



FAUCHARD
INVESTMENTS

From Practice Income to Retirement Income

Account Management and Investing Guide

INVESTMENT MANAGEMENT &
FINANCIAL PLANNING FOR DENTISTS

BUILD YOUR OWN SYNTHETIC PENSION

Getting your portfolio ready to do the heavy lifting

Your practice has been funding your life for years. Your house, family vacations, your savings, tuition payments, all earned chairside, one appointment at a time. Retirement moves that job over to your portfolio. Dentists don't get pensions; it's our job to convert your portfolio into a 'synthetic' pension. Although it lacks the guarantees that come with a real pension, you can rebuild your portfolio so that it is optimized with the objective of providing steadily increasing income from dividends and interest.

BEFORE YOU GET STARTED**01 Determine how much you need every month.**

It is not uncommon to have lost sight of this figure as your income grew, but the time has come to tally up all your monthly spending.

02 Conduct an account inventory.

How much money will you have in IRAs, how much in Roth IRAs, how much in taxable brokerage accounts, what do you have in cash, and how much in your HSA?

03 Don't forget your practice sale.

It can't carry your retirement, but it should provide a nice bump to your taxable brokerage account balance.

04 Ignore your house.

Although the house you live in provides a nice boost to your net worth, its primary purpose is giving you a place to live. It won't help you generate retirement income unless you plan on down-sizing.

OUR APPROACH

Building your own 'synthetic' pension means organizing your money across account types, aligning investments with tax considerations, and investing with the objective of steady income even when markets are volatile. Being able to sleep soundly at night, no matter what is going on in the news, is as important as the income itself.

Get your portfolio ready at least 3-5 years before you retire.

WHILE YOU ARE STILL PRACTICING

Maxing out your saving.

The bulk of your retirement income-generating portfolio comes from savings while practicing, not a payout at transition. The nature of your business means your ability to move cash out will increase with time, making the end of your career a critical final push to save.

Assuming your cash reserve already exists, max out your backdoor Roth IRA contributions for you and your spouse, leave your HSA money alone so it can be invested, max out your 401(k) and your catch-up contributions, and if you can, contribute to a cash balance plan. The rest of your savings could go straight into your brokerage account. You may find transitioning more comfortable if the first 3-5 years of your retirement are fundable without needing to sell stocks.

ACCOUNT SAVING PRIORITIES AND SEQUENCE

01 CASH RESERVE

Three to six months of practice and household spending.

02 401(K)

Regular or Roth, don't forget to max out your catch-up contributions.

03 HSA + BACKDOOR ROTH IRA

Backdoor contributions for you and your spouse, and don't spend your HSA.

04 CASH BALANCE PLAN

Turbo-charge savings, but only when your practice can fund it every year.

05 TAXABLE BROKERAGE

No contribution limit; your general all purpose investing account.

The advisability of making backdoor Roth IRA contributions hinges on whether you have a traditional IRA balance. That's why we discourage 401(k) rollovers until you are retired.

Give yourself time: build your retirement plan 5-10 years before you retire.

WHERE TO KEEP THEM

Cash Reserves

Cash reserves are essential to protect both your practice and your household in the event of the unexpected, both before and after retirement. Although your bank should have enough to prevent bills from bouncing, keeping your reserves in your bank often isn't your best option.

WHAT WE USE

Treasuries

Backed by the full faith and credit of the US government, we usually use short term, individual bonds instead of funds. Interest is exempt from state and local tax.

Money market funds

A fund that invests in short-term, low-risk debt securities. They are managed to keep a constant share price of \$1. It's easy to get your money back out.

ALSO WORKS WELL

High-yield savings accounts

These savings accounts are usually online, and are insured by the FDIC up to the limit. They usually pay better interest rates than checking or normal savings accounts.

Money market accounts

A bank account that pays more than a regular one, insured by the FDIC up to the limit, with immediate access. Interest is ordinary income.

Short-term US Treasuries trade in the deepest, most liquid market in history, so you can get to your money when you need it.

CAN WORK, DEPENDS ON YOUR SITUATION

Checking accounts

A little bit of your cash reserve should stay in checking, but they rarely pay compelling interest. FDIC insured up to the limit.

CDs

Although CDs can pay decent rates and are FDIC insured, cashing in early can cost a penalty, or they might be hard to sell.

Savings bonds

An underappreciated option, Series I savings bonds are stable and inflation protected, but you are restricted in how many you can buy per year, you can't cash them for the first year, and you forfeit some interest if you cash in within the first five years. A viable option for long-term reserves; interest is tax-deferred.

Corporate bonds

Strong interest, but can carry more liquidity risk and more default risk than US Treasuries. We usually prefer the individual bonds to funds, and like these when you can hold to maturity.

NOT SUGGESTED

Stocks	Too volatile to reliably store emergency reserves.
Gold or silver	Hard to convert to cash, risk of theft, and hard to carry.
Bitcoin	Too volatile for cash reserves.
Foreign currencies	Reserves should be in the same currency as your bills.
Cash under your mattress	Risk of theft and loss; inflation erodes its value.

CREDIT LINES

Credit is a viable backstop as well, but banks can trim lines just when your production drops. In a real crisis, you may want to draw the full line immediately.

For reserves, rate of return is of secondary importance to accessibility.

401(K) • TRADITIONAL OR ROTH • SEP IRA

Max out your 401(k)

You probably have either a SEP IRA or a 401(k), which is likely to be your primary retirement work horse. If you are still using a SEP IRA and have enough time left in your career, it may be advisable to switch to a 401(k), where it is often possible to save more. Additionally, 401(k) plans have a Roth option, where your savings can grow tax-free, compared to a SEP IRA where your savings are growing tax-deferred. The stability of future tax-rates, especially at lower brackets, can't be guaranteed, so sticking with pre-tax contributions is not necessarily the obvious decision despite your current high income.

SEP VS 401(K)

SEP IRA ONE SOURCE

Only your practice contributes.

401(K) TWO SOURCES

Your deferral goes in on top of your practice's.

401(K) FROM 50 CATCH-UP

Extra contributions a SEP has no version of, outside the limit that caps one.

CONTRIBUTING TO A 401(K)

Your own deferral

The base amount you can defer out of your own pay.

Catch-up from 50

An additional amount from the year you turn 50.

More at 60 to 63

Higher again for the four years you are 60 to 63.

What your practice adds

Match and profit sharing go in on top.

MAKING THE SWITCH

Many dentists start with a SEP IRA because they are easier and less expensive to set up. Once you're ready to switch to a 401(k), so long as you set it up correctly, you can roll your SEP IRA into your 401(k), which makes it possible to do backdoor Roth IRA contributions.

Your tax rate is one input: contribution limits, required distributions and Medicare can move the answer. Contribution limits and catch-up amounts are set by statute and adjusted for inflation, so no dollar figure is printed here.

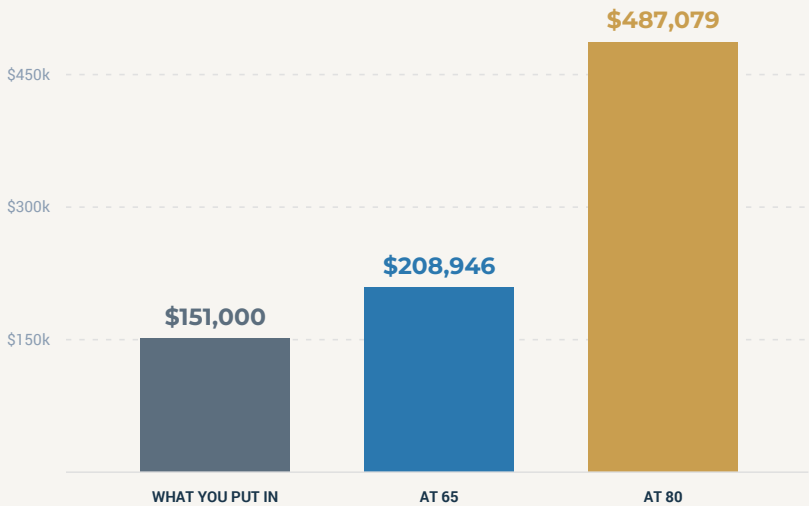
401(k)'s are more tedious than SEP IRA's, but they might be worth it.

HEALTH SAVINGS ACCOUNT

Save and invest your HSA

Health Savings Accounts (HSA) are one of the most tax-advantageous accounts available, and most people only capitalize on half the benefit. They are like a Traditional IRA, in that the contributions are tax deductible. But they are also like a Roth IRA, in that investment gains are also tax-free. If you spend the money right after you contribute it, you never give your money a chance to grow. Invest semi-aggressively in a basket of index funds like you would in a Roth IRA, until it's nearly time to use it.

KEEP YOUR HSA AND LET IT GROW; SPEND IT LATER



GROWTH BY 80	TAX ON IT IN A TAXABLE ACCOUNT	TAX ON IT IN AN HSA
\$336,079	\$50,412	\$0

Illustration. Family HSA at 2026 limits held flat (\$8,750, \$9,750 from age 55), contributed at each year end from 50, 6.5% gross annual equity-return assumption, Fauchard's advisory fee deducted quarterly in arrears, 15% long-term capital-gains planning rate. A taxable account would also be taxed on dividends along the way, so the comparison is conservative. Contributions must stop at Medicare enrolment. Withdrawals are tax-free when they pay qualified medical expenses. A traditional IRA deduction can be limited or unavailable where income is high and a workplace plan covers you or your spouse. Rules summarized from IRS Publications 969 and 590-A, as of 2026. Not a forecast.

Most healthcare costs come late in life; let it grow to save on taxes.

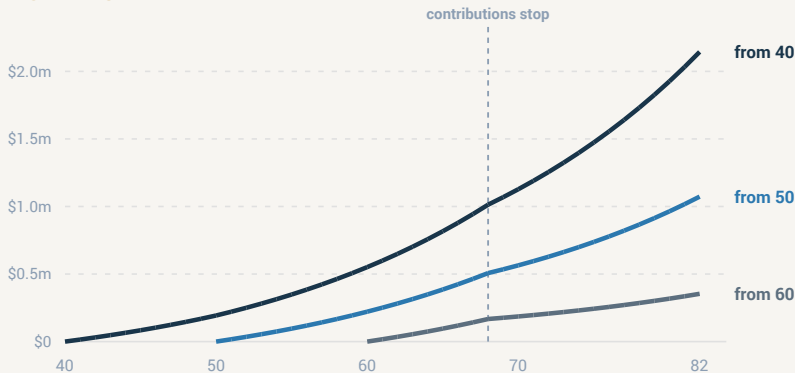
ROTH IRA • YOU AND YOUR SPOUSE

Are you maxing out your Roth IRA?

As a dentist, you probably make too much to contribute directly to a Roth IRA. That doesn't mean you're out of luck, though. Instead, you can make what is colloquially known as a 'Backdoor Roth' contribution. You contribute the maximum allowed amount to an empty traditional IRA, and then convert the balance into your Roth IRA.

When done correctly, there are no tax implications, and it is as if you contributed directly to the Roth IRA from the start. Although IRA contribution limits are small compared to 401(k) limits, with both you and your spouse contributing, it is possible to have a considerable combined balance. Growth doesn't stop when you retire, though. Because Roth IRA money is the last money you would ever spend, these accounts may have decades to grow tax free even after you stop working.

BALANCE AT 82



STARTING AT 40

\$2,144,176

STARTING AT 50

\$1,072,946

STARTING AT 60

\$353,816

Illustration. A couple funding two backdoor Roth IRAs at 2026 limits held flat (\$7,500 each, \$8,600 from age 50), contributed at each year end and stopping after 67, 6.5% gross annual equity-return assumption, Fauchard's advisory fee deducted quarterly in arrears. Not a forecast. The contribution needs earned income and carries the annual limit; the conversion is a separate step with no income limit. Traditional, SEP and SIMPLE IRAs are aggregated in the pro-rata calculation that decides how much of a conversion is taxable, and each taxable conversion carries its own five-year period.

Even if you start late, tax-free growth can still be meaningful.

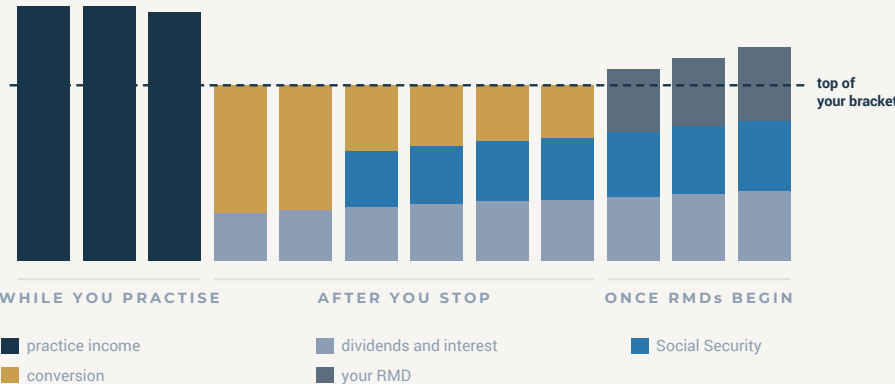
BEFORE YOU START RMDs

Converting your traditional IRA to Roth

After you retire, you will probably roll your 401(k) into an IRA, and you will eventually be required to take money out every year, whether you need it or not (a ‘Required Minimum Distribution’, or RMD). The amount you must take out depends on your prior year-end balance; a smaller balance means a smaller RMD.

A qualified charitable distribution aside, paying taxes on your IRA balance is inevitable. If you don’t, your kids will. Depending on where you land in the tax brackets, there may be an opportunity to convert some of your IRA balance over to Roth each year before your RMDs start, reducing your RMD requirement and potentially saving you money in taxes. Although this strategy requires careful planning, it can be quite effective.

USING CONVERSIONS TO REDUCE RMDs



IRMAA

Conversions raise your income, and income determines your Medicare premiums. This potential cost has to be weighed against possible tax savings.

Schematic, not your numbers: bar heights are illustrative and no age, bracket or distribution amount is shown, because those change. The age your RMDs begin is set by statute and depends on the year you were born. Converting stays available after they begin, though the required distribution itself cannot be converted. Rules summarized from IRS Publications 590-A and 590-B and SSA IRMAA rules, as of 2026.

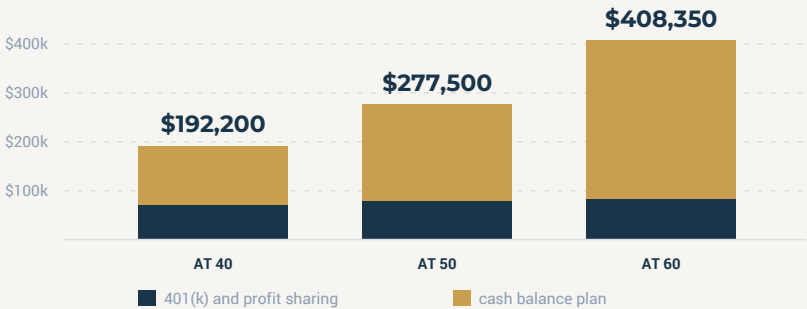
Convert up to your tax bracket before RMDs start, and you might prevent RMDs from taking you over the bracket later.

A PENSION FOR YOUR PRACTICE

Cash Balance Plans

A cash balance plan is a type of pension that your practice sets up for itself. Each year your practice puts money in, and everyone in the plan has a balance that is credited every year with a pay credit set by formula, plus interest the way the plan document spells out. An actuary works out what should go in, and what the plan can fund for you rises with your age, which is what lets a dentist in their fifties put away far more than a 401(k) allows. It runs alongside your 401(k) and profit sharing.

PRE-TAX SAVINGS THAT DWARF A 401(K)



WHAT TO KNOW BEFORE YOU ADOPT ONE

It is a commitment

An actuary sets what your practice must contribute every year. You don't get to skip contributing on a down year.

Your staff are covered too

The rules reach part of your team, and what they are credited is part of the cost.

Your balance is a promise

The plan owes you the balance. If its investments fall short, your practice puts in more.

Stopping is a formal act

You freeze it or wind it up, on your plan's rules. It is not simply dropped.

This is the saving option that can turbo-charge late career saving, but it is only advisable if your practice is profitable enough to meet the contribution commitments. Unlike a 401(k), after you set it up, you are obligated to contribute to it.

Illustration, at 2026 limits. The 401(k) and profit sharing figures are the IRS limits in Notice 2025-67: \$24,500 of your own deferrals plus \$47,500 from the practice, \$72,000 in all, plus the \$8,000 catch-up from 50 and \$11,250 at 60 to 63. The cash balance figures are Emparion's published 2026 illustration of the maximum for an owner at maximum compensation, using published mortality tables and a 5% interest credit. What your own plan can fund is set by your actuary from your age, your pay and the plan's design, and can be well below these. Not a forecast.

Only start a cash balance plan when your practice is strong enough.

YOUR ALL PURPOSE INVESTMENT ACCOUNT

Taxable Brokerage Accounts

Brokerage accounts are like the checking accounts of the investment world. They can be owned individually, be joint accounts, or be corporate accounts. There are no restrictions on contributing to them or taking money back out, and any money you earn in them is taxable in the year that the earnings are realized.

Brokerage accounts get better tax treatment than traditional IRAs, making them better vehicles to fund the early years of your retirement than your traditional IRA, and a better place to earn dividend income. One way to improve the tax efficiency of your portfolio is to concentrate your dividend income in your taxable brokerage, while moving interest-earning bonds over to your traditional IRA.

HOW IT IS TAXED

- 01** **DIVIDENDS**

Favorable tax treatment in the year paid.
- 02** **CAPITAL GAINS**

Favorable tax treatment for sold long-term holdings.
- 03** **LOSSES**

Realized losses can offset gains, creating opportunities to reduce taxes when markets are volatile.
- 04** **WHAT YOU LEAVE**

Favorable tax treatment in estates.

A taxable brokerage account funds years your others cannot or should not for tax purposes.



SOCIAL SECURITY BRIDGE

Your brokerage account is a tax-smart way to cover the income that you will eventually take from Social Security if you retire before you are eligible. That way your income stays consistent.

Rules summarized from IRS Publications 550 and 551, as of 2026.

With excellent tax treatment and opportunities, and no contribution or withdrawal limit, the regular brokerage account is a strong foundation for any portfolio.

INDIVIDUAL STOCKS AND INDEX FUNDS

Stocks are usually the bulk of a portfolio

There are many ways to approach stocks; one simple one is to think of them in five categories. Large, medium, and small size US companies, international stocks, and emerging markets. Although emerging markets are a popular investment category worldwide, we dislike them in retirement portfolios. So building a diversified retirement portfolio means balancing the four remaining categories.

Because we like to maximize income, we use individual dividend paying stocks for the “Large US” category; this list could include many companies you are familiar with that have been paying dividends for many years. To preserve diversification but avoid excessive complexity, if you’re doing this yourself we suggest low-cost index funds to cover the other three categories (small US, medium US, and international).

SAMPLE EQUITY ALLOCATION (YOUR SITUATION MAY BE DIFFERENT)

U.S. LARGE CAP



The bulk of your income-producing portfolio made up of individual stocks selected for a history of dividend hikes. Find them in the S&P 500.

INTERNATIONAL



International stocks don't share US companies' commitment to dividends, but they can still perform well.

U.S. MID CAP



Using a low-cost index fund that gives exposure to the S&P 400 is our favorite vehicle for this category.

U.S. SMALL CAP



Although the Russell 2000 is the most popular small-cap index, we always suggest a low-cost S&P 600 index fund, instead.

Illustrative category weights. Every portfolio is built individually.

ETFs

ETFs are baskets of stocks that can be bought and sold as if they were individual stocks on an exchange. Although there is a fee for owning them, many based on indexes like the S&P 400 or 600 can be very inexpensive. This is our suggested type of index fund because they are easy to use and taxed well.

Using individual dividend paying stocks can give you more control over your income stream.

FIXED INCOME

Bonds and Preferred Stock

It pays you predictable income, it returns your principal on a date you can plan around, and it steadies your whole portfolio. Stocks move around more compared to short-term fixed income, so holding some can help stabilize your portfolio. We use three types of fixed income; US Treasuries, Corporate Bonds, and Preferred Stock. The latter can be volatile just like stocks, so use them with caution.

SHORT TERM U.S. TREASURIES

Money you may need in the near future, including part of your planned retirement income distributions are better kept in short-term US Treasuries, which are more stable and easier to sell quickly than many alternatives.

U.S. CORPORATE DEBT

Better rates than Treasuries, and usually easy to sell. If markets turn volatile they can become hard to sell quickly, so we use them for money you know you will need on a particular date and are unlikely to touch before then. Holding money for future required distributions from an IRA is one possible use case.

PREFERRED STOCK

Not normally part of a fixed income portfolio. We use them because they pay the strongest income of the three. They are not easy to trade, so treat them as an income fixture rather than a place to turn for a purchase or an emergency. The price can move around; the income is a stated rate and does not move with it.

HOW SOON YOU MIGHT NEED THE MONEY

SHORT TERM U.S. TREASURIES



you might need it at any time

U.S. CORPORATE DEBT



you know the date you need it

PREFERRED STOCK



You aren't selling, it's just for income

SOON

NO DATE

Your income needs, risk tolerance, and portfolio size inform how much of your portfolio should be in Fixed Income vs. Stocks.

OPTIMIZING FOR TAXES

Proper organization reduces your tax bill

Think of your portfolio as all of your accounts combined, rather than treating each account like a mini-portfolio. This will cause your accounts to all perform differently, but that is okay. Focus on the big picture and you can save in taxes.

PAIRING INVESTMENTS WITH ACCOUNT TYPE

**TAXABLE
BROKERAGE**

Short term treasuries, preferred stock, and dividend-paying stocks.

Treasury interest is exempt from state and local tax, and that exemption is only worth something here. Your dividends get the best tax treatment in this account, and a preferred issue paying a qualified dividend is taxed at those same lower rates rather than as interest.

**TRADITIONAL
IRA (SEP, 401k)**

Corporate bonds, and as much of your total fixed income as will fit.

Everything leaves a pre-tax account as ordinary income, which is the rate bond interest is taxed at anyway. So the interest costs you nothing extra here. Your bonds probably won't grow as much as your stocks, which is perfectly acceptable since this account is the least-favorable for taxes.

**ROTH IRA OR
401k AND HSA**

100% Stocks.

Qualified withdrawals come out untaxed, and for an HSA the qualifying use is medical, so you want these accounts to grow as much as possible for as long as possible. We like diversified index funds and stock-heavy allocations, here. Don't forget to change your HSA over to short-term Treasuries at least a few years before you are ready to start using it, but give it some time to grow if you can.

EVERYONE'S SITUATION IS DIFFERENT

We can speak in generalities, but everyone's situation is different, which requires a unique plan and allocation for almost everyone. We suggest speaking with an Advisor or CPA to help map out the specifics for your circumstances.

Federal rules summarized from IRS Publications 550, 575, 590-B and 969, 26 U.S.C. 1(h)(11) and 246(c), and 31 U.S.C. 3124, as of 2026. Preferred income is taxed as a qualified dividend issue by issue, not as a class.

Every holding has a best home. The tax code decides which one.

THE BIG PICTURE

How much in stocks, how much in fixed income, how much in cash

How much of your overall portfolio is in stocks vs bonds vs cash is perhaps your portfolio's most important question in retirement. We think about this in terms of the risk you can afford and what you are trying to accomplish. Sometimes that is a preference you are free to exercise. Sometimes your goals leave you with fewer choices; allocating for more or less bonds may be prudent based on your specific situation. Threading the needle between what you want and need, versus the volatility you are comfortable with in your portfolio is no easy task, and is one place where an Advisor can really earn their keep.

MORE FLEXIBILITY

PLENTY COMING IN

If your dividends and Social Security already meaningfully cover your income needs, you may get to decide how much volatility you are comfortable with, whether that means keeping more in bonds so your portfolio stays more stable, or more in stocks to grow it aggressively long-term for your estate.

LESS FLEXIBILITY

YOU NEED THE GROWTH

If your portfolio has to grow to sustain your expected spending, you may not have the luxury of keeping much of it in bonds.

YOU NEED CASH

If you know you need money in the next few years, you may not really have the option to keep it in stocks, tempting as that may be.

YOUR ALLOCATION SHOULD SHIFT WITH YOUR STAGE IN LIFE

WHILE YOU ARE WORKING

A stock heavy portfolio maximizes your growth for retirement; in many cases, 100% stocks is appropriate.

3 TO 5 YEARS OUT

It's time to optimize your portfolio for income, which means adding fixed income.

RETIREMENT

Managing your allocation for your needs and tolerance.

IF MARKETS HAVE DONE WELL

It's okay to move a little more over to cash, including your HSA if you're ready.

IF MARKETS ARE DOWN

It's okay to erode your cash a little bit, letting stocks become more of your portfolio. Always keep your immediate needs covered, though.

Everyone's situation is different. Here more than anywhere, planning is essential.



FAUCHARD
INVESTMENTS

Do you know how your portfolio will pay you after your last patient?

Would you like our perspective on your retirement readiness and trajectory?

**REQUEST A COMPLIMENTARY
RETIREMENT READINESS REVIEW HERE**

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