what today's 6.5% loan rates really mean, based on a real startup projection and conservative assumptions.



Associate or owner? The 10-year math

Many specialists are choosing between a strong associate salary and the risk of opening their own practice. Here's how the two paths compare over 10 years, pre-tax, using conservative assumptions.

The associate path

At $400K a year, with 3% raises from Year 4, an associate earns about **$4.4M** over 10 years. It's predictable, low-risk income, but you own nothing at the end.

The owner path

This scenario is based on a real pediatric startup projection. The practice opens with a $1M loan at 6.5%, interest-only for the first two years and then fully amortizing over 10. The doctor works 2.5 days a week in the new practice and keeps associating on the other days, so household income stays above $400K from Year 1.

Collections grow from $552K in Year 1 to $1.28M in Year 2 and $1.81M in Year 3. By month 27 the practice needs the doctor full time and the associate job ends. After that, we assume only modest growth of 3% a year from fee increases, with overhead at a typical 60% of collections.

$6.4M
income over 10 years

$1.5M
net practice equity at Year 10

+$3.6M
ahead of staying an associate ($8.0M vs. $4.4M)

The owner's household income tops the associate salary in every year, starting in Year 1. By Year 10 the practice pays about $750K a year and is an asset worth roughly $1.8M before the remaining loan balance. (See Figure 1.)

The trade-offs are real

The first two years mean a 5.5-to-6-day work week across two offices. Ownership brings debt, hiring, management, and market risk, and results depend heavily on keeping overhead under control. In exchange, you build an asset you can sell, borrow against, or pass on.

What does waiting cost?

Many doctors plan to open "in a year or two." On the same 10-year clock, the cost of that delay is significant:

- Waiting **one year** leaves you about **$520K** behind.
- Waiting **two years** costs about **$1.0M**.
- Waiting **three years** costs about **$1.45M**.

Each year of waiting swaps a year of mature-practice earnings for a year of salary, and leaves you with a younger, less valuable practice at the end. The gap keeps widening after Year 10, and these figures don't include the rising cost of build-out and equipment while you wait. (See Figure 2.)

"But rates are 6.5%."

It's one of the most common reasons doctors hold off. On a $1M startup loan, the difference between 5.5% and 6.5% is about **$536 a month** ($11,592 vs. $11,056), roughly 0.3% of what the practice collects. Over 10 years, each full percentage point is worth only about **$40K**.

Compare that with the cost of waiting. Even if you waited a full year and rates dropped two full points, you would still be about **$370K behind** where you'd be by opening now at 6.5%. Wait two years for that same drop and you'd be about $863K behind. The interest rate matters far less than the years of ownership you give up waiting for a better one. (See Figure 3.)

Thinking about whether, or when, to open your own practice?

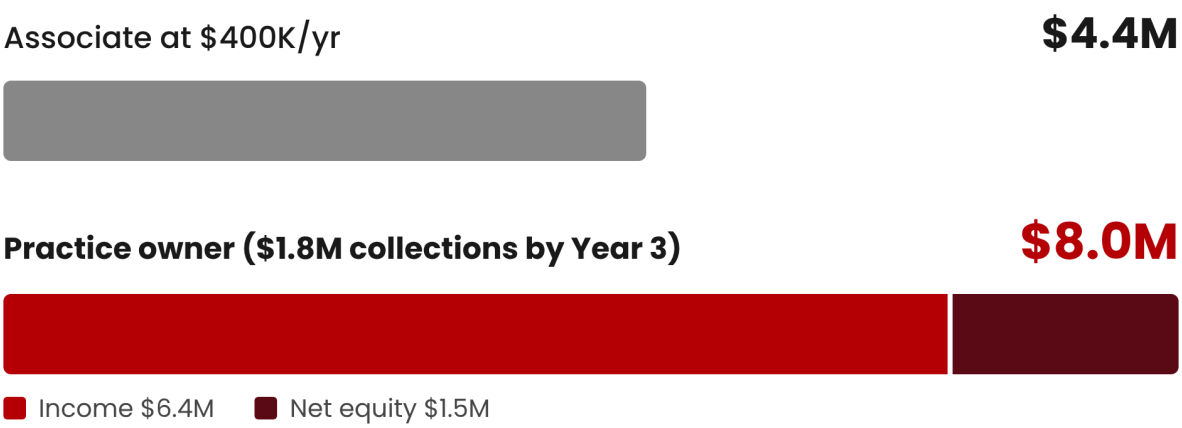
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DENTAL SPECIALIST · 10-YEAR VIEW

Associate salary vs. building your own practice

Total pre-tax earnings after 10 years, plus the equity you own in the practice.



+$3.6M
more than staying an associate

Year 1
household income already tops the $400K salary

$750K
owner income in Year 10, after loan payments

Years 1–2
Open at 2.5 days/week, keep associating. Collections $552K, then $1.28M.

Year 3
Associate job ends (month 27). Full time at $1.81M in collections.

Years 4–10
$1.86M, then +3%/yr from fees. Debt paid down, a sellable asset built.

Illustrative, pre-tax. Collections Years 1–3 from a pediatric startup projection (base case), then +3%/yr (fee increases only; doctor at capacity). Overhead 66%, 63%, then 60% from Year 3 (industry norm 55–65%). Associate: $400K, 3% raises from Year 4. $1M loan at 6.5%: interest-only Years 1–2, then 10-yr amortization. Equity = 80% of Year-10 collections ($2.2M) less ~$253K loan balance. Not financial advice.

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Figure 1. Associate salary vs. practice ownership: 10-year income plus net equity.

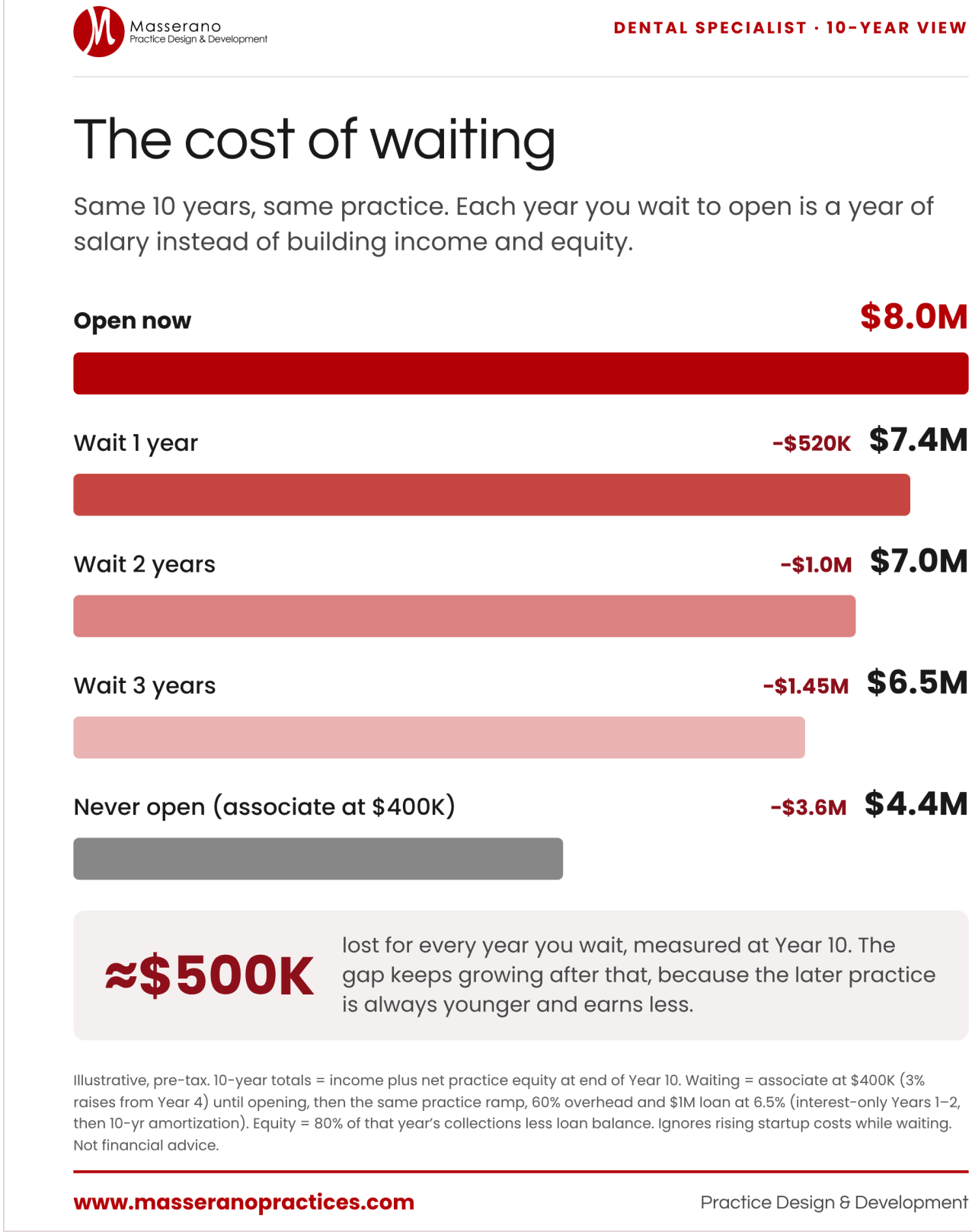


Figure 2. The cost of waiting one, two, or three years to open.

Worried about 6.5%? Waiting costs more than the rate.

What one percentage point really changes on a $1M startup loan.

$536/mo

more per month at 6.5% than 5.5% ($11,592 vs. $11,056)

~$80K

total 10-year benefit of a rate one full point lower

10-year result vs. opening now at 6.5%



Even a 2-point rate drop doesn't make up for one year of waiting.

Illustrative, pre-tax. $1M loan, interest-only Years 1–2, then 10-yr amortization. Each 1-point change shifts the 10-year total by about $40K. Waiting = associate at $400K until opening, then the same practice ramp and 60% overhead; totals = income plus net practice equity at end of Year 10. Future rates are not predicted. Not financial advice.

Figure 3. Waiting for lower interest rates vs. opening now at 6.5%.

Year-by-year projection · pre-tax, rounded

Year	Collections	Overhead	Loan payments	Practice cash	Associate pay while building	Owner total	Stay associate
1	$552K	66%	$65K	$121K	$305K	**$426K**	$400K
2	$1.28M	63%	$65K	$410K	$229K	**$639K**	$400K
3	$1.81M	60%	$139K	$585K	$38K	**$623K**	$400K
4	$1.86M	60%	$139K	$607K	–	**$607K**	$412K
5	$1.92M	60%	$139K	$629K	–	**$629K**	$424K
6	$1.98M	60%	$139K	$652K	–	**$652K**	$437K
7	$2.04M	60%	$139K	$676K	–	**$676K**	$450K
8	$2.10M	60%	$139K	$700K	–	**$700K**	$464K
9	$2.16M	60%	$139K	$726K	–	**$726K**	$478K
10	$2.23M	60%	$139K	$751K	–	**$751K**	$492K
10-year income				$5.86M	$571K	$6.43M	$4.36M
Net practice equity at Year 10 ($1.78M value less $253K loan balance)						$1.53M	–
10-year total						**$7.96M**	**$4.36M**

Assumptions

- **Collections, Years 1–3:** base case of a pediatric dental startup projection (boutique fee-for-service/PPO mix). Years 4–10 grow 3% a year from fee increases only, assuming one doctor near full capacity.
- **Overhead** (excluding owner pay and loan payments): 66% in Year 1, 63% in Year 2, then 60%, the midpoint of the typical 55–65% industry range.
- **Loan:** $1M at 6.5%, interest-only for Years 1–2 ($65K a year), then a 10-year amortization (about $139K a year). About $253K remains at the end of Year 10.
- **Associate income while building:** part-time associate pay per the projection until month 27.
- **Staying an associate:** $400K a year, flat through Year 3, then 3% annual raises.
- **Practice equity:** valued at 80% of Year-10 collections, a common rule of thumb for specialty practices (roughly 80–100% of collections), less the remaining loan balance.
- **Cost of waiting:** full associate salary until opening, then the same ramp, overhead, and loan terms; measured at end of Year 10.
- **Not modeled:** income taxes, retirement contributions, investment returns on either path, inflation in startup costs, or a future sale premium.

These are illustrative projections, not a guarantee of results or financial, tax, or legal advice. Actual results depend on specialty, location, payer mix, management, and market conditions. Review your plans with a dental CPA and lender before making decisions.