

Retirement Intentions of Optometrists in the State of Michigan

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2005

A Survey of Optometrists in Michigan: Retirement Intentions  
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*Abstract*

This project targets optometrists of all ages in the state of Michigan. The project will survey the plans of these OD's for retirement. The different retirement plans of those optometrists graduating more recently will be compared to those doctors whom have graduated 20 years ago or more. The study will compare mode of practice, solo, partnership, or corporation, along with plans for their practice. To study the future plans for the practice we will ask what they are looking for from potential buy-in/buy-out associates. We will compare these issues and also give the doctors a chance to be contacted by recent graduates who are interested in their location and mode of practice.

## Introduction

In the “golden years” of optometry, doctors believed that they could rely on the sale of their practice to fund their “golden years.” Optometrists believed that their practice was worth a lot of money to anyone interested in purchasing it. It seems that as the practice of optometry has changed, so has the value of many privately owned businesses. The goal of this survey is to see how practicing optometrists in Michigan have planned for their impending retirement; to compare when they started saving to the methods they are using to fund their retirement.

## Methods

Optometrists chosen to participate in this survey were selected at random. A compact disk listing all of the optometric providers with a license to practice in Michigan was used. The list was edited only slightly to ensure that the optometrists listed had addresses in Michigan. The list was then printed out and three to four optometrists were randomly selected from each page. The optometrist’s chosen were not to have graduated before 1955 and after 2000. The surveys were then sent out, focusing on their mode of practice, how they gained business/retirement-planning knowledge, and what types of retirement accounts they are using. The survey also asked how they wished to sell their practice if they were sole owners or partners, because this can be figured into their retirement funding.

## Data

<i><b>YEAR LICENSED</b></i>	<b>TOTAL</b>
1955	1
1966	1
1971	1
1973	2
1975	1
1976	1
1978	2
1979	2
1980	5
1981	2
1983	2
1984	2
1986	4
1985	2
1988	4
1991	3
1993	1
1997	1
<i><b>Optometry School Attended</b></i>	
Michigan College of Optometry	20

Indiana University College of Optometry	2
Illinois College of Optometry	7
Ohio State University College of Optometry	4
Southern College of Optometry	3
Southern California College of Optometry	1

***Method of Practice***

Sole Owner	16
Full Partner	9
Working toward partnership	0
Employee	6
Independent Contractor	4
Partner with MD	1
Not Listed	1

***Started Planning for Retirement***

YES	35
NO	2

***When***

Before graduation	1
1-4 years post-grad	14
5-10 years post-grad	11
11-20 years post-grad	4
>20 years post-grad	5
Not Yet	2

***Professional Help Used***

Accountant	21
Banker	4
Financial Advisor	15
Attorney	4
Company Plan	2
Insurance Salesman	1
Stock Broker	5
Online	2
Reading	3
Common Sense	2
Other Professional/Mentor	1

***Optometry School Offer Classes***

YES	6
NO	31

<b><i>Use Classes to help retirement planning</i></b>	
YES	1
NO	5
<b><i>IF yes, How was info used</i></b>	
General good info	2
<b><i>IF no, how was info gained</i></b>	
Financial Advisor	10
Seminar/Classes	7
Magazines/Books	19
Online	7
AOA	1
Accountant	2
Other professionals	7
<b><i>Plan to retire in</i></b>	
1-5 years	4
5-7 years	3
7-10 years	5
10-15 years	10
>15 years	13
Already semi-retired	1
Unknown	1
<b><i>Rely on practice as sole finances</i></b>	
YES	1
NO	26
N/A	10
<b><i>Retirement Accounts</i></b>	
401K	13
IRA	30
Stocks	14
SEP	7
Mutual Funds	8
Annuities	4
Bonds	2
CDs	1
SIMPLE IRA	1
Pension	1
Property	5

None	1
<b><i>Feel Financially Prepared to Retire</i></b>	
YES	16
NO	18
Unknown	3
<b><i>Rely on Spouse's retirement plan</i></b>	
YES	15
NO	20
N/A	2
<b><i>Method Would like to use when selling Practice</i></b>	
All at once	4
All and become Employee	2
Sell half and be a Partner	3
Slow Buy-out	14
N/A	13
Unknown	1
<b><i>Considered Hiring Associate</i></b>	
YES	23
NO	4
N/A	10
<b><i>IF yes, Did you Hire an Associate</i></b>	
YES	15
NO	8
<b><i>If no, Why Didn't you Hire an Associate</i></b>	
Not actively looked	1
Not financially able	4
New practice, not ready	3
<b><i>What were/are you looking for in Associate</i></b>	
hard working, down to earth	
humanist, puts patients first	
pleasant personality with strong work ethics and compassion for patients	
pediatrics and visual therapy	
friendly, someone with initiative	
hard worker	
low vision-unique, good with patients	
outgoing, success minded	



maturity, dedication to growth  
understand practice management  
small town attitude, pathology, specialty contact lens fittings  
special needs population and low vision  
excellent people skills  
developmental vision, contacts, low vision  
outgoing, initiative, motivated

### Discussion

Eighty-five optometrists in the state of Michigan were surveyed. Thirty-seven surveys were returned, and they determined that most have started planning for their retirement directly after graduation or within the following ten years. Most did this without any business or retirement classes during optometry school. They used their many resources including accountants, financial planners, and friends in the financial industry to manage their savings.

Of the six doctors that had retirement/business classes in optometry school, only one actually used this information to help plan for retirement. Most just used it as good general information and still relied on other means of gaining knowledge on investments and retirement accounts. They used their financial planners and good old fashion research, such as books and magazines, to gain the knowledge they are using to finance their retirement. Those optometrists who did have classes in optometry school were more likely to start investing for their retirement sooner, it is unknown if this is directly correlated to the fact that these doctors are more recent graduates. It is hard to say that the classes have had a huge impact because they have only been offered in more recent years, it is unknown what doctors who had graduated 20 years ago would have done with the information if they had received it. The doctors that graduated over 20 years ago have learnt they can no longer depend on their practice as a form of financial stability, and when that realization hit they started planning for their impending retirement in other ways.

The most popular form of retirement account is an Individual Retirement Account (IRA), which must be due to its ability to compound interest and the money is tax-free when withdrawn. Second most popular were stocks and 401K which are very different, the stocks are much more risky but can yield a higher return, while with most 401Ks the company will match the amount invested yielding a very stable investment with a lower return. Those optometrists with 401Ks usually were working in the commercial area of the field and they seemed to be the more recent graduates. Some optometrists use property to increase their revenue when they retire. It is unknown if this is in the form of rental homes, rental commercial space, or farmland, but land is considered an asset and as long as it is in a growing, popular location it is a very sound investment.

Of those optometrists who had graduated 20 years ago, or more, most had other investments such as stocks and property. It is unknown if these are recent purchases due to their increasing realization that their practice will not be able to solely fund their retirement. There are also many who started investing in IRAs. Although they will never see the financial gain that they would have if they had started investing as a younger



person, they realize this is a safe investment, and tax-free withdrawal is a large benefit to them.

It was surprising to find that eleven of the thirty-seven optometrists had not started planning for their retirement until more than fifteen years after they graduated from optometry school. The participants were not asked what stipulations kept them from starting to invest, or what their belief system was at the time of graduation. It seems as though most of those whom did not start saving right away had graduated over 20 years ago, it is possible they thought their practice would be worth more when they retired. The one optometrist that answered none to the question about the types of retirement accounts he is using was a doctor whom had graduated over 15 years ago. It would seem that his age group would consider retiring in the next 15 years and would start saving accordingly, however, this doctor did say that their spouse has a retirement plan they are depending on.

The optometrists who have graduated over 20 years ago started planning for their retirement much later in life. Because of the changing field of optometry they are now subject to receiving less money than what they initially believed their practice would be worth. This has had a definite effect on how they have been investing for their future. They have used more conservative methods of saving such as annuities, mutual funds, IRAs, and some stock holdings. These same doctors are not depending on their spouse's retirement plans. This means that their future is dependent on the sale of the practice and the investing that they have only started recently. This may lead to a poor financial outcome for these optometrists, leading them to stay in the workforce longer than they had planned.

When asked what these optometrists look for in an associate most gave personality preferences. They wanted someone outgoing and great with patients, someone who will focus on patient care and the growth of the practice. And because of this many of the optometrists, over half of those that own their own practice, seek a slow buy-out over a few years that can help them to feel comfortable with the doctor they are leaving to take care of their patients. Fifteen of the twenty-three who have considered hiring an associate had done so. What these doctors value in the optometrist they did hire is something that future graduates should consider and be aware of when looking for a job.

### Conclusion

Traditionally, optometrists were taught that their practice would be worth a substantial amount when they retired. They believed that it would help to fund most of their retirement. Unfortunately for these doctors, this is no longer the case, and due to the changes that have been made in managed care, population shifts, and increasing competition the value of many practices has declined (Nolan, 464). Due to these changing times it is no longer easy to simply sell a practice. The most successful way to sell a practice is to plan a transfer of ownership over the course of years (Nolan, 464). This ensures that there will be a buyer available when the seller is ready. It also ensures that the practice will be running at its full earning potential. If an associate is slowly working toward buying the practice; revenue is increasing because the associate is bringing in new patients. This helps the selling optometrist to get the most value out of



the practice. The practice is valued upon its revenues, and with two practicing optometrists the practice earnings are high (Nolan, 465).

According to William Nolan and the Williams Consulting Group, a retiring optometrist must plan an exit strategy. There are four factors to consider: timing, transfer of ownership, practice value, and terms. Timing is individual and dependent upon the practitioner, when he/she is ready and how well they are financially prepared. The transfer of ownership is decided once the optometrist has decided to retire and now they must determine if they want to sell the practice outright or do a gradual transfer to the new doctor. No matter how the transfer of ownership is going to occur, an appraisal of the practice value is necessary. The buyer and seller must agree on the value of the practice and the terms of sale. The terms include, but are not limited to, financing options, covenants not to compete, and compensation arrangements. Terms can be negotiated and a purchase agreement must be structured.

It is sad to see that while most new graduates desire to get into private practice optometry, many do not. These graduates end up in commercial practices, and could end up staying there longer than intended. They initially take commercial jobs because of the better financial gains and benefits and end up staying because they are dependent on this money to pay off their ever-rising school debt (West, 2). Along with school debt a new graduate can acquire large amounts of personal debt, such as a car and a home. They make these purchases based on their commercial salary and when they are considering making the transition to private practice they are unable to do so. There needs to be a better way of getting new graduates into the private sector. Older doctors looking to retire need to understand that while hiring a new graduate may mean a slight decrease in their current income, it could be to their financial benefit as the graduate helps to grow the practice and increase revenues, therefore, increasing overall sale value.

A retirement survey of optometrists has never been done in the state of Michigan. Most of the optometrists surveyed are on track and have started planning for their future retirement. It seems that many of the practicing optometrists are aware that they must have plans for their retirement, other than just the sale of their practice. These doctors have decided on their own, without the instigation of a class in optometry school, to plan early for their retirement. The use of internet, financial planners, books/magazines, and seminars has really helped to educate these professionals, so that they can have a happy and financially sound retirement.

## Works Cited

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Dear Doctors:

My name is Alexis Burns and I am a fourth year student at the Michigan College of Optometry. I am doing a survey of optometrists practicing in Michigan to determine their retirement intentions. I would like to determine how most OD's are planning to finance their retirement, whether it be through a 401K offered by an employer, or through the sale of their practice. I would also like to find out how many optometrists have, or would be willing to consider, a new associate or partner in the future. I would like to know what they would look for in that OD and how they would like to eventually sell their practice.

Thank you so much for your time and your help.

Sincerely,

Alexis Burns

Roger Kamen O.D.  
Supervising Faculty



# Retirement Intentions Survey 2004

Michigan College of Optometry

Alexis Burns

Name: \_\_\_\_\_ O.D. Year Licensed: \_\_\_\_\_

Optometry School Attended: \_\_\_\_\_

Name of Practice: \_\_\_\_\_

Address: \_\_\_\_\_

State: \_\_\_\_\_ ZIP: \_\_\_\_\_ Phone: (\_\_\_\_) \_\_\_\_\_

Number of OD's on Staff: \_\_\_\_\_ Number of Optician/Optechs on Staff: \_\_\_\_\_

I am: \_\_\_\_\_ Sole Owner  
\_\_\_\_\_ Full Partner  
\_\_\_\_\_ Working towards Partnership  
\_\_\_\_\_ Employee  
\_\_\_\_\_ Independent Contractor  
\_\_\_\_\_ Other: \_\_\_\_\_

Have you started planning for your retirement? YES NO

When did you start planning for your retirement(year/age...)? \_\_\_\_\_

What professional help do you use? (accountant, banker) \_\_\_\_\_

Did your optometry program offer business/retirement-planning classes? YES NO

If YES, did you use this information to help you plan for your retirement? YES NO

How have you used this information? \_\_\_\_\_

If NO, how did you gain this information? \_\_\_\_\_

I plan to retire in:  1-5 years  
 5-7 years  
 7-10 years  
 10-15 years  
 >15 years

Are you relying on your practice as sole means of retirement? YES NO N/A

Do you have 401K, IRA, stock holdings, or any other retirement accounts? YES NO

IF YES, please state type: \_\_\_\_\_  
\_\_\_\_\_

Do you feel financially well prepared to retire? YES NO

Please Explain: \_\_\_\_\_  
\_\_\_\_\_

Are you also relying on the retirement plan of your spouse? YES NO N/A

I would like to sell my practice:  All at once  
 All at once and be an employee  
 Sell half and be partners  
 Slow buy-out over a few years  
 N/A  
 Other: \_\_\_\_\_

Have you ever considered hiring an associate? YES NO N/A

IF YES, did you hire an associate? YES NO

IF NO, please state why: \_\_\_\_\_  
\_\_\_\_\_

IF YES, what are you looking for in an associate (personality/specialties)?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Would you like to be contacted by an MCO graduate regarding employment? YES NO